Company Registration No. SC031286 (Scotland)

# SPRINGFIELD PROPERTIES PLC

# ANNUAL REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 MAY 2021

SPRINGFIELD PROPERTIES PLC

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## COMPANY INFORMATION

| | |
|---|---|
| DIRECTORS: | Mr Sandy Adam<br>Mr Innes Smith<br>Ms Michelle Motion<br>Mr Roger Eddie (non-executive)<br>Mr Matthew Benson (non-executive)<br>Mr Nick Cooper (non-executive)<br>Mr Colin Rae (non-executive) |
| SECRETARY: | Mr Andrew Todd |
| REGISTERED OFFICE: | Alexander Fleming House<br>8 Southfield Drive<br>ELGIN<br>Morayshire<br>IV30 6GR |
| COMPANY REGISTRATION NUMBER: | SC031286 (Scotland) |
| INDEPENDENT AUDITOR: | BDO LLP<br>City Point<br>65 Haymarket Terrace<br>Edinburgh<br>EH12 5HD |
| NOMINATED ADVISER AND BROKER | Singer Capital Markets Securities Limited<br>1 Bartholomew Lane<br>London<br>EC2N 2AX |
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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 2021.

## FINANCIAL HIGHLIGHTS
## FOR THE YEAR ENDED 31 MAY 2021

| Group Revenue | Group Completions | Group Adjusted PBT* | Private Homes Revenue | Affordable Homes Revenue |
|---|---|---|---|---|
| **2021: £216.7m**<br>**2020: £143.5m** | **2021: 973 homes**<br>**2020: 727 homes** | **2021: £18.5m**<br>**2020: £10.2m** | **2021: £144.6m**<br>**2020: £98.9m** | **2021: £55.1m**<br>**2020: £42.5m** |

| **Group** | **2020/21 £m** | **2019/20 £m** | **Change %** |
|---|---|---|---|
| Revenue | 216.7 | 143.5 | +51.0% |
| Gross profit | 38.8 | 27.4 | +41.6% |
| Gross margin | 17.9% | 19.1% | -120bps |
| Adjusted profit before tax* | 18.5 | 10.2 | +81.4% |
| Statutory profit before tax | 17.9 | 9.7 | +84.5% |
| Earnings per share | 13.79p | 7.89p | +74.8% |
| Net debt | 20.8 | 70.9 | -70.7% |

*Adjusted profit before tax excludes exceptional items detailed at Note 11

### Strategic and Operational Highlights

- Highest ever annual turnover and substantial increase in profit before tax
- £50.1m reduction in net debt (Note 32)
- Land bank 15,281 plots – 52.4% with planning achieved
- Gross development value of land bank of £3.1bn
- Commenced work on site for first homes for the Private Rental Sector
- Board lead appointed for Environmental, Social and Governance (“ESG”)

## EXECUTIVE CHAIRMAN'S STATEMENT
## FOR THE YEAR ENDED 31 MAY 2021

This last year demonstrated just how important it is to value where we live and the communities we share – two guiding principles behind everything we do at Springfield. I take immense pride in the way our company rose to the challenges posed by the pandemic to live up to these values, providing quality homes with excellent customer care across housing tenures, and delivering a year of outstanding growth.

Springfield specialises in building spacious, semi-rural homes offering ample green space and with amenities nearby. With demand for this type of home underpinning a buoyant housing market, we experienced a strong sales performance during the year across all areas of the business. This resulted in our highest ever annual turnover as well as a substantial increase in profit before tax, both of which exceeded the market expectations that had been set at the beginning of the year. Our strong cash generation enabled us to significantly reduce net debt. This was supported by two strategic land sales towards the end of the year as we continued to realise value from our large-high quality land bank.

We made good progress with our Village developments, with a particularly strong level of completions at our Linkwood Village in Elgin and the advancing of community facilities with the opening of convenience stores at Bertha Park and Dykes of Gray. Reflecting our commitment to ensuring sustained growth, we also purchased land in Midlothian for a large development of approximately 1,000 homes. There is very high housing demand in Midlothian, a county that borders Edinburgh, from families seeking a semi-rural lifestyle within easy access to the city.

We also signed contracts for, and commenced work on, multiple new affordable developments due to be delivered in the current year and launched our first Private Rented Sector project with Sigma Capital Group. The delivery of this PRS housing at Bertha Park will enable us to increase the build-out rate for the Village and underscores Springfield's commitment to develop mixed-tenure Villages that meet everyone's housing needs.

**People**

The return to operations on site in June 2020 was a pivotal moment in the year. With such a large, directly employed workforce based in varied settings, including offices, sales centres, construction sites and the kit factory, it was important that we took the right steps to ensure our staff felt supported, prepared and protected in the transition back to work. We have implemented new ways of engaging with our employees, including a text alert system to regularly communicate with staff wherever they are working.

I am proud of how our workforce – whether directly employed or sub-contracted – has adjusted and the drive they have shown. Those on site are working hard to deliver homes despite the challenging restrictions all around them. Our office-based staff continue to work from home without any impact on productivity or reduction in commitment. Our sales teams have managed the high interest from customers with confidence, encouraging use of the virtual tools developed this year and making our customers feel safe through dedicated appointments, online or drive-through reservations and exclusive access to our show homes. The success of the Springfield Group is because of our employees and, on behalf of the Board, I would like to thank everyone for their remarkable performance during the year and since then.

We also continued our commitment to supporting the personal development of our workforce. We now have over 600 employees with over 15% in apprenticeships or formal training programmes. Testament to our success in developing our workforce through graduate and apprenticeship schemes, we were delighted to recently win the award for 'Best Early Careers Employer (Apprentice/Graduate)' at this year's s1jobs Recruitment Awards. s1jobs is the largest online recruiter in Scotland and so we were up against some stiff competition!

**Markets**

The housing market is booming and supply simply cannot keep up with demand. We are seeing particularly strong interest across the country for the type of lifestyles that Springfield homes can support – plenty of space for families for entertaining and home working, private gardens for outdoor living and located in semi-rural areas with attractive green space and local amenities to enjoy everything around them. In addition, demand from home buyers is supported by a competitive mortgage market with a good range of products and low interest rates.

Key differences in the Scottish legal system continues to provide strong visibility over the homes we deliver. The Scottish missive system, which ensures that customers are contracted into the purchase much earlier in the build programme, gave us added confidence that cancellations would be minimal as we recommenced work early in the new year. In addition, with all our homes sold on freehold, where the buyer becomes the sole owner of both the building and the land on which it stands, we are not impacted by the ground rents investigations seen elsewhere in the UK.

While the COVID-19 shutdown disrupted progress towards the achievement of the Scottish Government's target to deliver 50,000 new affordable homes by May 2021, a clear commitment to the delivery and funding of affordable housing remains. Following re-election this year, the Scottish Government has established a new longer-term target to deliver 110,000 energy efficient affordable homes by 2032 with almost £3.5bn earmarked for affordable housing funding through to March 2026. Our continued strong partnerships with local authorities and housing associations mean that we are well-placed to deliver homes to help achieve this target and meet the ongoing demand to help ensure everyone in Scotland has a great place to live.

**Supporting thriving communities**

This year we continued to create attractive new places across Scotland and our Villages are really beginning to flourish with extra amenities and a maturing landscape. We proudly hold our Villages up as real-life examples of the types of places that the Scottish Government is aspiring to deliver through their emerging policies to support 'twenty-minute neighbourhoods'.

Our staff enjoyed engaging communities in new, safe ways this year, ensuring that community liaison remained a core activity despite the restrictions. We adapted the way we consult with communities in the planning process and demonstrated that virtual tools offer greater accessibility, which we hope, going forward, will promote a new, diverse audience with the public being able to participate from home.

Similarly, we have remained committed to our engagement with schools, producing career videos to inspire the younger generations to consider a career in housebuilding and offering mock interviews online for students preparing to leave school. This engagement was particularly valuable at a time when schools were closed and opportunities to progress much less obvious given the number of sectors that had slowed down. We are honoured that our 'Young Workforce' campaign has been recognised by Homes for Scotland and shortlisted for 'Innovation of the Year' at this year's Homes for Scotland Awards, with the winners due to be announced in November.

We also continued our charitable activities, donating £25,477 to local charities and community groups during the year (2020: £18,077 total charitable donations).

Given all the positive feedback we have received, I expect many of the innovations that have emerged during the last year and a half will continue going forward.

**Our commitment to ESG**

As one of Scotland's largest housebuilders, we recognise the important part that we can play in supporting system changes to combat climate change. Our potential for positive impact goes well beyond our business operations and includes the choices that we make about our supply chain, the efficiency of the homes we build and in the sustainability of the communities we create.

To this end, I am delighted that Colin Rae has agreed to be the Board lead for ESG. Upon accepting the position, Colin successfully undertook an extensive Business Sustainability Management Course, hosted by Cambridge University's Institute for Sustainable Leadership. This reflects Colin's dedication to ensuring we formalise this function with rigour and expertise.

I have noted above our commitment to supporting our people and local communities. Alongside this, we deeply value engagement with our shareholders – another key stakeholder group. Our annual general meeting ("AGM") is an important opportunity for dialogue with our shareholders and we were disappointed that attendance had to be restricted this year due to the pandemic. However, we were delighted with the support shown at our AGM – with each resolution receiving over 99% approval.

Post period, the Board unanimously agreed to the development of a new dedicated strategy for ESG, which we consider a fantastic opportunity to showcase the type of company Springfield is – one which considers 'people' and the 'planet' as much as 'profits'. We expect to publish our ESG Strategy later this financial year and I look forward to reporting on our progress against it in the years to come.

## EXECUTIVE CHAIRMAN'S STATEMENT (CONTINUED)
## FOR THE YEAR ENDED 31 MAY 2021

**Dividends**

During the year to 31 May 2021, we made £2.0m in dividend payments relating to the distribution for the prior year. We were also pleased to pay an interim dividend of 1.3 pence and to now propose a final dividend for 2021 of 4.45p pence per ordinary share.

**Looking to the future**

The outlook for the housing market is positive with demand across all tenures continuing to outstrip supply. We are well positioned to benefit from this trend as we deliver on our strong order book of private homes under missive and multiple contracted affordable housing projects.

Last year highlighted the resilience of our business and the ability of our management and employees to withstand the most challenging of circumstances. This is further supported by the strategic diversification of our revenues streams, which next year will also include PRS for the first time, and our large, high-quality land bank. I am proud that Bertha Park will be the first Village in Scotland to offer it all – homes of different sizes for sale, affordable tenures for those in need and purpose built, quality family homes to rent privately. This truly is a landmark moment for the delivery of new homes in Scotland. As a result, we emerge from the pandemic with a clear purpose and in a strong position to deliver further growth for our shareholders.

I would like to reserve the last word to thank my fellow Board members for their guidance through these unprecedented times as well as our management team, employees and subcontractors, our customers, our suppliers and our shareholders. We look forward to continuing to generate value and to sustainably providing great places for people to live.

**Sandy Adam**
**Chairman**
13 September 2021

# CHIEF EXECUTIVE'S STATEMENT
# FOR THE YEAR ENDED 31 MAY 2021

This has been an excellent year for Springfield. We have achieved our highest ever annual revenue and profit – exceeding £200m in revenue for the first time and by a significant amount– with record results in both our private and affordable housing. Revenue from private housing increased by 46.2% to £144.6m (2020: £98.9m) and affordable housing revenue grew by 29.6% to £55.1m (2020: £42.5m). With the addition of construction contracts and our strategic land sales, total revenue increased by 51.0% to £216.7m (2020: £143.5m).

As a result, we were able to increase our profit before tax (excluding exceptional items) to £18.5m (2020: £10.2m) and significantly reduce our net debt position to £20.8m as at 31 May 2021 (31 May 2020: £70.9m).

**Operational Review**

This year we completed 973 homes (2020: 727), which is a great achievement. Our operations recommenced onsite from 15 June 2020 and all of our sales offices reopened on 29 June 2020. From the end of June 2020, we were able to commence handing over homes that had been nearing completion prior to lockdown and construction activity had resumed on every site by mid-July. I am proud of how quickly we were able to adapt and return to our normal build rate while maintaining strict protocols to ensure the health & safety of our workforce and customers.

This year we continued to advance the execution of strategy. In particular, we commenced work on site for our first PRS housing, which is with Sigma Capital Group plc and which will further diversify our revenue streams. As discussed below, we also made strategic land sales and a land purchase.

High global demand, COVID-19 and Brexit have resulted in material and labour supply constraints across the industry. However, the large proportion of fixed price contracts for materials that we had in place during the year as well as house price inflation served to mitigate the impact of increased material and labour costs. Similarly, Springfield's strong, established relationships with sub-contractors, together with our large directly employed workforce, helped us maintain the labour force needed.

**Land Bank**

This year we continued to focus on realising value from our large, high-quality land bank and thereby strengthening the balance sheet. This was achieved through prioritising the delivery of homes nearing completion during the first half and with the strategic sale of land towards the end of the year. These land sales, which were material in nature, were across two of our large (non-Village) developments in the Central Belt (for approximately 200 plots in total) to two national housebuilders. We also commenced construction of our first PRS homes, which targets a different customer base and therefore will accelerate the build out of the Villages.

However, we also continued to strategically invest in our land bank, purchasing 150 ha of land in Midlothian in the Edinburgh commuter belt. With this purchase, we intend to submit a planning application for a large development providing approximately 1,000 new homes in an area of high demand.

At 31 May 2021, we had 45 active developments (31 May 2020: 44 active developments) and during the year:

- 14 developments were completed;
- 16 new active developments were added to the land bank;
- planning gained on 609 plots over 11 developments;
- the proportion of the land bank with planning consent increased to 52.4% (31 May 2020: 49.4%); and
- as at 31 May 2021, the land bank consisted of 15,281 plots (31 May 2020: 15,882).

**Private Housing**

During the year, we completed 593 private homes (2020: 419). The average selling price for private housing increased to £244k compared with £236k for 2020 due to housing mix and house price inflation.

The Group had 25 active private housing developments at 31 May 2021 (31 May 2020: 25), with 8 active developments added during the period and 8 developments completed. In total, as at 31 May 2021, the private housing land bank was 11,078 plots on 57 developments (31 May 2020: 11,416 plots on 61 developments).

## CHIEF EXECUTIVE'S STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

Planning consent was gained for 252 plots across 5 developments for private housing. As at 31 May 2021, 51.7% (5,726 plots) of private housing plots had planning consent (31 May 2020: 49.7%), with 23.8% going through the planning process and 24.5% at the pre-planning stage.

**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, with ample green space and community facilities. They primarily offer private housing, but also include affordable housing and, beginning with Bertha Park, will soon include PRS housing. We have three Villages that are already home to growing communities and two Village developments that are going through the planning process.

Private housing revenue from our Village developments increased by 43.0% over the previous year with 150 private completions (2020: 112). This was based on strong growth in completions at Linkwood in Elgin where sales had been launched in the prior year. Sales also continued at our most advanced Villages – Dykes of Gray near Dundee and Bertha Park near Perth. At present, 99% of the available homes at our Villages have either been sold, missived or reserved, reflecting their popularity. There was also an expansion of amenities and strengthening of community engagement, such as with the opening of convenience stores, appointment of community liaison officers and launching quarterly newsletters.

A key milestone was achieved with the commencement of work on site for PRS housing at Bertha Park with Sigma Capital Group plc ("Sigma"), a high-quality PRS provider specialising in suburban, family homes. It follows the receipt earlier in the year of planning approval for 75 homes to be built for PRS at Bertha Park and, post period, construction commenced. This will be Springfield's first PRS housing. We will deliver purpose-built houses for families to rent, which, following handover, will be owned, let and managed by Sigma. This is expected to increase the build out rate for the Village and underscores our commitment to develop mixed-tenure Villages that meet everyone's housing needs.

Also at Bertha Park, we commenced construction on the second phase of private housing, which consists of 25 homes, and, subsequently, on a further phase of 82 homes.

**Other private housing highlights**

Outside of our Village developments, we completed 443 private homes during the year (2020: 307). Private housing revenue excluding the contribution from Villages made up 76.5% of total private housing revenue (2020: 76.0%). In particular, there was a strong increase in completions in the North region and by our Walker Group and Dawn Homes brands driven by new site launches.

**Affordable Housing**

We completed 380 affordable homes during the year (2020: 308). The average selling price was slightly higher at £145k compared with £138k for 2020.

The number of active affordable housing developments was 20 at 31 May 2021 (31 May 2020: 19), of which 10 were affordable-only developments (31 May 2020: nine). During the year, 8 active affordable housing developments were added to the land bank and 6 were completed. As at 31 May 2021, the total affordable housing land bank was 4,203 plots on 49 developments (31 May 2020: 4,466 plots on 47 developments).

We secured a number of new affordable housing contracts during the year. This has supported the contracted order book for affordable housing, which as at 31 May 2021 stood at £91.5m for delivery over the next two years. This represents our largest ever order book for affordable housing.

Key operational highlights in affordable housing during the year include commencing construction, which is progressing well, at The Wisp, Edinburgh under an £18.5m development agreement with PfP Capital for 104 apartments and at Dalmarnock, Glasgow under an £18.2m agreement with West of Scotland Housing Association for 144 affordable homes and two commercial units.

## CHIEF EXECUTIVE'S STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

This represents the first phase of construction at these two large developments that are for a total of 139 and 237 homes respectively.

We continued to make progress under our local authority framework agreement with Moray Council for 10 affordable-only developments. We completed handover of two developments during the period and a further development was handed over post period. This brings the total number of developments completed under this agreement to four, with a fifth currently nearing handover. We have also commenced construction on two new developments, one of which began post period after having secured the contract in the first half. We are currently in contract negotiation for the remaining three developments under this agreement.

At Bertha Park Village, we completed, post period, the handover of the second phase of 58 affordable homes. We furthered our commitment to developing mixed-tenure Villages with signing a contract with Kingdom Housing Association for the first Mid-Market Rent ("MMR") housing to be offered at Bertha Park, with construction commencing on the 28 apartments post period. MMR is a form of affordable housing under Scottish law where tenants generally pay a lower rent than their area's market rate, but more than local social housing tenants. In addition, we're currently building a number of properties for Perth and Kinross Council that are adapted to specific client needs, such as being suited for a user of an electric wheelchair.

We continued to expand our partnership network. We completed handovers of the first phase at Duns in the Scottish Borders to Berwickshire Housing Association, our first project with this housing association, and signed a contract with them for the second phase. We also signed, post period, our first contract with Aberdeenshire Council, which is for 38 homes at Banff.

During the year, we secured planning consent for 357 affordable housing plots across 11 developments (one of which was an affordable-only development). As at 31 May 2021, 54.3% (2,284 plots) of affordable housing plots had planning (31 May 2020: 48.7%), with 26.1% of plots going through the planning process and 19.6% at the pre-planning stage.

**Customer Satisfaction**

As a result of the pandemic, we were required to adapt to new ways of engaging customers. This included making greater use of digital solutions, such as 'virtual walk throughs' and developing a facility to enable digital reservations with secure online payments. It also involved adapting more traditional arrangements, such as introducing 'drive in' reservations where customers remain in their vehicle while liaising with sales personnel. Compliance with Scottish Government guidance meant that for much of the year our after-sales service could only remain open for emergencies.

Nonetheless, we are pleased that, despite the challenges, the Group achieved a rating of 91.9% in this year's In-House customer satisfaction survey and a Net Promoter Score of 52. We have been grateful for the understanding of our customers and the efforts of our employees during this period, and we very much look forward to resuming normal operations and delivering our usual exceptional levels of service across the Group as quickly as possible.

During the year, we also took steps to further improve our customer service processes, which we expect to have an impact from this current year. We established a Customer Feedback Group, with representation from different roles across the business, to focus on the 'voice' of the customer and identifying opportunities for improvement through qualitative feedback contained in our In-House surveys. We also worked with an independent consultant to increase the efficiency and quality of our after-sales service, undertaking a review during the year and introducing changes post period. We will be closely monitoring customer experience in the coming months to ensure the changes have the desired effect.

**Build and Quality**

We have continued to take action across the business to improve the quality of our product and the efficiency of our build process. In particular, to strengthen the quality standard across our Group we have introduced a minimum specification to be phased into new sites. Each home we build will include as standard features that are practical for our customers such as a turfed back garden, outside tap, six-foot boundary fencing and cabling for electric vehicle charging in homes with driveways. This move further sets Springfield apart from many of our competitors in terms of what is included as standard.

Post period, we commenced a review of the design, construction and plotting efficiency of the standard house types across our Springfield, Walker Group and Dawn Homes brands. The intention is to seek opportunities for improvement and refinement of our house-type range across the Group to enable our current large-scale sites to become more efficient and to make future sites and potential land bids more competitive.

**Sustainability**

Springfield has always had sustainability at its core. It is part of our culture to strive to do the right thing across our operations: whether it be the design of our developments, our engagement with stakeholders or in the way we look after our customers and employees. As an employer, we have always sought to create a workplace where everyone can thrive and our commitment to apprenticeships and other formal training has been exemplary.

We have led the way in innovative environmental initiatives, such as the use of waste plastic roads, the early introduction of electric vehicle charging points within our customer's homes and the widespread use of Heat Pump technology. We recently introduced our first electric van for our timber kit factory, which marks the first step in our plan to phase out diesel vehicles in favour of a fully electric fleet, including the option of zero emission electric vehicles for staff.

In 2021, 91% of the homes we completed were constructed from timber kits. Springfield has had its own off-site timber frame factory for several years and last year the factory delivered 70% of our timber kits. With housebuilding peers striving to increase the number of the homes they deliver off-site and from timber, this is a key differentiator. With the exception of some bespoke apartment blocks delivered for affordable housing partners, we are committed to constructing all of our homes from timber. In addition, the timber used is sourced responsibly and accredited by the Forest Stewardship Council or the Programme for the Endorsement of Forest Certification.

We are already established on the route map to net zero and well prepared for the next step changes in energy standards. We have now begun taking steps to formalise our approach to sustainability and to set measurable targets and benchmarks for improvements in the coming years. We value the importance of input from our employees, partners and other stakeholders in developing a strategic framework for ESG. Consultation has commenced and to support these efforts, post period, we appointed a Group Quality, Environment and Sustainability Manager and a specialist consultant has been engaged to work with the Board and senior management to ensure we continue this journey on the right track.

**Outlook**

Springfield entered the 2022 financial year delivering against a strong order book, with excellent visibility over full year revenue forecasts based on homes delivered, contracted (missived and affordable contracts) and reserved. In particular, we expect a significantly increased contribution to Group revenue from affordable housing, reflecting substantial growth in that segment. As at 31 May 2021, our contracted order book in affordable housing was worth £91.5m for delivery over the next two years. This represents our highest ever order book for affordable housing. We will also receive our first revenue from PRS housing this year, which will further contribute to our growth. In private housing, we're delivering against a significant order book and continue to receive strong demand. Accordingly, we expect to achieve the same level of sales for FY 2022 as for the year to 31 May 2021 (with FY2021 having benefited from the large number of homes nearing completion at the end of the prior year that were rolled over due to the COVID-19 pandemic).

## CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
## FOR THE YEAR ENDED 31 MAY 2021

The Group continues to experience excellent demand across the business, which is supported by strong market drivers in private and affordable housing. There remains an undersupply of housing in Scotland and the desirability of the type of housing Springfield offers has increased. There is good mortgage availability and low interest rates, and the Scottish Government has restated its commitment to investing in the delivery of more affordable homes.

We are well-positioned to manage the moderate inflationary cost pressures, that are being experienced across the industry, thanks to our robust supply chain, with a high proportion of materials being procured directly. We also expect house price increases to absorb any increased build costs this year.

As a result, on an underlying basis (excluding the land sales), we expect to report strong growth for the year to 31 May 2022 over 2021, in line with market expectations. This is supported by excellent visibility over forecast revenues and reflects significantly increased sales of affordable housing, the first contribution from PRS housing and sustained delivery in private housing. Consequently, the Board continues to look to the future with confidence.

**Innes Smith**
**Chief Executive Officer**
13 September 2021

## CHIEF FINANCIAL OFFICER'S REVIEW
## FOR THE YEAR ENDED 31 MAY 2021

The financial year ended 31 May 2021 was outstanding for Springfield with record sales and profit levels as the Group rebounded strongly from the impact of the COVID-19 pandemic and cash generation of £50.1m reducing net debt from £70.9m at 31 May 2020 to £20.8m at 31 May 2021.

For the year ended 31 May 2021, the Group reported revenue of £216.7m (2020: £143.5m), an adjusted profit before taxation and exceptional items of £18.5m (2020: £10.2m) and a statutory profit before tax of £17.9m (2020: £9.7m).

The Directors use alternative performance measures (for example adjusted profit before taxation which takes statutory profit before taxation and adds back exceptional items) as this allows a better assessment of how the Group is performing by excluding non-recurring items. KPIs are detailed on the financial highlights page and are discussed throughout the annual report.

The significant increase in revenue reflected strong growth across private and affordable housing as well as other revenue. Private housing remained the largest contributor to Group revenue, accounting for 66.7% (2020: 68.9%) of total sales. The significant growth in Private housing revenues was driven by a large increase in completions in the North region and by our Walker and Dawn homes brands helped by new site launches. Affordable housing revenue grew strongly with contracts signed and work commencing on several new developments during the year. Two strategic land sales accounted for the majority of the substantial increase in other revenues.

| **Revenue** | **2021 £'000** | **2020 £'000** | **Change** |
|---|---:|---:|---:|
| Private housing | 144,584 | 98,924 | +46.2% |
| Affordable housing | 55,143 | 42,504 | +29.7% |
| Other* | 16,965 | 2,088 | +712.5% |
| **TOTAL** | **216,692** | **143,516** | **+51.0%** |

*Primarily land sales

Gross profit increased to £38.8m (2020: £27.4m) due to the significant increase in revenues noted above. Gross margin was 17.9% compared with 19.1% for the prior year, which primarily reflects the impact of the two strategic land sales. Adjusted gross margin (to exclude the contribution from land sales in both years) was 18.5% (2020: 18.6%).

Administrative expenses were £19.4m (2020: £16.5m) with the increase primarily reflecting staff costs as well as bank charges resulting from non-utilisation fees due to the significant reduction in bank debt. In 2021, administrative expenses included accrued bonus, which was absent from 2020 due to the cancellation of bonuses as part of the cost mitigation measures in response to the pandemic. The Group also had approximately 11 months of salary costs in 2021, compared with 10 months in the prior year, as 80% of employees had been brought back from furlough by the end of July 2020. However, these increases in administrative expenses were offset by cost mitigation measures implemented primarily in response to COVID-19 – with the Group achieving its target of realising £1m in cost savings on an annualised basis as part of our cost saving programme.

Exceptional items were £0.6m (2020: £0.4m). This relates to the cost of furloughed employees of £2.3m (2020: £3.1m), largely offset by grant income of £2.1m (2020: £2.7m) received under the UK Government's Coronavirus Job Retention Scheme, and redundancy costs from a rationalisation of the business.

The Group made an operating profit of £19.1m (2020: £10.8m). Excluding exceptional items, operating profit was £19.8m (2020: £11.3m). Adjusted Profit before tax and exceptional items was £18.5m (2020: £10.2m) and statutory profit before tax was £17.9m (2020: £9.7m).

Basic earnings per share (excluding exceptional items) increased to 14.41 pence (2020: 8.33 pence). Statutory basic earnings per share were 13.79 pence (2020: 7.89 pence). Return on capital employed (profit before interest and taxation divided by average capital employed which is calculated as the average of 2021 and 2020 total assets less current liabilities) was 14.3% (2020: 8.3%).

## CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)
## FOR THE YEAR ENDED 31 MAY 2021

Net debt at 31 May 2021 was £20.8m compared to £70.9m at 31 May 2020. This primarily reflects the significant increase in revenues, part of which was from homes where the majority of build costs had been incurred in the prior year but which were not handed over until the easing of lockdown in June 2020.

The two significant land sales completed at the end of the financial year also contributed to the substantial reduction in net debt.

The Group's £18m 12-month term loan from Bank of Scotland secured in April 2020 was repaid in full in April 2021, having been fully drawn but never utilised. The revolving credit facility of £64.5m, which was put in place for three years in January 2019 with an expiry date in January 2022, was extended, post period in September 2021, for a further three years to January 2025 on similar terms to the existing facility.

**Michelle Motion**
**Chief Financial Officer**
**13 September 2021**

## COMPANY OVERVIEW AND RISKS FOR THE YEAR ENDED 31 MAY 2021

**Environmental**

Our homes are designed to be energy efficient. We adopt measures to make them more environmentally sustainable, taking designs beyond the latest environmental standards to reduce 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 (i) statutory obligations are met; and (ii) we continually reduce our environmental impact.

**Quality Management**

The Group is accredited to ISO 9001-2015 standard. During 2020/2021 improvements completed because of quality management were 50.

**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 29 of the consolidated financial statements.

**Price / Sales Risk – Change in Demand**

The risk of reducing prices or a reduced sale rates due to a reduction in demand 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.

**Future Cash Flow Risk**

Detailed budgeting and regular review of our forecasts allows efficient management of future cash flows as part of managing any liquidity risk.

The Group has bank facilities, securing funding until January 2025 which have appropriate covenants and sufficient headroom in place. The Group and funders communicate regularly.

**Resources Risk**

The Scottish labour market is competitive and there is also 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 10% or above;
- a Board led culture of empowerment;
- satellite television discount and gym membership;
- consistent communication from CEO and senior managers throughout lockdown;
- long standing local market recruitment has reduced the potential effect of labour market changes due border changes.

Upward pressure on materials prices is being managed 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 to ensure the Group reduces it's legal and regulatory risks (e.g. disruption to trade, fines or other penalties) and helps ensure contracts are robust across the business.

**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 reduced 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. This ensures that the group can bring forward land even if market conditions are unfavourable for immediate acquistions. Prospective sites are brought forward from the land bank, 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. While COVID has resulted in changes to the process for obtaining planning it has not resulted in any significant delays due to local and national authorities adopting alternative methods to ensure planning requirements are met. 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.

**Financial Risk Management Objectives**

Details of the Group's financial risk management objectives are set out in Note 29 to these consolidated financial statements.

## COMPANY OVERVIEW AND RISKS (CONTINUED)
## FOR THE YEAR ENDED 31 MAY 2021

**Future Developments**

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

**Charitable Donations and Community Support**

During the year the Group made payments of £25,477 (2020: £18,077) to charities. These donations included:

- New Elgin JFC – 300 building blocks to help build dugouts at stadium
- Christmas trees and Lights for Bertha Park and Dykes of Gray; and
- Sponsorship of Springfield Scottish Squash Open

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, which 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.

**Brexit Risks**

The Group has continued to monitor the potential challenges and opportunities resulting from the withdrawal of the UK from the EU. Uncertainties regarding the potential increase in customs duties on supplies from the EU have been eased with the announcement of the free trade agreement. The Group will continue to assess and review the broader impact of these arrangements and the wider implications of Brexit.

**Covid Risks**

While it is difficult to predict the longstanding effects of the COVID-19 pandemic, the directors have considered specific threats to the business and methods to mitigate those risks. During the first half, the Group took a series of actions to mitigate the effects of COVID-19.

**Section 172 Statement**

The section 172 statement is detailed on page 20.

## 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. 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.

## 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 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 2021

This report provides shareholders with an overview of the Group's corporate governance arrangements and their operation during the year and how we comply 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 for the Group to maintain high standards of corporate governance. It sets out ten principles. Each principle and the Group's actions are set out below. Sandy Adam, as Chairman, is responsible for ensuring the ten principles are followed across the Group.
Additionally, the Group complies with section 172 of the Companies Act 2006. This report along with pages 35 - 37 sets out how the Board has discharged its duties.

A copy of this statement will be available on our website through its inclusion in this annual report. A copy of the report including the statement is available from https://www.springfield.co.uk/investor_relations/results_and_reports.

### 1. Strategy and Business Model

The Group operates within two housing markets – private and affordable. The Group develops a mix of private and affordable housing in Scotland in development of different sizes and locations. It believes this combination is key to sustained long term growth.

**Private:**
The Group delivers private housing on developments of various size across Central, West and the North of Scotland under its Springfield, Dawn Homes and Walker Group brands. This includes standalone Village developments, each with up to 3,000 plots and the infrastructure and amenities a village community needs to become established.

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.

Generally the Group takes a long term view of developing land and directly employs a multidisciplinary team expert in releasing planning consents. The team includes planners, architects, engineers and lawyers. The Group has expertise in developing sites which involve the challenges of land in multiple ownership, the need for full masterplanning and for several and varied engineering solutions.

**Affordable:**
Our affordable housing operation operates across Scotland and 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 100,000 affordable homes by 2031/32. 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.

Further details on our strategy and business model are discussed in the Chairman's statement on pages 5-7**.**

### 2. Statement and Understanding Shareholder Needs and Expectations

Sandy Adam, as Chairman, is responsible for establishing and maintaining appropriate communication channels between Executive Directors and shareholders. Maintaining positive relationships with shareholders is important to the Board.

Shareholders communicate with the Board by email, telephone and meetings throughout the year including bi-annual investor presentations organised by our nominated advisor, Singer Capital Markets. Before COVID-19 restrictions were in place these roadshows were held in London and Edinburgh. During 2020/21 presentations were held virtually in line with market practice. The board will continue to listen to its nominated advisor as to the format of future meetings and will follow market practice as it evolves throughout the year. The Board believes the presentations provide it with vital information to understand the needs and expectations of Springfield's shareholders.

## QCA CODE COMPLIANCE AND SECTION 172 STATEMENT (CONTINUED)
## FOR THE YEAR ENDED 31 MAY 2021

### 2. 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.

Due to COVID restrictions, we were unable to invite shareholders to attend Springfield's AGM in October 2020. Instead, all shareholders were invited to ask questions in advance of a closed meeting, which was held in a COVID safe manner. Details of this year's AGM, and whether it will be held in person, will be available to download from our corporate website. The Board recognises the AGM as an important opportunity for shareholders to vote on resolutions; to meet the board and to ask questions.

### 3. Wider Stakeholder and Social Responsibilities

The Group operates across Scotland and recognises that it must maintain strong relationships with all stakeholders. These include employees; customers; suppliers; national & local government; and local communities.

**Employees (current):**

The Group achieves high levels of customer satisfaction. This is monitored through surveys carried out by an external company. Currently, of those customers responding, over 90% say they would recommend the brand of their Springfield group home to friends or family. The Group would not be able to achieve such high scores if it were not for the support of its employees.

The Group had 603 employees at 31 May 2021. We are proud that many of our employees have remained with Springfield on a long-term basis with the average length of service being 5.5 years.

The Chairman and CEO meet employees' departmental groups on a bi-annual basis. In 2020/21 these meetings were held virtually. The meetings provide an opportunity for employees to hear of future plans, to raise any concerns and to ask questions. Each office also has regular meetings where questions can be raised, and issues discussed.

Working from home for office-based staff has meant that there has been less face to face contact during 2020/21. The Chief Executive ensured there was regular communication with all staff throughout the year whether directly by email and text alerts weekly during lockdown periods and indirectly by tasking managers to ensure they were communicating regularly with all staff eg. through one of one virtual calls and team meetings.

Employees receive an annual pay review and at June 2020, current employees were paid at least 3% above minimum wage.

Springfield recognises gender diversity and has been shortlisted this year by the S1 Recruitment Awards for Best Diversity & Inclusion Initiative. We 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 (GDPR). The Board will also undertake data protection training during October 2021 following on from previous training in 2019.

**Employees (training & education)**: At May 2021 we supported 95 (15.8%) staff in further education, training, and apprenticeships. This includes 75 apprenticeships.

## QCA CODE COMPLIANCE AND SECTION 172 STATEMENT (CONTINUED)
## FOR THE YEAR ENDED 31 MAY 2021

### 3. Wider Stakeholder and Social Responsibilities (continued)

**Employees (future):** The Group has a strong focus on education and training. We have been shortlisted at the S1 Recruitment Awards for 'Best Early Careers Employers (Apprentice/Graduate). We encourage student placement programmes and we have placed 14 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 five of the students who now work for us, or will do after completion of their degree.

For our work on career day videos and our virtual engagement with schools, we have been shortlisted for the Homes for Scotland 'Innovation of the Year' award. Through our work on this project, we have created materials that show the industry in a positive light. We have highlighted the many careers on offer within housebuilding regardless of age, gender or ethnicity, that can be viewed by thousands and will have an impact not only on young people but their parents and family.

**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 because of this feedback. As discussed above, of those customers responding, over 90% say they would recommend one of the Group's homes to friends or family

**Suppliers**: The Group's commercial and purchasing teams communicate closely with suppliers. This is vitally important through 2021 as material supply issues were raised throughout our supply chain. We believe our close relationship with supplier and strong communication has helped reduce the risk of significant disruption to the Group's construction programme.

**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 homes 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 can then reflect any comments within our applications. During lockdown these events have been held virtually rather than in-person.

**Environment**: We continue to evolve our ESG framework. We have implemented several environmentally friendly policies and initiatives this year including a waste reduction programme implemented in our sites in the North. This programme has seen over 40% of waste recycled on our developments at Inchgower and Knockomie Braes. We have also appointed Colin Rae, as a director with specific responsibility for Environment, Sustainability and Governence (ESG). Both Colin and our corporate communication director completed the University of Cambridge Business Sustainability Management course and further details of ESG will be further embedded across the Group will be covered in 2021/22.

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.

## QCA CODE COMPLIANCE AND SECTION 172 STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

### 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. The Board is responsible 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.

### 5. Maintaining a Well-Functioning Board

The skills and experience of the Board are set out in their biographical details on pages 18-19**.** 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. During 20/21 the board met virtually but has resumed in-person meetings in line with government guidance as lockdown has eased. All directors attended all meetings as required except on one occasion when Nick Cooper was unable to attend due to an unavoidable prior commitment. The non-executive directors time commitment is approximately 20 days a year a month to attend to board matters.

The Board consider Colin Rae, Nick Cooper and Matthew Benson to be independent Directors for the purpose of the QCA Code. From 13 November 2021 Roger Eddie will have completed thirteen 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 18-19. 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 e.g. as mentioned above, Colin Rae completed the University of Cambridge Business Sustainability Management course.

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 implemented a formal review process in 2020/21. Springfield's human resources department prepared a self-evaluation criterion which was issued and approved by the Board. All Directors completed self-evaluation reports in the first quarter of 2020/21 and the results of the exercise were reviewed by the Chairman and actioned. Actions included updates to information received by directors and greater opportunities to meet with operational directors.

### 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 after sales service. Across the Group, 78% of clients felt that they had been kept updated when buying their home and 81% of our clients reported that they felt special and valued during this process. 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 site in Elgin at Linkwood Steadings was shortlisted for Large Development of the year at the Homes for Scotland awards. More recently, Springfield and our subsidiary (Dawn Homes Limited) were each awarded the "In House Gold Award for Customer Satisfaction" over the last year. This means that over 92% 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 a SAYE Scheme. A first scheme matured in November 2020 and a second scheme was launched in April 2021.

### 9. Maintaining Good Governance

The Board recognises the importance of applying sound governance principles in the successful running of the Group. The Chairman and 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.

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.

## QCA CODE COMPLIANCE AND SECTION 172 STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

### 9. Maintaining Good Governance (continued)

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 financial statements, 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 26-34.

### 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 Group's website after the meeting.

**Andrew Todd**
**Company Secretary**
**13 September 2021**

## SPRINGFIELD PROPERTIES PLC

## CORPORATE GOVERNANCE

## AUDIT COMMITTEE REPORT
## FOR THE YEAR ENDED 31 MAY 2021

**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 2021. 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 financial statements 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 2021, the Committee met three times and once since the year end. The meetings cover the planning of the statutory audit and review of the Group's 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 2021 the Chief Financial Officer attended all three Committee meetings and the Chairman attended one meeting.

**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 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 36-38 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.

# AUDIT COMMITTEE REPORT (CONTINUED)
# FOR THE YEAR ENDED 31 MAY 2021

**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**

Following the completion of a competitive tender process involving four participants BDO LLP ('BDO') were formally appointed as external auditor at the AGM on 30th October 2020. The previous auditors Johnston Carmichael LLP provided an audit disengagement letter in accordance with Section 491 of the Companies Act 2006 confirming their term of office as auditors ceased at the end of the AGM held on 30 October 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. Alastair Rae is the signing partner for the first time this year following the appointment of BDO.

BDO have not carried out any non-audit work during the year. The Group policy is that, where possible, advisors should be appointed other than the external auditor to perform non-audit work.

**External Audit process**

BDO 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. The matters discussed in relation to this year's audit are summarised on page 28.

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.

## AUDIT COMMITTEE REPORT (CONTINUED)
## FOR THE YEAR ENDED 31 MAY 2021

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

| Issue | How it was addressed by the Committee |
|---|---|
| **Revenue recognition - Private**<br>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 a large number of homes handed over in the financial year, following restart of operations in June 2020 after the COVID-19 lockdown, the Committee reviewed the revenue recognised throughout the year and around the year end. The Committee satisfies itself that there is no issue with revenue recognition. |
| **Revenue recognition - Affordable**<br>Revenue from affordable housebuilding is recognised over time depending on the stage of completion with cashflows received in excess of revenue recognised included as payments on account. | On reviewing the Group's accounting policy for revenue recognition on construction contracts for the year ended 31 May 2020, the Board concluded that the application of the policy resulted in the Group accruing for costs that had not yet been incurred, which is now understood to be non-compliant with IFRS15. The Group has therefore moved to a policy based on stage of completion being determined by the development cost incurred as a proportion of the total expected development cost as this is considered to be in line with the satisfaction of the underlying performance obligations. The accounting policy note (Note 2.5) has been updated to reflect this change. As a result, in May 2020 both revenue and cost of sales have been reduced by £0.9m with no impact on the profit for the year. An amount of £2.8m has also been reclassified on the balance sheet from accruals to payments on account with no impact on current liabilities or net assets (see Note 19). |
| **Profit recognition**<br>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. |
| **Valuation of inventories and work in progress**<br>The largest asset on the Group balance sheet is inventory which includes land and work in progress. The Group values inventory at the lower of cost and net realisable value which is dependant of judgement and estimates of total build and land costs and future selling prices. The allocation of inventory to cost of sales also involves estimates which impact on the timing and amount of profit margin recognised. | The Committee reviews the work in progress balances through monthly finance reports and the cost value report process and is satisfied that the carrying value of inventories and work in progress remains appropriate. |
| **Going concern**<br>It is the Directors' responsibility to make an assessment of the Group's ability to continue as a going concern to support the basis of preparation for the financial statements. | The Committee is satisfied, based on the going concern paper written and financial modelling undertaken, that the Group has adequate resources to continue in operation for the foreseeable future and will be able to operate within the existing bank facility limits which have recently been renewed for a further three years to January 2025. |

**Matthew Benson**
**Chairman of the Audit Committee**
**13 September 2021**

## REMUNERATION COMMITTEE REPORT

### Introduction

This report outlines the Group's remuneration policy for its Directors and shows how that policy was applied during the financial year ended on 31 May 2021.

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 2021, the Committee comprised:

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

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 2021, 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.

### Update on Committee's response to the continuing impact of the COVID-19 crisis

As explained in last year's report, a number of remuneration related actions were taken during the financial year to 31 May 2020 in response to the COVID-19 crisis, including the following:

- in the case of Innes Smith, Michelle Motion and the Non-Executive Directors, a 20% reduction was applied to their salaries / fees with effect from April 2020, with the payment of a further 30% of their salaries / fees being deferred;

- at the same time, a 100% reduction was applied to the salary of Sandy Adam; and
- no bonuses were awarded for that year, notwithstanding the level of achievement delivered against the applicable performance measures.

During the course of June 2020, Springfield's onsite operations recommenced and the Company's sales offices reopened. From the end of that month, the business also began handing over homes that had been nearing completion prior to lockdown.

In light of the above, the Committee decided that the temporary reductions that had been introduced in April 2020 should be removed early in the year to 31 May 2021.

**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 the Committee's current policy being that any salary raises for Executive Directors will normally reflect those applied to the wider workforce. Any increases typically take effect on 1 June each year.

With effect from 1 June 2020, the annual rates of base salaries for the Executive Directors were set at:

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

As explained in last year's report, the above levels were unchanged from the annual salary rates for the financial year to 31 May 2020 (although the actual amounts paid to the Executive Directors in the prior year were impacted by the 20% temporary reduction in salaries that was applied in April and May 2020 as a result of the Company's response to the COVID-19 pandemic). The absence of any increase in Executive Directors' salaries during the year matched the broader approach taken by the Company across the Group's general employee population.

**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 2021, the maximum bonus opportunities for Innes Smith and Michelle Motion were 100% of salary and 75% of salary respectively and the following table identifies the measures used, their respective weightings and the bonus award derived from the level of achievement over the year:

| **Measure** | **Weighting (as a % of maximum opportunity)** | | **Bonus earned as a result of performance against specific measure in the relevant year[1] (as a % of maximum opportunity** | |
|---|---|---|---|---|
| | *Innes Smith* | *Michelle Motion* | *Innes Smith* | *Michelle Motion* |
| Profit before tax | 50% | 50% | 50% | 50% |
| Return on capital employed | 30% | 25% | 30% | 25% |
| Gross margin | 10% | 25% | 0% | 0% |
| Customer satisfaction | 10% | N/A | 8% | N/A |
| | Total bonus (% of maximum opportunity) = (a) | | 88% | 75% |
| | Maximum opportunity (% of base salary) = (b) | | 100% | 75% |
| | Total bonus earned (% of base salary) = (a) x (b) | | 88% | 56% |

Notes:

[1] For each measure, the Committee specified a sliding scale of achievement (between threshold and maximum) which was used to determine the level of award actually paid in respect of that element. For each of the financial measures, the threshold level required the Company to at least achieve the relevant budget figure set by the Board for the year. In the case of "customer satisfaction", the Company adopted its own long standing measurement processes.

Under the terms of the Group's annual bonus scheme for Executive Directors, the Committee has the discretion to reduce or defer the awards that would otherwise be payable to the relevant individuals in accordance with the above table where it is appropriate having regard to the health and safety performance of the Company over the period in question. No such reduction or deferral was deemed necessary in respect of the financial year to 31 May 2021.

**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. Following the introduction of the new performance share plan in 2020 (see below) no further options have been granted to the Executive Directors under the CSOP or ESOP and there is no current intention to grant awards under either of those arrangements to Executive Directors in the future.

As explained in last year's report, the Springfield Properties PLC Performance Share Plan (the "PSP") was adopted by the Board on 9 January 2020 and allows for the grant of conditional rights to acquire shares (in the form of "nominal value" options). PSP awards will ordinarily vest on the third anniversary of grant, subject to continued employment (although "good leaver" provisions can apply) and only to the extent that specified performance measures are satisfied. Once vested, a PSP award will usually remain capable of being exercised until the 10th anniversary of grant. Standard "malus" and "clawback" provisions also apply.

Details of the PSP grants made to Innes Smith and Michelle Motion during the financial year to 31 May 2021 are included in the table set out in page 33. The performance conditions applicable to these awards are structured in a comparable manner to those set for the grants made last year; they will be assessed over a total of three financial years commencing with the one in which the grant was made and will 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 applicable performance period.

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.

The initial grants made under the SAYE Scheme on 8 November 2017 matured and became exercisable on 1 December 2020. Thereafter, both Michelle Motion and Innes Smith exercised their respective options in full over 21,226 shares on 2 December 2020 and 21 January 2021 respectively at an exercise price of 84.8p per share. Both individuals elected to retain all the shares acquired as a result of their exercises. The closing share prices on the dates of exercise were 116.0p (2 December 2020) and 133.5p (21 January 2021).

Following the maturity of the initial grants under the SAYE Scheme, the Remuneration Committee conducted a review of the arrangement in order to determine whether it had achieved its original aim of providing a broad section of the Group's workforce with an incentive that was directly aligned to the Company's share price performance. The conclusion reached was that the SAYE Scheme had been a success and had been extremely well received by the wider workforce. As a result, the Remuneration Committee decided to grant a second tranche of options under the SAYE Scheme on 29 April 2021. Details of the options granted on that date to Innes Smith and Michelle Motion are set out on page 33. For the same reason stated above in relation to the Long Term Incentive Plans, Sandy Adam does not currently participate in the SAYE Scheme.

**Remuneration in the Year**

During the year to 31 May 2021, the directors received the following remuneration:

| | Basic salary/fees[1] | Annual Bonus | Taxable benefits[2] | Pension contributions[3] | 2021 Total | 2020 Total[4] |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| *Executive Directors* | | | | | | |
| Sandy Adam | 113 | - | 8 | 7 | 128 | 107 |
| Innes Smith | 225 | 199 | 8 | 24 | 456 | 247 |
| Michelle Motion | 180 | 101 | 8 | 20 | 309 | 199 |
| *Non-Executive Directors* | | | | | | |
| Matthew Benson | 40 | - | - | - | 40 | 39 |
| Roger Eddie | 40 | - | - | - | 40 | 39 |
| Nick Cooper | 40 | - | - | - | 40 | 39 |
| Colin Rae | 40 | - | - | - | 40 | 27 |
| | 678 | 300 | 24 | 51 | 1,053 | 697 |

Notes:

[1]The salary and fees for the financial year to 31 May 2020 that were deferred in response to the COVID-19 pandemic (see page 29 for details) were included in the remuneration table in last year's report. As a result, these amounts are not reflected in the above "Basic salary / fees" column notwithstanding the fact that they were actually paid in the period to 31 May 2021.

[2] 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.

[3] The pension figure for 2021 includes an additional Company contribution that was paid in September 2020 but which related to the individuals' deferred May 2020 salaries.

[4] The total remuneration figures for 2020 were impacted by the actions taken by the Company in response to the COVID-19 pandemic, namely (i) a temporary reduction of 20% to the salaries of Innes Smith and Michelle Motion; (ii) a temporary reduction of 100% to the salary of Sandy Adam; and (ii) a temporary reduction of 20% to the fees payable to the Non-Executive Directors.

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)
**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 2021 are as follows:

| Director | Scheme | No. of shares under option at 1 June 2020 | Exercised[3] | Granted | Lapsed | No. of shares under option at 31 May 2020 | Exercise price | Date of Grant | Date from which normally exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|---|---|
| Innes Smith | CSOP | 28,301 | - | - | - | 28,301 | 106p | 16/10/2017 | 16/10/2020 | 16/10/2027 |
| | ESOP | 208,019 | - | - | - | 208,019 | 106p | 16/10/2017 | 16/10/2020 | 16/10/2027 |
| | SAYE | 21,226 | (21,226) | - | - | - | 84.9p | 08/11/2017 | 01/12/2020 | 31/05/2021 |
| | ESOP | 257,142 | - | - | - | 257,142 | 122.5p | 01/10/2018 | 01/10/2021 | 01/10/2028 |
| | PSP | 127,828 | - | - | - | 127,828 | 0.125p | 09/01/2020 | 09/01/2023 | 09/01/2030 |
| | PSP | - | | 202,000 | - | 202,000 | 0.125p | 30/10/2020 | 30/10/2023 | 30/10/2030 |
| | SAYE | - | - | 13,793 | - | 13,793 | 130.05p | 29/04/2021 | 01/06/2024 | 30/11/2024 |
| | | 642,516 | (21,226) | 215,793 | - | 837,083 | | | | |
| Michelle Motion | CSOP | 28,301 | - | - | - | 28,301 | 106p | 16/10/2017 | 16/10/2020 | 16/10/2027 |
| | ESOP | 84,906 | - | - | - | 84,906 | 106p | 16/10/2017 | 16/10/2020 | 16/10/2027 |
| | SAYE | 21,226 | (21,226) | - | - | - | 84.9p | 08/11/2017 | 01/12/2020 | 31/05/2021 |
| | ESOP | 129,795 | - | - | - | 129,795 | 122.5p | 01/10/2018 | 01/10/2021 | 01/10/2028 |
| | PSP | 68,176 | - | - | - | 68,176 | 0.125p | 09/01/2020 | 09/01/2023 | 09/01/2030 |
| | PSP | - | | 107,650 | - | 107,650 | 0.125p | 30/10/2020 | 30/10/2023 | 30/10/2030 |
| | SAYE | - | - | 13,793 | - | 13,793 | 130.05p | 29/04/2021 | 01/06/2024 | 30/11/2024 |
| | | 332,404 | (21,226) | 121,443 | - | 432,621 | | | | |

## CORPORATE GOVERNANCE

## REMUNERATION COMMITTEE REPORT (CONTINUED)

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 31. 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.

[3] Further information in relation to the exercise of SAYE Scheme options by Innes Smith and Michelle Motion during the financial year to 31 May 2021 are set out on page 32 above.

**Directors' Interests in the Group's Shares**
Directors' interests in the Group's shares are disclosed in the Directors' Report (page 37).

Roger Eddie
**Chairman of the Remuneration Committee**
13 September 2021

## DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 MAY 2021

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 May 2021.

**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 |

**Results and Dividends**

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

In its 2019/20 annual report the Company reported that an interim ordinary dividend previously announced on 27 February 2020 amounting to 1.4p per share had been 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 was an appropriate and prudent measure to preserve liquidity. The board is pleased to confirm that it was in a position this year to restore an interim ordinary dividend. This dividend was paid amounting to £1,316,186 (2020: zero) equating to 1.3p (2020: zero) per share.

The Board is proposing a final dividend of 4.45p per share subject to shareholder approval at the next Annual General Meeting to be held on 27 October 2021.

Taking into account the interim dividend of 1.3p per share already declared and paid, this equates to a total dividend of 5.75p (2020: 2p) 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 continued COVID-19 pandemic are set out in the QCA Code section.

## DIRECTORS' REPORT (CONTINUED)
## FOR THE YEAR ENDED 31 MAY 2021

### Disabled Persons

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

### Equal Opportunities

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

### 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.

### Disclosure of Information to the Auditor

In the case of each of the persons who are Directors of the Company 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 all Directors as necessary. Biographical details are set out on pages 18-19.

### Internal Control

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

## DIRECTORS' REPORT (CONTINUED)
## FOR THE YEAR ENDED 31 MAY 2021

### Auditor

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

### Remuneration

The remuneration of the 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 32.

### Directors' Interests in Shares

| Name of Director | Number of ordinary shares | % of ordinary share capital and voting rights |
|---|---|---|
| Sandy Adam | | |
| - Direct | 22,118,300 | 21.7% |
| - Indirect | 15,671,820 | 15.4% |
| Innes Smith | | |
| - Direct | 829,235 | 0.8% |
| - Indirect | 124,419 | 0.1% |
| Michelle Motion | | |
| - Direct | 21,225 | 0.0% |
| - Indirect | 53,000 | 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% |
| | **38,928,366** | **38.1%** |

### Financial Risk Management Objectives and Policies

Details of the Group's financial risk management objectives and policies are set out in Note 29 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. This includes information on future developments of the Group.

### Section 172 Compliance

A general duty is imposed on every Director by Section 172 of the Companies Act 2006 to act in the 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;

## DIRECTORS' REPORT (CONTINUED)
## FOR THE YEAR ENDED 31 MAY 2021

- 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.

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, is 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 21–22.

The Group maintains directors' and officers' liability insurance cover for its directors and officers. The Group has made available qualifying third party indemnity provisions (as defined in the Companies Act 2006) for the benefit of its directors during the year.

## STREAMLINED ENERGY AND CARBON REPORTING FOR THE YEAR ENDED 31 MAY 2021

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 homes, the reduction of environmental impact of our homes and operations across the Springfield Properties 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. Within the UK itself, U-Values set out in the Scottish Government Building Standards (Section 6) provide on average 25% betterment compared the English equivalent standards (Part L). 95% of our homes are delivered to EPC rating B, as compared to the current UK average of all existing homes as D.

Above and beyond these standards, as responsible house builders, 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 inclusion of electric car charging points.
100% of our homes are timber built using off-site manufacturing techniques. All timber used by the Springfield 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.

538 of the homes we delivered in the year were connected to air-source heat pumps offering customers a saving in utility bills as well as a more sustainable heating source. This delivery experience stands us in good stead to meet the Scottish Government target of eliminating fossil fuels in new build homes by 2024 (a year ahead of the target in England).

**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. As part of the development of our sustainability strategy each team within the business has been challenged to consider environmental improvements in the role they play and in the outputs that they are responsible for. Early wins include the shift to recycled paper for all marketing materials and a ban on the use of any single use plastics for promotional gifts.

The purchase of our first electric van in May 2021 is initiating the roll out of Electric Vehicles within the Group's commercial fleet. Further, we have introduced a strategic shift away from 'grey fleet' to leased electric vehicles for business mileage. Investment in new technology to ensure high quality virtual communication can continue as offices re-open will avoid unnecessary business travel and this complements our approach to employing trades and subcontractors local to where we build to reduce commutes.

We have widened the focus of our supply chain impact beyond identifying sustainable products to beginning discissions with our suppliers to understand their own approach to sustainability.

## CORPORATE GOVERNANCE
## DIRECTORS' REPORT (CONTINUED)

## STREAMLINED ENERGY AND CARBON REPORTING (CONTINUED)
## FOR THE YEAR ENDED 31 MAY 2021

**Energy Use and Greenhouse Gas Emissions**

| For the financial year ended 31 May 2021 | Energy Use kWh 2021 | Tonnes $CO_2e$ 2021 | Energy Use kWh 2020 | Tonnes $CO_2e$ 2020 |
|---|---|---|---|---|
| Scope 1 energy use & emissions from stationery combustion gas, and generator construction site fuel use | 2,683,951 | 646.65 | 2,191,625 | 533.15 |
| Scope 1 energy use & emissions from mobile combustion, transport, and plant construction site fuel use | 6,341,069 | 1,598.22 | 5,074,271 | 1,287.95 |
| Scope 2 energy use & emissions from electricity use | 1,710,678 | 398.83 | 1,229,131 | 314.17 |
| Scope 3 energy use & emissions from business mileage from staff's own vehicles | 1,324,412 | 329.11 | 1,469,463 | 356.82 |
| Total energy use & greenhouse gas emissions | 12,060,110 | 2,972.81 | 9,964,490 | 2,492.09 |
| Greenhouse gas emissions per home sold | | 3.06 | | 3.42 |

| Homes sold | Total | Private | Affordable |
|---|---|---|---|
| Actual 2021 | 973 | 593 | 380 |
| Actual 2020 | 727 | 419 | 308 |

**Methodology**
Our Scope 1, Scope 2 and Scope 3 energy use and greenhouse gas emissions data for 2021 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, then the Group applies the use 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.

For vehicle emissions, the Group analyses fuel card usage, mileage information, expense claims and fuel invoices with the government conversion factor for the fuel type and engine size of vehicle applied.
For site diesel, usage is based on litres delivered to site within the financial period.
We do not consider train travel to be material and as such this is not reported in our emissions data.
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. Conversion factors are taken from the UK Governments conversion factors 2020.

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

On behalf of the Board

**Sandy Adam**
**Executive Chairman**
**13 September 2021**

## CORPORATE GOVERNANCE

## STATEMENT OF DIRECTORS' RESPONSIBILITIES
## FOR THE YEAR ENDED 31 MAY 2021

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

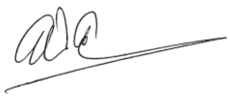
Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. The financial statements of Springfield Properties PLC have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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**
**13 September 2021**

## SPRINGFIELD PROPERTIES PLC

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

### Opinion on the financial statements

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Springfield Properties plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2021 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flow and 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 accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We remain independent of the Group and the Parent Company 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.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- understanding the processes relating to the assessment of the appropriateness of the going concern assumptions;
- analysing the current and forecast performance of the Group including working capital requirements, by assessing Director's assumptions against market data and the Group's post year end performance;
- re-performing the Directors sensitivity testing and performing reverse stress testing on Director's forecasts over the going concern period and assessing the likelihood of the scenario occurring and mitigating actions available to the Board
- assessing the financing options that are available to the Group, including the renewal of revolving credit facility detailed in Note 21;
- recalculating current loan covenants in order to assess compliance over the going concern period;
- using various external data sources to identify indicators of potential risk at the entity and industry level; and
- assessing the going concern disclosures are appropriate and in conformity with the reporting standards

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent

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

Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

**Overview**

| | |
|---|---|
| **Coverage**[1] | *95% of Group profit before tax*<br>*97% of Group revenue*<br>*99% of Group total assets* |
| **Key audit matters** | 2021<br>Revenue recognition □<br>Valuation and impairment of WIP □ |
| **Materiality** | *Group financial statements as a whole*<br><br>£735,000 based on 5% of Profit before tax |

**An overview of the scope of our audit**

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group’s system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group manages its operations from three locations in the UK and has common financial systems, processes and controls covering all significant components.

In assessing the risk of material misstatement in the Group financial statements, and to ensure we had adequate quantitative coverage of significant amounts in the financial statements, we determined that four significant components, Springfield Properties Plc, Walker Holdings (Scotland) Limited, Walker Group (Scotland) Limited and Dawn Homes Limited, represented the principal business units within the Group. A full scope audit was undertaken on these components by the group audit team, who also carried out a limited scope review of the non-specific components.

**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) that 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.

[1] These are areas which have been subject to a full scope audit by the group engagement team

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

| Key audit matter | | How the scope of our audit addressed the key audit matter |
|---|---|---|
| ***Revenue recognition***<br><br>*Refer Accounting policies Note 2.5 (page 56) and Note 4 of the consolidated financial statements (page 62).* | Revenue from private house sales and land sales is recognised when control has been transferred to the purchaser which will normally occur at handover / legal completion. Revenue from construction contracts is recognised based on measured stage of completion. Other revenue streams are recognised at point of sale.<br><br>There is a potential risk of fraud as revenue and profit could be manipulated through sales recognised before completion, through incorrect allocation of costs in WIP to skew the margins on individual developments and through the posting of manual journals<br><br>Revenue recognition is an area of focus for our audit in considering possible areas of management bias and fraud. | We assessed the design implementation and tested the operating effectiveness of key controls management have implemented to reduce the risk of inappropriate revenue recognition.<br><br>In significant components we tested 100% of revenue from private house sales to third party evidence to check that revenue had been appropriately recognised.<br><br>For construction revenue, we obtained the third-party valuation reports for a sample of sites and recalculated the revenue to be recognised.<br><br>We performed procedures on all material revenue streams for defined periods before and after the year end and agreed samples of revenue recognised to originating documentation to gain assurance that transactions were recorded in the correct period.<br><br>We performed journal entry testing, applying a particular focus to individually unusual and/or material manual journals posted to the revenue account throughout the year. We agreed journals meeting predetermined criteria to supporting evidence to confirm that the revenue recognised was appropriate, had an appropriate business rationale and was in line with the Group's accounting policy.<br><br>We considered the application of the accounting standards to the Group's revenue recognition policies and practices.<br><br>**Key observations:**<br>Based on the procedures performed, we note a prior year adjustment in relation to revenue recognition on affordable housing, refer note 2.1. After this adjustment we consider that revenue has been recognised appropriately. |
| ***Valuation and impairment of work in progress***<br><br>*Refer, Accounting policies Note 2.16 (page 59) and Note 17 of the consolidated financial statements (page 71).* | The value of work in progress is the most significant asset on the balance sheet (page 51). Inventory and work in progress comprises land work in progress ("WIP") in effect of private housing; WIP transfers to cost of sales upon sale of a property. | We assessed the design and implementation and tested the operating effectiveness of key controls management have implemented throughout the process, including those surrounding cost allocation and purchase authorisation.<br><br>We recalculated the release to cost of sales for a sample of sites with reference to the correct point of revenue recognition and the |

| | | |
|---|---|---|
| | There is inherent complexity and significant judgement in the valuation of work in progress as the correct valuation of each development project is dependent on accurate cost allocation and projected profitability of the overall development, including forecast revenue and costs to complete.<br><br>WIP valuation, the risk of impairment and the costs transferred to cost of sales is therefore an area of audit focus. | total project margin as referenced in the cost valuation report (CVR).<br><br>We performed procedures over the cost to complete estimates included as part of the CVR process, including gaining an understanding of movements against original appraisals and assessing the forecasting accuracy of prior year CVRs against projects completed during the year and since year end.<br><br>We reviewed Management's impairment assessment against forecast costs to complete and projected margins to ensure that, where any impairment indicators had been noted, these had been correctly treated.<br><br>**Key observations:**<br>Based on the procedures performed we consider the judgements made by management in valuing work in progress are reasonable. |

**Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

| | **Group financial statements** | | **Parent company financial statements** | |
|---|---|---|---|---|
| | 2021<br>£ | 2020<br>£ | 2021<br>£ | 2020<br>£ |
| **Materiality** | 735,000 | 487,000 | 700,000 | 373,500 |
| **Basis for determining materiality** | Profit before tax | Profit before tax | Net Assets | Position within the Group and relative turnover |
| **Rationale for the benchmark applied** | Principal consideration in assessing financial performance of the business | Principal consideration in assessing financial performance of the business | Holding company | |
| **Performance materiality** | 435,000 | 292,200 | 420,000 | 224,100 |
| **Basis for determining performance materiality*** | 60% of Materiality | 60% of Materiality | 60% of Materiality | 60% of Materiality |

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

We set performance materiality at this percentage due to it being a first year audit and our ability to assess the likelihood of misstatements.

The materiality for the Group financial statements as a whole was set at £735,000. This was determined with reference to 5% of profit before tax which we consider to be the principal consideration in assessing the financial performance of the Group as the Group is a profit orientated trading business. The overall financial statement materiality for the Parent Company was set at £700,000. This was determined with reference to 3% of net assets. Materiality has been calculated based on preliminary figures and not adjusted upwards where final results were higher than those used to calculate materiality.

*Specific materiality*
We also determined that for operating accounts, such as revenue, cost of sales, trade receivables and payables, contract accruals, prepayments and payroll, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 3% of gross profit (£500,000). We further applied a performance materiality level of 60% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated. In addition, we determined that for administration costs, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 1.5% of gross profit (£250,000). We further applied a performance materiality level of 60% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

C*omponent materiality*

We set materiality for each component of the Group based on a percentage of between 15% and 50% of Group materiality dependent on the relative size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £105,000 to £360,000. In the audit of each component, we further applied performance materiality levels of 60% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

*Reporting threshold*

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £29,000.). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

**Other Companies Act 2006 reporting**

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

| | |
|---|---|
| **Strategic Report and Directors' Report** | In our opinion, based on the work undertaken in the course of the audit:<br>• 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<br>• the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.<br>1<br>the light of the knowledge and understanding of the Group and 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. |
| **Matters on which we are required to report by exception** | 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:<br>• 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<br>• the Parent Company financial statements are not in agreement with the accounting records and returns; or<br>• certain disclosures of Directors' remuneration specified by law are not made; or<br>• we have not received all the information and explanations we require for our audit. |

**Responsibilities of Directors**

As explained more fully in Statement of Director's Responsibilities, 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.

*Extent to which the audit was capable of detecting irregularities, including fraud*

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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

**Identifying and assessing potential risks related to irregularities, including fraud**
In identifying and assessing the risks of material misstatement in respect of irregularities including fraud and non-compliance with laws and regulations, we considered the following:

- The nature of the industry and sector control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors, remuneration, onus levels and performance targets;
- Enquiring of Management and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
    - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - Detecting and responding to risks of fraud and whether they have knowledge of any actual, suspected, or alleged fraud;
    - The internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations; and
- Discussing among the engagement team and involving relevant internal specialists, including tax, valuations, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in revenue recognition and work in progress valuation, including margin recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, AIM Listing Rules, tax legislation and housebuilding and construction legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's and Parent Company's ability to operate or to avoid material penalty. These included building regulations, employment law and environmental regulations.

**Audit response to risks**

As a result of performing the above, we identified revenue recognition from private housebuilding activities, revenue recognition from construction contracts and valuation of work in progress, including margin recognition, to be key audit matters. The key audit matters section of our report explains these matters in more detail and also describes the specific procedures we performed in response to each key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud and carrying out testing accordingly;
- reading minutes of Management meetings and of those charged with governance and reviewing correspondence with regulatory bodies, such as HMRC, and reviewing documentation for indications of non-compliance with laws and regulations.
- assessing whether the accounting policies, treatments and presentation adopted in the financial statements is in accordance with applicable law and accounting standards and whether there are instances of potential bias in areas with significant degrees of judgement.
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- carrying tests of management control in certain areas or functions, such as the authorisation of business expenditure and the approval of payments to suppliers;
- vouching balances and reconciling items in Management's key control account reconciliations to supporting documentation as at 31 May 2021; and

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not

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

detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

### Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
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Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Edinburgh, UK
13 September 2021
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## SPRINGFIELD PROPERTIES PLC

## FINANCIAL STATEMENTS

## CONSOLIDATED PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 31 MAY 2021

| | Note | 2021<br>£000 | 2020<br>As restated<br>(Note 2.1)<br>£000 |
|---|---|---|---|
| Revenue | 4 | 216,692 | 143,516 |
| Cost of sales | | (177,895) | (116,165) |
| **Gross profit** | | **38,797** | **27,351** |
| Administrative expenses before exceptional items | | (19,422) | (16,520) |
| Exceptional items | 11 | (622) | (422) |
| Total Administrative expenses | | (20,044) | (16,942) |
| Other operating income | | 375 | 428 |
| **Operating profit** | 6 | **19,128** | **10,837** |
| Finance income | | 367 | 320 |
| Finance costs | 9 | (1,607) | (2,273) |
| Share of profits from joint venture | | - | 852 |
| **Profit before taxation** | | **17,888** | **9,736** |
| Taxation | 10 | (4,178) | (2,093) |
| **Profit for the year and total comprehensive income** | | **13,710** | **7,643** |
| Profit for the year and total comprehensive income is attributable to: | | | |
| -Owners of the parent company | | 13,710 | 7,646 |
| -Non-controlling interests | | - | (3) |
| | | **13,710** | **7,643** |
| **Earnings per share (pence per share)** | | | |
| Basic earnings on profit for the year | 13 | 13.79p | 7.89p |
| Diluted earnings on profit for the year | 13 | 13.55p | 7.81p |
| **Adjusted earnings per share (pence per share)** | | | |
| Basic earnings on profit for the year | 13 | 14.41p | 8.33p |
| Diluted earnings on profit for the year | 13 | 14.16p | 8.24p |

The Group has no items of other comprehensive income.

The accompanying notes on pages 54 to 83 form an integral part of these financial statements.

## FINANCIAL STATEMENTS
## CONSOLIDATED BALANCE SHEET
## FOR THE YEAR ENDED 31 MAY 2021

| | Note | 2021<br>£000 | 2020<br>As restated<br>(Note 2.1)<br>£000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | **14** | 4,539 | 6,342 |
| Intangible assets | **15** | 1,649 | 1,649 |
| Investments | **16** | - | 202 |
| Deferred taxation | **23** | 539 | 203 |
| Accounts receivables | **18** | 5,411 | 4,899 |
| | | **12,138** | **13,295** |
| **Current assets** | | | |
| Inventories | **17** | 156,774 | 174,400 |
| Trade and other receivables | **18** | 23,683 | 8,968 |
| Cash and cash equivalents | **27** | 15,826 | 1,522 |
| | | **196,283** | **184,890** |
| **Total assets** | | **208,421** | **198,185** |
| **Current liabilities** | | | |
| Trade and other payables | **19** | 51,646 | 20,571 |
| Bank term loan | **21** | 34,000 | 18,000 |
| Deferred consideration | **24** | - | 2,107 |
| Short-term obligations under lease liabilities | **22** | 760 | 1,188 |
| Corporation tax | | 901 | 780 |
| | | **87,307** | **42,646** |
| **Non-current liabilities** | | | |
| Long-term bank borrowings | **21** | - | 51,000 |
| Long-term obligations under lease liabilities | **22** | 1,854 | 2,255 |
| Deferred taxation | **23** | 2,920 | 2,413 |
| Contingent consideration | **25** | 3,900 | 3,797 |
| Provisions | **25** | 1,210 | 210 |
| | | **9,884** | **59,675** |
| **Total liabilities** | | **97,191** | **102,321** |
| **Net assets** | | **111,230** | **95,864** |
| **Equity** | | | |
| Share capital | **26** | 128 | 122 |
| Share premium | **26** | 56,761 | 52,330 |
| Retained earnings | | 54,341 | 43,412 |
| **Equity attributable to owners of the parent company** | | **111,230** | **95,864** |

These financial statements were approved and authorised for issue by the Board of Directors on 13 September 2021. Signed on behalf of the Board by:

**Company number: SC031286**

**Sandy Adam - Executive Chairman**

The accompanying notes on pages 54 to 83 form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 31 MAY 2021

| | Notes | Share capital £000 | Share premium £000 | Retained earnings £000 | Non-controlling interest £000 | Total £000 |
|---|---|---|---|---|---|---|
| **1 June 2019** | | 120 | 50,118 | 38,292 | 30 | 88,560 |
| Share issue | | 2 | 2,212 | - | - | 2,214 |
| Total comprehensive income for the year | | - | - | 7,646 | (3) | 7,643 |
| Share based payments | **26** | - | - | 557 | - | 557 |
| Acquisition of minority interest | | - | - | - | (27) | (27) |
| Dividends | **12** | - | - | (3,083) | - | (3,083) |
| **31 May 2020** | | **122** | **52,330** | **43,412** | **-** | **95,864** |
| Share issue | **26** | 6 | 4,431 | - | - | 4,437 |
| Total comprehensive income for the year | | - | - | 13,710 | - | 13,710 |
| Share based payments | **26** | - | - | 493 | - | 493 |
| Dividends | **12** | - | - | (3,274) | - | (3,274) |
| **31 May 2021** | | **128** | **56,761** | **54,341** | **-** | **111,230** |

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 share issue costs.

Retained earnings represents accumulated profits less losses, and distributions. Retained earnings also includes share based payments.

The accompanying notes on pages 54 to 83 form an integral part of these financial statements.

## FINANCIAL STATEMENTS
## CONSOLIDATED STATEMENT OF CASH FLOWS
## YEAR TO 31 MAY 2021

| **Cash flows generated from operations** | **Note** | **2021 £000** | **2020 £000** |
|---|---|---|---|
| Profit for the year | | 13,710 | 7,643 |
| Adjusted for: | | | |
| Exceptional items | **11** | 622 | 422 |
| Taxation charged | | 4,178 | 2,093 |
| Finance costs | | 1,607 | 2,273 |
| Finance income | | (367) | (320) |
| **Adjusted operating profit before working capital movement** | | **19,750** | **12,111** |
| Exceptional items – cash movement | | (622) | (341) |
| Gain on disposal of tangible fixed assets | **6** | (148) | (71) |
| Share based payments | **26** | 493 | 557 |
| Non-cash movement | | 81 | 550 |
| Share of joint venture profit | | - | 319 |
| Amortisation of intangible fixed assets | | 61 | 8 |
| Depreciation and impairment of tangible fixed assets | | 2,175 | 2,356 |
| **Operating cash flows before movements in working capital** | | **21,790** | **15,489** |
| | | | |
| Decrease/(increase) in inventory | | 17,498 | (25,642) |
| (Increase)/decrease in accounts and other receivables | | (14,321) | 6,533 |
| Increase/(decrease) in accounts and other payables | | 32,037 | (22,960) |
| **Net cash from/(used in) operations** | | **57,004** | **(26,580)** |
| Taxation paid | | (4,227) | (3,125) |
| **Net cash inflow / (outflow) from operating activities** | | **52,777** | **(29,705)** |
| | | | |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | (206) | (553) |
| Proceeds on disposal of property, plant and equipment | | 218 | 101 |
| Deferred consideration paid on acquisition of subsidiary | | - | (4,000) |
| Acquisition of subsidiary, net of cash acquired | | 304 | - |
| Interest received | | 13 | 38 |
| Proceeds from joint venture loan | | - | 828 |
| **Net cash from/(used in) investing activities** | | **329** | **(3,586)** |
| | | | |
| **Financing activities** | | | |
| Proceeds from issue of shares | | 2,249 | 26 |
| Proceeds from bank loans | **32** | - | 38,000 |
| Repayment of bank loans | **32** | (35,000) | - |
| Payment of lease liabilities | **32** | (1,480) | (1,531) |
| Dividends paid | **12** | (3,274) | (3,083) |
| Interest paid | | (1,297) | (1,661) |
| **Net cash (outflow)/inflow from financing activities** | | **(38,802)** | **31,751** |
| | | | |
| **Net increase/(decrease) in cash and cash equivalents** | | **14,304** | **(1,540)** |
| Cash and cash equivalents at beginning of year | | 1,522 | 3,062 |
| **Cash and cash equivalents at end of year** | **27** | **15,826** | **1,522** |

The accompanying notes on pages 54 to 83 form an integral part of these financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR TO 31 MAY 2021

### 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, Morayshire, 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, DHPL Limited and DHHG1 Limited which are subsidiaries of DHomes 2014 Limited.
The Group also indirectly includes Walker Group (Scotland) Limited, Walker Contracts (Scotland) Limited and Craig Developments Limited which 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 accounting standards in conformity with the requirements 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 2020.

The financial statements have been prepared under the historical cost convention except for contingent consideration.

***Standards adopted for the first time***

There are no new or revised standards effective for annual periods beginning on or after 1 June 2020 that are relevant to the Group.

***Standards, amendments and interpretations to existing standards that are not yet effective***

There are no new standards, amendments to existing standards or interpretations that are effective as at 31 May 2021 relevant to the Group. After Brexit, the UK will continue to apply International Accounting Standards in conformity with the requirements of the Companies Act 2006.

***Prior period restatement***

On reviewing the Group's accounting policy for revenue recognition on construction contracts for the year ended 31 May 2020, the Board concluded that the application of the policy resulted in the Group accruing for costs that had not yet been incurred, which is now understood to be non-compliant with IFRS15. The Group has therefore moved to a policy based on stage of completion being determined by the development cost incurred as a proportion of the total expected development cost as this is considered to be in line with the satisfaction of the underlying performance obligations. The accounting policy note (Note 2.5) has been updated to reflect this change. As a result, in May 2020 both revenue and cost of sales have been reduced by £0.9m with no impact on the profit for the year. An amount of £2.8m has also been reclassified on the balance sheet from accruals to payments on account with no impact on current liabilities or net assets (see Note 19).

The Directors have reviewed the liabilities included in the provisions line in the prior year and have concluded, in line with accounting standards, that deferred taxation of £2,413,000, deferred consideration of £2,107,000 and contingent consideration of £3,797,000 should have been presented separately. The prior year has been restated to reflect that. These presentation changes have no impact on net assets in either period.

**2. Summary of significant accounting policies (continued)**

***2.2 Basis of consolidation***

The consolidated financial statements incorporate those of Springfield Properties PLC and its subsidiaries and jointly controlled entities. Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Contingent consideration is measured at its fair value at the date of acquisition. If the contingent consideration meets the definition of equity, it is not remeasured, and settlement is accounted for within equity. Other contingent consideration is remeasured at fair value at each reporting date with subsequent changes in the fair value of the contingent consideration recognised in the consolidated profit and loss account.

All financial statements are made up to 31 May 2021.

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***

The financial year ending 31 May 2021 was an exceptional one for the Group with a strong rebound from COVID-19 seeing record sales and profit levels. The £18m term loan which was secured in April 2020 to cover the Group in the event of an extended lockdown period was repaid in full in April 2021.

The Group continues to have a strong relationship with Bank of Scotland as principal bankers. In September 2021, the revolving credit facility (£64.5m) was extended and is now repayable in January 2025. As part of securing the extension of the revolving credit facility the Group prepared a 3-year plan which incorporated the Board approved budget to May 2022.

A range of sensitivities were run including reducing selling prices, build costs increasing offset by land purchase delays and any associated revenue impact.

The extended bank facility and detailed 3-year plan gives 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 and profit recognition***

***Sale of private homes***

Revenue on private home sales is recognised at a point in time and the performance obligation is the transfer of the completed property to the customer on legal completion and receipt of cash. Revenue is measured at the fair value of the consideration received net of VAT and trade discounts.

The Group's site valuation process determines the forecast profit margin for each site. The valuation process acts as a method of allocating land costs and construction work in progress costs of a development to each individual plot and drives the recognition of costs in the profit and loss account as each plot is sold. Any changes in the forecast profit margin of a site from changes in sales prices or costs to complete is recognised across all homes sold in both the current period and future periods.

**2. Summary of significant accounting policies (continued)**

***2.5. Revenue and profit recognition (continued)***

***Revenue on contracts recognised over time***

Revenue from affordable housing contracts is recognised over time as development progresses as the construction activity enhances an asset controlled by the customer.

Where the outcome of a contract can be estimated reliably, the amount of revenue recognised depends on the stage of completion. This is based on the development costs incurred as a proportion of the total expected development costs.

Contractual cashflows are determined by independent surveys of work performed to date. These do not always align with the revenue recognised on the underlying performance obligation and any cashflows received that are in excess of the revenue recognised are included as payments on account. Where the cashflows received are less than revenue recognised the difference is included within trade debtors.

Revenues derived from variations on contracts are recognised only when they can be reliably measured. 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. When it is probable that total contract costs will exceed contract turnover, the expected loss is recognised as an expense immediately.

***Land Sales***

Revenue from land sales is recognised on legal completion based on fair value at transfer.

***2.6. Grants***

Grants are recognised when it is probable 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 profit and loss account 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. Summary of significant accounting policies (continued)**

***2.9. Net finance costs***

Finance costs comprise interest payable on bank loans and and the unwinding of the discount from nominal to present day value of provisions and lease liabilities. Finance income comprises the unwinding of the discount from nominal to present day value of shared equity. Interest income and interest payable is recognised in the income statement on an accruals basis.

***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 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.

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 reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting 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 as well as redundancy and restructuring costs.

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 from April until the end of June 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. See Note 11.

**2. Summary of significant accounting policies (continued)**

***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 | - 2-10 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 indefinite 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.

***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 are recognised immediately in the profit and loss account.

***2.14. Fixed asset investments***

Interests in subsidiaries 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 are recognised immediately in the profit and loss account. Costs associated with the acquisition of subsidiaries are recognised in the profit and loss account as an exceptional item.

***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. Summary of significant accounting policies (continued)**

***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.

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. 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.

***Financial assets at amortised cost***

Financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets 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 the recoverable amount and a market rate of interest is charged.

***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.

**2. Summary of significant accounting policies (continued)**

***2.17. Financial instruments (continued)***

***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 are measured at amortised cost.

***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.

***2.18. Deferred consideration***

Deferred consideration payments are initially recognised at fair value at the date of acquisition which is based on the timing of the cash outflows and an appropriate discount rate. It is subsequently measured at amortised cost.

***2.19. 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.

***2.20. 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.

***2.21. Leases***

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the Group's incremental borrowing rate at commencement of the lease.

## 2. Summary of significant accounting policies (continued)

### *2.21. Leases (continued)*

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received. Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease. 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.

### *2.22. 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 share 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 share issue 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.

### *2.23. Share-based payments*

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

## 3. Critical accounting estimates and judgements in applying accounting policies

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

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

### *3.1. Carrying value of inventories*

Inventories are stated at the lower of cost and net realisable value. The assessment of net realisable value is performed on a site by site basis taking into account estimated costs to complete and remaining revenue.

These assessments are carried out on a regular basis throughout the year to ensure an effective review of inventory carrying values and the costs to complete developments – this includes forecast selling prices and forecast costs to come based on general market conditions and anticipated completion date.

There is an element of uncertainty when estimating the profitability of a site and the Group ensures there is a strong level of internal control around the reporting of these assessments to ensure an accurate assessment is made of inventory carrying values

### *3.2. Cost allocation*

In order to allocate the costs that the Group recognises on its developments in a specific period, the Group has to allocate site-wide development costs between homes built in the current year. It also has to estimate costs to complete on such developments. In making these assessments there is a degree of inherent uncertainty. The Group has developed internal controls to assess and review carrying values and the appropriateness of estimates made.

### 4. Revenue

Analysis of the Group's revenue is as follows:

| Revenue | 2021<br>£000 | As restated<br>2020<br>£000 |
|---|---|---|
| Private residential properties | 144,584 | 98,924 |
| Affordable housing | 55,143 | 42,504 |
| Other revenue | 16,965 | 2,088 |
| **Revenue from the sale of goods and services as reported in the profit and loss account** | **216,692** | **143,516** |
| Other operating income | 375 | 428 |
| Finance income | 367 | 320 |
| Share of profit from JV | - | 852 |
| **Total revenue and other income** | **217,434** | **145,116** |

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.

**Contract balances**
The following table provides information about balances arising from contracts with customers:

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Amounts included in trade receivables | 11,708 | 4,186 |
| Amounts included within other payables | (1,892) | (1,116) |

Amounts included in trade receivables relate to work certified and invoiced but not paid on Housing Association contracts.

Amounts included within payables represents customer deposits on private homes sales and deferred land sales.

### 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.

| | 2021 | 2020 As restated |
|---|---|---|
| **Revenue** | **£000** | **£000** |
| Private residential properties | 144,584 | 98,924 |
| Affordable housing | 55,143 | 42,504 |
| Other | 16,965 | 2,088 |
| **Total revenue** | **216,692** | **143,516** |
| **Gross profit** | **38,797** | **27,351** |
| Administrative expenses | (19,422) | (16,520) |
| Exceptional items | (622) | (422) |
| Other operating Income | 375 | 428 |
| Finance income | 367 | 320 |
| Finance expenses | (1,607) | (2,273) |
| Share of profit from JV | - | 852 |
| **Profit before tax** | **17,888** | **9,736** |
| Taxation | (4,178) | (2,093) |
| **Profit for the period** | **13,710** | **7,643** |

### 6. Operating profit

Operating profit is stated after charging / (crediting):

| | Notes | 2021 £000 | 2020 £000 |
|---|---|---|---|
| Depreciation of owned tangible fixed assets | **14** | 1,117 | 1,068 |
| Depreciation of tangible fixed assets held under leases | **14** | 571 | 798 |
| Depreciation of right of use assets | **14** | 487 | 490 |
| Gain on disposal of tangible fixed assets | | (148) | (71) |
| Cost of inventories recognised as an expense | | 177,895 | 116,165 |
| Exceptional items | **11** | 622 | 422 |
| Expenses relating to short term and low value leases | | 82 | 121 |

## 7. Auditor's remuneration

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Fees payable to the Group's auditor for the audit of the Group and Company annual accounts | 60 | 52 |
| Fees payable to the Group's auditor for the audit of the Company's subsidiaries | 38 | 39 |
| Fees payable to the Group's auditor and their associates for other services to the Group and Company - other non-audit services | 5 | 107 |
| | 103 | 198 |

## 8. Staff costs

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

| | 2021 | 2020 |
|---|---|---|
| Building staff | 398 | 437 |
| Administrative staff | 252 | 273 |
| | 650 | 710 |

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Wages and salaries | 26,405 | 26,526 |
| Share based payments | 493 | 557 |
| Social security costs | 2,850 | 3,389 |
| Pension costs | 1,128 | 1,227 |
| | 30,876 | 31,699 |

### Directors' remuneration

Full details of the Directors' remuneration is provided in the Remuneration Committee Report on page 32.

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 £1,128k (2020: £1,227k). Contributions totalling £182k (2020: £154k) were payable to the fund at the year-end and are included in creditors.

## 9. Finance costs

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Interest on bank overdrafts and loans | 1,172 | 1,561 |
| Interest on lease liabilities | 244 | 214 |
| Other interest | 191 | 498 |
| | 1,607 | 2,273 |

## 10. Taxation

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax on profits for the current period | 4,016 | 1,929 |
| Adjustments in respect of prior periods | (10) | 101 |
| | 4,006 | 2,030 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | 158 | 61 |
| Adjustments in respect of prior periods | 14 | 2 |
| | 172 | 63 |
| | 4,178 | 2,093 |

The charge for the year can be reconciled to the standard rate of tax as follows:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Profit before tax | 17,888 | 9,736 |
| Tax at the UK corporation tax rate of 19% (2020: 19%) | 3,399 | 1,850 |
| Effects of: | | |
| Tax effect of expenses that are not deductible in determining taxable profit | 19 | 30 |
| Exceptional items – no deductions | - | 15 |
| Adjustments in respect of prior years | (10) | 101 |
| Depreciation on assets not qualifying for tax allowances | 17 | 5 |
| Deferred tax adjustments in respect of prior years | 14 | 2 |
| Land remediation relief | - | (1) |
| Other timing differences | (105) | 102 |
| Adjust deferred tax to closing average rate | 844 | (11) |
| Tax charge for period | 4,178 | 2,093 |

## 11. Exceptional items

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Redundancy costs | 389 | - |
| Acquisition and other transaction related costs (1) | - | 81 |
| Wages costs for furloughed employees (2) | 2,318 | 3,064 |
| | 2,707 | 3,145 |
| Grant furlough income (2) | (2,085) | (2,723) |
| | 622 | 422 |

(1) 2020 Acquisition and other transactions related costs relate to the planning being achieved at Carlaverock which had previously been assessed as 98% likely.

(2) The £2,318k (2020: £3,064k) is the Company cost of all employees who were on furlough during the year. The £2,085k (2020: £2,723k) is the furlough grant income received from the UK government in relation to the furloughed employees for the year.

### 12. Dividends

On 30 October 2020, a final dividend of 2.0p (2020: 3.2p) per share was paid to shareholders, amounting to £1,957,644 (2020: £3,083,186). In respect of the current year, on 23 February 2021, an interim dividend of 1.3p (2020: nil) per share was paid to shareholders, amounting to £1,316,186 (2020: £nil). The Directors propose that a dividend of 4.45p per share will be paid to shareholders on 9 December 2021. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed final dividend for 2021 is payable to all shareholders on the Company's Register of Members on the record date of 5 November 2021.

### 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 2021 assumes that all shares have been included in the computation based on the weighted average number of days since issue.

In respect of diluted earnings per share 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).

| | **2021**<br>**£000** | **2020**<br>**£000** |
|---|---|---|
| Profit for the year attributable to owners of the Company | 13,710 | 7,646 |
| Adjusted for the impact of exceptional costs in the year | 622 | 422 |
| Normalised earnings | 14,332 | 8,068 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 99,436,929 | 96,850,807 |
| Effect of dilutive potential shares: share options | 1,767,609 | 1,080,721 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 101,204,538 | 97,931,528 |
| **Earnings per ordinary shares (pence per share)** | | |
| Basic earnings on profit for the year | 13.79 | 7.89 |
| Diluted earnings on profit for the year | 13.55 | 7.81 |
| **Adjusted earnings per ordinary shares (price per share)** (1) | | |
| Basic earnings on profit for the year | 14.41 | 8.33 |
| Diluted earnings on profit for the year | 14.16 | 8.24 |

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

### 14. Property, plant and equipment

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Property, plant and equipment | 2,952 | 4,331 |
| Right of use assets | 1,587 | 2,011 |
| **Property, plant and equipment** | **4,539** | **6,342** |

| | Land & buildings £000 | Plant & machinery £000 | Fixtures, fittings & equipment £000 | Motor vehicle £000 | Total £000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 June 2019 | 681 | 6,925 | 1,919 | 495 | 10,020 |
| Additions | 299 | 785 | 166 | 13 | 1,263 |
| Disposals | - | (206) | (1) | (36) | (243) |
| At 31 May 2020 | 980 | 7,504 | 2,084 | 472 | 11,040 |
| Additions | 6 | 477 | 129 | - | 612 |
| Disposals | - | (1,693) | (51) | (162) | (1,906) |
| At 31 May 2021 | 986 | 6,288 | 2,162 | 310 | 9,746 |
| **Accumulated depreciation** | | | | | |
| At 1 June 2019 | 72 | 3,105 | 1,489 | 377 | 5,043 |
| Depreciation charge | 21 | 1,606 | 186 | 53 | 1,866 |
| Disposals | - | (164) | - | (36) | (200) |
| At 31 May 2020 | 93 | 4,547 | 1,675 | 394 | 6,709 |
| Depreciation charge | 27 | 1,446 | 181 | 34 | 1,688 |
| Disposals | - | (1,407) | (51) | (145) | (1,603) |
| At 31 May 2021 | 120 | 4,586 | 1,805 | 283 | 6,794 |
| **Net book value** | | | | | |
| At 31 May 2021 | 866 | 1,702 | 357 | 27 | 2,952 |
| At 31 May 2020 | 887 | 2,957 | 409 | 78 | 4,331 |
| At 31 May 2019 | 609 | 3,820 | 430 | 118 | 4,977 |

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### 14. Property, plant and equipment (continued)

| Right of use assets | Land & buildings £000 | Fixtures, fittings & equipment £000 | Motor vehicle £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 June 2019 | 2,220 | 29 | 252 | 2,501 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| At 31 May 2020 | 2,220 | 29 | 252 | 2,501 |
| Additions | - | 41 | 78 | 119 |
| Disposals | (92) | (5) | (82) | (179) |
| At 31 May 2021 | 2,128 | 65 | 248 | 2,441 |
| **Accumulated depreciation** | | | | |
| At 1 June 2019 | - | - | - | - |
| Depreciation charge | 357 | 9 | 124 | 490 |
| Disposals | - | - | - | - |
| At 31 May 2020 | 357 | 9 | 124 | 490 |
| Depreciation charge | 357 | 9 | 121 | 487 |
| Disposals | (35) | (3) | (85) | (123) |
| At 31 May 2021 | 679 | 15 | 160 | 854 |
| **Net book value** | | | | |
| At 31 May 2021 | 1,449 | 50 | 88 | 1,587 |
| At 31 May 2020 | 1,863 | 20 | 128 | 2,011 |
| At 31 May 2019 | 2,220 | 29 | 252 | 2,501 |

Fixed assets with the carrying value of £2,875k (2020: £3,503k) are pledged as security.

## 15. Intangible fixed assets

| | Goodwill | Marketing-related assets | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Cost** | | | |
| At 1 June 2019 | 1,049 | 600 | 1,649 |
| Additions | 8 | - | 8 |
| At 31 May 2020 | 1,057 | 600 | 1,657 |
| Additions | 61 | - | 61 |
| At 31 May 2021 | 1,118 | 600 | 1,718 |
| **Amortisation** | | | |
| At 1 June 2019 | - | - | - |
| Impairment | 8 | - | 8 |
| At 31 May 2020 | 8 | - | 8 |
| Impairment | 61 | - | 61 |
| At 31 May 2021 | 69 | - | 69 |
| **Net book value** | | | |
| At 31 May 2021 | 1,049 | 600 | 1,649 |
| At 31 May 2020 | 1,049 | 600 | 1,649 |
| At 31 May 2019 | 1,049 | 600 | 1,649 |

Marketing-related assets comprises of brand name and licences which have been measured at cost. Market-related assets are expected to have an indefinite useful life. Goodwill of £1,049k (2020: £1,049k) relates to the acquisition of Walker Holdings (Scotland) Limited and is subject to annual impairment reviews.

The recoverable amount of the marketing intangible has been determined based on a value in use calculation using cash flow projections based on the actual results for Springfield company only for the year ended 31 May 2021 and the financial budget approved by the Board covering the period to 31 May 2022, with projected cash flows for the years ending 31 May 2023 to 31 May 2025 based on a growth rate of 5% per annum.

The recoverable amount of the goodwill has been determined based on a value in use calculation using cash flow projections based on the actual results for Walker Holdings (Scotland) Limited for the year ended 31 May 2021 and the financial budget approved by the Board covering the period to 31 May 2022, with projected cash flows for the years ending 31 May 2023 to 31 May 2025 based on a growth rate of 0% per annum.

The discount rate applied to cash flows is 6% based on the market rate of interest applied previously to the external loan discounting. As a result of the impairment review, there has been no impairment to the carrying value of the intangible assets.

The Directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

### 16. Fixed assets investments

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Cost** | | |
| Investment in joint ventures | - | 202 |
| | **-** | **202** |

On 1 June 2020, the remaining shares in DHHG 1 Limited were purchased for consideration of £264,502 and as a result the DHHG 1 Limited balance sheet is now consolidated within the group accounts and there is no investment held on the face of the balance sheet. The goodwill of £61,098 on acquisition was fully amortised during the year ended 31 May 2021 (Note 15).

**Movement in fixed asset investments**

| | Investment in joint venture £000 | Loans to joint venture £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 June 2019 | 674 | 807 | 1,481 |
| Additions | - | 21 | 21 |
| Share of profit after tax and dividends | (472) | - | (472) |
| Repayment of loan from joint venture | - | (828) | (828) |
| At 31 May 2020 | 202 | - | 202 |
| Reclassification to investment in subsidiary | (202) | - | (202) |
| **At 31 May 2021** | **-** | **-** | **-** |

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

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Profit before interest and tax | - | 852 |
| Interest | - | (70) |
| Taxation | - | (154) |
| Dividend | - | (1,100) |
| Loss after tax and dividends | - | (472) |

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Share of assets | | |
| Current assets | - | 419 |
| Share of liabilities | | |
| Liabilities due with one year | - | (217) |
| **Share of net assets** | **-** | **202** |

## 17. Inventories

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Work in progress | 156,774 | 174,400 |
| | **156,774** | **174,400** |

## 18. Trade and other receivables

### Amounts falling due within one year

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Trade receivables | 12,176 | 4,496 |
| Other receivables | 10,718 | 3,543 |
| Prepayments and accrued income | 789 | 929 |
| | **23,683** | **8,968** |

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. The Group has low concentration of credit risk, with exposure spread over a large number of customers and developments. The maximum exposure to credit risk at 31 May 2021 is represented by the carrying amount of each financial asset.

### Amounts falling due after one year

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Shared equity receivables | 365 | 415 |
| Other receivables | 5,046 | 4,484 |
| | **5,411** | **4,899** |

### Shared equity receivables

| | 2021 £000 | 2020 £000 |
|---|---|---|
| At 1 June 2020 | 415 | 548 |
| Repaid during the year | (58) | (149) |
| Finance income | 8 | 16 |
| At 31 May 2021 | **365** | **415** |

Shared equity loan receivables comprise loans which were granted as part of sales transactions. They are secured by way of a second ranking legal charge over the related property. The assets are recorded at fair value, being the estimated future amount receivable by the Group, discounted to present day values. The Directors review the future anticipated receipts from the assets at the end of each financial year. Credit risk, which the Directors currently consider to be mitigated through holding a second legal charge over the assets, is accounted for in determining fair values and appropriate discount factors are applied. The Directors review the financial assets for impairment at each balance sheet date. The Directors expect an average maturity profile of between 2 and 5 years from the balance sheet date.

**19. Trade and other payables**

| | 2021 £000 | 2020 As restated £000 |
|---|---|---|
| Trade creditors | 22,514 | 3,427 |
| Other taxation and social security | 880 | 2,574 |
| Other creditors | 4,158 | 668 |
| Payments on account | 3,206 | 2,774 |
| Accruals and deferred income | 20,888 | 11,128 |
| | **51,646** | **20,571** |

Revenue recognised in the year ended 31 May 2021 included £2,774k that was included in the contract liability balance at 31 May 2020.

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

**20. Financial assets and liabilities**

| **Assets** | 2021 £000 | 2020 £000 |
|---|---|---|
| Financial assets at amortised cost | 39,264 | 14,593 |
| **Total** | **39,264** | **14,593** |

| **Liabilities** | 2021 £000 | 2020 £000 |
|---|---|---|
| Measured at amortised cost | 86,696 | 89,536 |
| **Total** | **86,696** | **89,536** |

Included within loans and receivables is a loan to a related party which is valued at amortised cost. £355k (2020: £252k) has been recognised as interest received in the profit and loss account. A market rate of interest has been charged (Note 29).

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

**21. Bank borrowings**

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Secured borrowings:** | | |
| Bank loans | 34,000 | 69,000 |
| | 34,000 | 69,000 |
| Less: payable within one year | 34,000 | 18,000 |
| Payable after one year | **-** | **51,000** |

The bank loan comprises of a revolving credit facility which was extended in September 2021 and is repayable by January 2025 and is secured over certain of the Company's properties. The facility attracts an interest rate of 2.15% per annum above the Bank of England Sonia (Sterling overnight index average response rate). The amount payable within one year in the prior year related to a Term loan which was drawn down on 24 April 2020 and repaid in full in April 2021, attracted an interest rate of 2.5% above the Bank of England Base Rate.

### 22. Obligations under leases

Lease 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. Leases are stated at the present value of the contractual payments due to the lessor over the lease term.

| | 2021 | 2020 |
|---|---|---|
| Future minimum payments due: | £000 | £000 |
| Not later than one year | 897 | 1,369 |
| After one year but not more than five years | 1,506 | 1,783 |
| After five years | 692 | 963 |
| | 3,095 | 4,115 |
| Less finance charges allocated to future periods | | |
| | (481) | (672) |
| | **2,614** | 3,443 |
| Present value of minimum lease payments: | | |
| Not later than one year | 760 | 1,188 |
| After one year but not more than five years | | |
| | 1,251 | 1,441 |
| After five years | 603 | 814 |
| | **2,614** | **3,443** |

### 23. Deferred taxation

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| The movement in the deferred taxation provision during the year was: | | |
| Provision brought forward | 2,210 | 2,147 |
| Timing differences | (687) | 72 |
| Change of rate | 844 | (11) |
| Prior year adjustment | 14 | 2 |
| **Provision carried forward** | **2,381** | **2,210** |

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Deferred tax liability | 2,920 | 2,413 |
| Deferred tax assets | (539) | (203) |
| | **2,381** | **2,210** |

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| The elements of deferred taxation are as follows: | | |
| Fixed asset timing differences | - | 68 |
| Other timing differences | 2,381 | 2,142 |
| | **2,381** | **2,210** |

### 24. Deferred consideration

As part of the purchase agreement of Walker Holdings (Scotland) Limited, there was a further £4,375,000 of Deferred consideration payable. 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). The outstanding discounted amount payable at the period end is £nil (2020: £2,107,289).

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Deferred consideration | - | 2,107 |
| | **-** | **2,107** |

### 25. (a) Contingent consideration

As part of the purchase agreement of Walker Holdings (Scotland) Limited, there was a further £6,000,000 payable which is included within Provisions. £4,000,000 is payable when outline planning is granted at Carlaverock and £2,000,000 payable when detailed planning is granted at Carlaverock with probability was assessed at 98% and 95% respectively. The outstanding discounted amount payable at the year end is £1,900,000 (2020: £1,796,486). The remaining £100,000 (5% on the £2,000,000 still to be paid) has been treated as a contingent liability due to the uncertainty over the future payment.
As part of the purchase agreement of DHomes 2014 Limited there was 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 provision of £2,000,000 based on 80% probability. The outstanding amount payable at the period end included within Provisions is £2,000,000 (2020: £2,000,000). The remaining £500,000 (20% on the £2,500,000 still to be paid) has been treated as a contingent liability due to the uncertainty over the future payment.

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Acquisition of DHomes 2014 Holdings Limited ("Dawn") | 2,000 | 2,000 |
| Acquisition of Walker Holdings (Scotland) Limited ("Walker") | 1,900 | 1,797 |
| | **3,900** | **3,797** |

### 25. (b) Provisions

Dilapidation provisions are included for all rented buildings within the Group. An onerous lease provision has been created due to the closure of the Walker office in Livingston. Maintenance provisions relate to costs to come on developments where the final homes have been handed over.

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Dilapidation provision | 185 | - |
| Onerous lease provision | 200 | - |
| Maintenance provision | 825 | 210 |
| | **1,210** | **210** |

### 26. 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 share issue costs.

| Ordinary shares of 0.125p - allotted, called up and fully paid | Number of shares | Share capital £000 | Share premium £000 |
|---|---|---|---|
| At 1 June 2020 | 97,860,963 | 122 | 52,330 |
| Share issue | 4,216,563 | 6 | 4,431 |
| At 31 May 2021 | **102,077,526** | **128** | **56,761** |

During the year 2,539,270 shares (2020: 30,660) were issued in satisfaction of share options exercised.
On 31 January 2021, 1,677,293 shares (2020: 1,480,742) were issued to satisfy the second anniversary (2020: first anniversary) payment for Walker Holdings (Scotland) Limited as detailed in Note 24.

**26. Share Capital (continued)**

**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.

**CSOP**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | **Number of shares** | **Weighted average exercise price (pence)** | **Number of shares** | **Weighted average exercise price (pence)** |
| Options at the beginning of the year | 1,240,111 | 111.95 | 1,215,406 | 112.29 |
| Granted during the year | - | - | 95,930 | 108.50 |
| Lapsed during the year | (41,451) | 109.29 | (71,225) | 112.98 |
| Exercised during the year | (396,915) | 106.31 | - | - |
| Options at the year end | 801,745 | 114.89 | 1,240,111 | 111.95 |

| **Share option** | **Grant Price (p)** | **Number of shares at year end** | **Exercise price (p)** | **Vesting period (years)** |
|---|---|---|---|---|
| CSOP – 16th October 2017 | 106.00 | 405,558 | 106.00 | 3 |
| CSOP – 8th December 2017 | 111.00 | 27,027 | 111.00 | 3 |
| CSOP – 3rd May 2018 | 134.00 | 22,388 | 134.00 | 3 |
| CSOP – 16th May 2018 | 134.00 | 132,396 | 134.00 | 3 |
| CSOP – 1st October 2018 | 122.50 | 151,400 | 122.50 | 3 |
| CSOP – 4th June 2019 | 108.50 | 62,976 | 108.50 | 3 |

**26. Share capital (continued)**

**Share based payments (continued)**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **ESOP** | **Number of shares** | **Weighted average exercise price (pence)** | **Number of shares** | **Weighted average exercise price (pence)** |
| Options at the start of the year | 2,167,027 | 119.23 | 2,271,757 | 119.29 |
| Lapsed during the year | (95,579) | 122.50 | (104,730) | 120.51 |
| Exercised during the year | (46,612) | 106.17 | - | - |
| Options at the year end | 2,024,836 | 119.38 | 2,167,027 | 119.23 |

| **Share option** | **Grant Price (p)** | **Number of shares at year end** | **Exercise price (p)** | **Vesting period (years)** |
|---|---|---|---|---|
| ESOP – 16th October 2017 | 106.00 | 446,926 | 106.00 | 3 |
| ESOP – 3rd May 2018 | 134.00 | 72,761 | 134.00 | 3 |
| ESOP – 16th May 2018 | 134.00 | 18,322 | 134.00 | 3 |
| ESOP – 1st October 2018 | 122.50 | 1,486,827 | 122.50 | 3 |

| | 2021 | | 2020 | |
|---|---|---|---|---|
| **SAYE** | **Number of shares** | **Weighted average exercise price (pence)** | **Number of shares** | **Weighted average exercise price (pence)** |
| Options at the start of the year | 2,436,799 | 84.80 | 2,717,824 | 84.80 |
| Granted during the year | 2,094,548 | 130.50 | - | - |
| Lapsed during the year | (242,609) | 84.80 | (250,365) | 84.80 |
| Exercised during the year | (2,095,743) | 84.80 | (30,660) | 84.80 |
| Options at the year end | 2,192,995 | 128.45 | 2,436,799 | 84.80 |

| **Share option** | **Grant Price (p)** | **Number of shares at year end** | **Exercise price (p)** | **Vesting period (years)** |
|---|---|---|---|---|
| SAYE – 16th October 2017 | 112.00 | 98,447 | 84.80 | 3 |
| SAYE – 29th April 2021 | 145.00 | 2,094,548 | 130.50 | 3 |

| | 2021 | | | |
|---|---|---|---|---|
| **PSP** | **Number of shares** | **Weighted average exercise price (pence)** | **Number of shares** | **Weighted average exercise price (pence)** |
| Options at start of the year | 376,936 | 0.13 | - | - |
| Granted during the year | 648,422 | 0.13 | 376,936 | 0.13 |
| Lapsed during the year | (18,725) | 0.13 | - | - |
| Options at the year end | 1,006,633 | 0.13 | 376,936 | 0.13 |

| **Share option** | **Grant Price (p)** | **Number of shares at year end** | **Exercise price (p)** | **Vesting Period (years)** |
|---|---|---|---|---|
| PSP – 9th January 2020 | 0.13 | 358,211 | 0.13 | 3 |
| PSP – 30th October 2020 | 0.13 | 648,422 | 0.13 | 3 |

**26. Share capital (continued)**

**Share based payments (continued)**

**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 – 396,915 (2020: nil) of options were exercised during the year and 587,369 (2020: nil) shares were exercisable.

ESOP – 46,612 (2020: nil) of options were exercised during the year and 538,009 (2020: nil) shares were exercisable.

SAYE – 2,095,743 (2020: 30,660) of options were exercised during the year and 15,668 (2020: nil) shares were exercisable.

PSP - no share options have vested in the year and none can be exercised at the year-end.

**Charge for share based incentive schemes**

The total charge for the year relating to employee share-based plans were £493k (2020: £557k), all of which related to equity-settled share-based payment transactions.

**27. Cash and cash equivalents**

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

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Cash at bank and in hand | 15,826 | 1,522 |
| | **15,826** | **1,522** |

At 31 May 2021, the Group had available £33,000k (2020: £16,000k) of undrawn committed borrowing facilities.

**28. 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.

## 29. 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.

### *29.1. 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.

### *29.2. 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.

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Financial liabilities at fixed rate | 2,613 | 3,443 |
| Financial liabilities at floating rate | 34,000 | 69,000 |
| Non-interest-bearing financial liabilities | 50,083 | 17,093 |
| | **86,696** | **89,536** |

***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 2021 | | Bank of England base rate 31 May 2020 | |
|---|---|---|---|---|
| | Interest rate +0.5% £000 | Interest rate –0.5% £000 | Interest rate +0.5% £000 | Interest rate –0.5% £000 |
| (Loss) / profit | (170) | 170 | (345) | 345 |

**29. Financial risk management (continued)**

***29.2. Interest risk (continued)***

***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 2021.

***29.3. 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 leases. 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 are 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 2021** | **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 | 50,083 | 50,083 | 50,083 | - | - | - |
| Bank borrowings | 34,000 | 34,000 | 34,000 | - | - | - |
| Leases | 2,613 | 3,095 | 897 | 725 | 781 | 692 |
| | **86,696** | **87,178** | **84,980** | **725** | **781** | **692** |

**29. Financial risk management (continued)**

***29.3. Liquidity risk (continued)***

| 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 | - | - |
| Leases | 3,443 | 4,115 | 1,369 | 828 | 954 | 964 |
| | **89,536** | **90,208** | **36,462** | **51,828** | **954** | **964** |

**29.4 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.

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

| | 31 May 2021 | | 31 May 2020 | |
|---|---|---|---|---|
| | Total book value £000 | Allowance for impairment £000 | Total book value £000 | Allowance for impairment £000 |
| Current | 9,815 | - | 2,686 | - |
| Overdue 90 days | 202 | - | 128 | - |
| | **10,017** | **-** | **2,814** | **-** |

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

The ageing profile of other receivables was:

| | 31 May 2021 | | 31 May 2020 | |
|---|---|---|---|---|
| | Total book value £000 | Allowance for impairment £000 | Total book value £000 | Allowance for impairment £000 |
| Current | 18,288 | - | 10,125 | - |
| | **18,288** | **-** | **10,125** | **-** |

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

### 30. 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 £1,415k (2020: £1,446k) 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 | 2021 £000 | 2020 £000 |
|---|---|---|
| Mr Sandy Adam | 1,353 | 1,402 |
| Mr Innes Smith | 32 | 38 |
| Ms Michelle Motion | 2 | 2 |
| Mr Matthew Benson | 1 | 1 |
| Mr Roger Eddie | 2 | 2 |
| Mr Colin Rae | 1 | 1 |
| Mr Nick Cooper | - | - |
| | **1,391** | **1,446** |

The remuneration of the key management personnel (PLC Directors and Group Directors) of Springfield Properties PLC is set out below in aggregate for each of the categories specified in IAS 24 – Related Party Disclosures:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Short-term employee benefits | 3,539 | 2,314 |
| Share-based payments | 356 | 186 |
| Post-employment benefits | 181 | 175 |
| | **4,076** | **2,675** |

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

| | Sale of goods | | Purchase of goods | |
|---|---|---|---|---|
| | 2021 £000 | 2020 £000 | 2021 £000 | 2020 £000 |
| Bertha Park Limited (1) | 8,989 | 14,911 | - | - |
| DHHG 1 Limited (2) | - | 2,519 | - | - |
| Other entities which key management personnel have control, significant influence or hold a material interest in | 118 | 1,249 | 33 | 232 |
| Key management personnel | 44 | 32 | - | - |
| Other related parties | 121 | 5 | 313 | - |
| | **9,272** | **18,716** | **346** | **232** |

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

| | Rent paid | |
|---|---|---|
| | 2021 £000 | 2020 £000 |
| Entities which key management personnel have control, significant influence or hold a material interest in | 176 | 153 |
| Key management personnel | 11 | 3 |
| Other related parties | 128 | 104 |
| | **315** | **260** |

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Interest received:** | | |
| Entities which key management personnel have control, significant influence or hold a material interest in (short-term) | 355 | 260 |
| | **355** | **260** |

The following amounts were outstanding at the reporting end date:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Amounts receivable:** | | |
| Bertha Park Limited (1) | 6,772 | 6,755 |
| DHHG 1 Limited (2) | - | 26 |
| Other entities which key management personnel have control, significant influence or hold a material interest in (short-term) | 3 | 3 |
| Key management personnel | 3 | - |
| Other related parties | 3 | - |
| | **6,781** | **6,784** |

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Accounts payable:** | | |
| Entities which key management personnel have control, significant influence or hold a material interest in (short-term) | 8 | 15 |
| James Adam | - | 283 |
| Other related parties | 58 | - |
| | **66** | **298** |

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 £8,989k (2020: £14,911k) in relation to a build contract. At the year-end £1,772k (2020: £2,411k) is included in trade debtors and included within other debtors is a loan of £5,000k (2020: £4,344k) at the year-end.

(2) During the year, DGGH 1 Limited became a wholly owned subsidiary therefore the transactions during the year are eliminated on consolidation. For the year ended 31 May 2021, DHHG 1 Limited was a jointly owned entity of Dawn Homes Limited, which Michelle Motion is a Director. Comparative figures show that the Group made sales to DHHG 1 Limited totalling £2,519k in relation to a build contract and management fees.

## 31. Commitments and guarantees

In the ordinary course of the Group's business the Group is required to enter into performance bond arrangements. At 31 May 2021, the Group had bonds of £28,500k (2020: £28,462k) provided by financial institutions.

**31. Commitments and guarantees (continued)**

***31.1. Capital commitments***

| | 2021 | 2020 |
|---|---|---|
| | **£000** | **£000** |
| Call and put options for the purchase of plots for development | 1,600 | 1,550 |

**32. Analysis of net debt**

The Analysis of net debt is as follows:

| | 2021 | 2020 |
|---|---|---|
| | **£000** | **£000** |
| Cash in hand and bank | 15,826 | 1,522 |
| Bank borrowings | (34,000) | (69,000) |
| | (18,174) | (67,478) |
| Lease liability | (2,613) | (3,443) |
| **Net debt** | **(20,787)** | **(70,921)** |

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

| | At 1 June 2020 | New Leases | Cashflow | Fair Value | At 31 May 2021 |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| Cashin hand and bank | 1,522 | - | 14,304 | - | 15,826 |
| Bank Borrowings | (69,000) | - | 35,000 | - | (34,000) |
| Lease | (3,443) | (525) | 1,480 | (125) | (2,613) |
| **Net Debt** | **(70,921)** | **(525)** | **50,784** | **(125)** | **(20,787)** |

## FINANCIAL STATEMENTS

## COMPANY BALANCE SHEET
## AS AT 31 MAY 2021

| | Note | 2021 £000 | 2020 As restated (Note 2.1) £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | **1** | 2,843 | 4,166 |
| Intangible assets | **2** | 600 | 600 |
| Investments | **3** | 54,467 | 54,467 |
| Deferred taxation | **10** | 459 | 124 |
| Trade and other receivables | **5** | 5,046 | 4,484 |
| | | **63,415** | **63,841** |
| **Current assets** | | | |
| Inventories | **4** | 91,306 | 99,194 |
| Trade and other receivables | **5** | 22,184 | 14,791 |
| Cash and cash equivalents | **14** | 4,615 | 794 |
| | | **118,105** | **114,779** |
| **Total assets** | | **181,520** | **178,620** |
| **Current liabilities** | | | |
| Trade and other payables | **6** | 55,961 | 19,456 |
| Bank term loan | **8** | 34,000 | 18,000 |
| Deferred consideration | **11** | - | 2,107 |
| Short-term obligations under lease liabilities | **9** | 166 | 486 |
| Corporation tax | | 428 | 361 |
| | | **90,555** | **40,410** |
| **Non-current liabilities** | | | |
| Long-term bank borrowings | **8** | - | 51,000 |
| Long-term obligations under lease liabilities | **9** | 1,149 | 1,347 |
| Contingent consideration | **12** | 3,900 | 3,797 |
| Provisions | **12** | 950 | 210 |
| | | **5,999** | **56,354** |
| **Total liabilities** | | **96,554** | **96,764** |
| **Net assets** | | **84,966** | **81,856** |
| **Equity** | | | |
| Share capital | **13** | 128 | 122 |
| Share premium | **13** | 56,761 | 52,330 |
| Retained earnings | | 28,077 | 29,404 |
| **Total equity** | | **84,966** | **81,856** |

As permitted by 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 £1,453,685 (2020: profit of £376,430).

These financial statements were approved by the Board of Directors on 13 September 2021.
Signed on behalf of the Board by:

**Sandy Adam**
**Executive Chairman**

**Company number: SC031286**

Company accounting policies are in line with Group – See Group Note 2. The accompanying notes on pages 87 to101 form an integral part of these financial statements

## COMPANY STATEMENT OF CHANGES IN EQUITY
## YEAR ENDED 31 MAY 2021

| | Notes | Share capital £000 | Share premium £000 | Retained earnings £000 | Total £000 |
|---|---|---|---|---|---|
| **1 June 2019** | | **120** | **50,118** | **31,554** | **81,792** |
| Issue of share capital | | 2 | 2,212 | - | 2,214 |
| Total comprehensive income for the year | | - | - | 376 | 376 |
| Dividends | | - | - | (3,083) | (3,083) |
| Share based payments | | - | - | 557 | 557 |
| **31 May 2020** | | **122** | **52,330** | **29,404** | **81,856** |
| Issue of share capital | **13** | 6 | 4,431 | - | 4,437 |
| Total comprehensive income for the year | | - | - | 1,454 | 1,454 |
| Dividends | | - | - | (3,274) | (3,274) |
| Share based payments | | - | - | 493 | 493 |
| **31 May 2021** | | **128** | **56,761** | **28,077** | **84,966** |

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 share issue costs.

Retained earnings represents accumulated profits less losses and distributions. Retained earnings also includes share based payments.

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

The accompanying notes on pages 87 to 101 form an integral part of these financial statements.

## COMPANY STATEMENT OF CASH FLOWS
## YEAR TO 31 MAY 2021

| | Note | 2021<br>£000 | 2020<br>£000 |
|---|---|---|---|
| **Cash flows generated from operations** | | | |
| Profit for the year | | 1,453 | 377 |
| Adjusted for: | | | |
| Exceptional items | | 409 | 342 |
| Taxation charged | | 94 | 289 |
| Finance costs | | 1,465 | 2,116 |
| Finance income | | (355) | (273) |
| **Adjusted operating profit before working capital movement** | | **3,066** | **2,851** |
| Gain on disposal of tangible fixed assets | | (32) | - |
| Exceptional items – cash movement | | (409) | (262) |
| Depreciation and impairment of tangible fixed assets | **1** | 1,225 | 1,306 |
| Share based payments | **11** | 493 | 557 |
| Non-cash movement | | 81 | 550 |
| **Operating cash flows before movements in working capital** | | **4,424** | **5,002** |
| Decrease/(increase) in inventory | | 7,505 | (20,125) |
| (Increase)/decrease in accounts and other receivables | | (11,501) | 5,407 |
| Increase/(decrease) in accounts and other payables | | 45,316 | (18,039) |
| **Net cash generated from/(used in) operations** | | **45,744** | **(27,755)** |
| Taxation paid | | (3,957) | (891) |
| **Net cash inflow/(outflow) from operating activities** | | **41,787** | **(28,646)** |
| **Investing activities** | | | |
| Purchase of property, plant and equipment | **1** | (135) | (446) |
| Proceeds on disposal of property, plant and equipment | | 2 | 1 |
| Purchase of subsidiary Company | **10** | - | (4,000) |
| Interest received | | - | 33 |
| **Net cash used in investing activities** | | **(133)** | **(4,412)** |
| **Financing activities** | | | |
| Proceeds from issue of shares | **13** | 2,249 | 26 |
| Proceeds from bank loans | **17** | - | 38,000 |
| Repayment of bank loans | **17** | (35,000) | - |
| Payment of lease liabilities | **17** | (573) | (714) |
| Dividends paid | | (3,274) | (3,083) |
| Interest paid | | (1,235) | (1,542) |
| **Net cash (outflow)/inflow from financing activities** | | **(37,833)** | **32,687** |
| Net increase/(decrease) in cash and cash equivalents | | **3,821** | **(371)** |
| Cash and cash equivalents at beginning of year | | 794 | 1,165 |
| **Cash and cash equivalents at end of year** | **14** | **4,615** | **794** |

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

The accompanying notes on pages 87 to 101 form an integral part of these financial statements.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS
## YEAR ENDED 31 MAY 2021

### 1. Property, plant and equipment

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Property, plant and equipment | 1,643 | 2,669 |
| Right of use assets | 1,200 | 1,497 |
| **Total property, plant and equipment** | **2,843** | **4,166** |

| | Land and buildings £000 | Plant and machinery £000 | Fixtures, fittings & equipment £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 June 2019 | 681 | 3,521 | 1,549 | 5,751 |
| Additions | 299 | 1 | 158 | 458 |
| Disposals | - | (15) | (1) | (16) |
| At 31 May 2020 | 980 | 3,507 | 1,706 | 6,193 |
| Additions | 6 | - | 129 | 135 |
| Disposals | - | (1,286) | (45) | (1,331) |
| At 31 May 2021 | **986** | **2,221** | **1,790** | **4,997** |
| **Accumulated depreciation** | | | | |
| At 1 June 2019 | 73 | 1,255 | 1,161 | 2,489 |
| Depreciation charge | 21 | 855 | 163 | 1,039 |
| Disposals | - | (4) | - | (4) |
| At 31 May 2020 | 94 | 2,106 | 1,324 | 3,524 |
| Depreciation charge | 27 | 761 | 170 | 958 |
| Disposals | - | (1,084) | (44) | (1,128) |
| At 31 May 2021 | **121** | **1,783** | **1,450** | **3,354** |
| **Net book value** | | | | |
| At 31 May 2021 | **865** | **438** | **340** | **1,643** |
| At 31 May 2020 | **886** | **1,401** | **382** | **2,669** |
| At 31 May 2019 | **608** | **2,266** | **388** | **3,262** |

**1. Property, plant and equipment (continued)**

| **Right of use assets** | **Land and buildings £000** | **Fixtures, fittings & equipment £000** | **Total £000** |
|---|---|---|---|
| **Cost** | | | |
| At 1 June 2019 | 1,736 | 29 | 1,765 |
| Additions | - | - | - |
| Disposals | - | - | - |
| At 31 May 2020 | 1,736 | 29 | 1,765 |
| Additions | - | 29 | 29 |
| Disposals | (92) | (5) | (97) |
| At 31 May 2021 | **1,644** | **53** | **1,697** |
| | | | |
| **Accumulated depreciation** | | | |
| At 1 June 2019 | - | - | - |
| Depreciation charge | 259 | 9 | 268 |
| Disposals | - | - | - |
| At 31 May 2020 | 259 | 9 | 268 |
| Depreciation charge | 258 | 9 | 267 |
| Disposals | (35) | (3) | (38) |
| At 31 May 2021 | **482** | **15** | **497** |
| | | | |
| **Net book value** | | | |
| At 31 May 2021 | **1,162** | **38** | **1,200** |
| At 31 May 2020 | **1,477** | **20** | **1,497** |
| At 31 May 2019 | **1,736** | **29** | **1,765** |

**2. Intangible fixed assets**

| | **Marketing-related assets £000** |
|---|---|
| **Cost** | |
| 1 June 2019 and 31 May 2020 | 600 |
| Additions | - |
| At 31 May 2021 | 600 |
| | |
| **Amortisation** | |
| At 1 June 2019 and 31 May 2020 and 31 May 2021 | - |
| | |
| **Net book value** | |
| **At 31 May 2021** | **600** |
| At 1 June 2019 and 31 May 2020 | 600 |

**2. Intangible fixed assets (continued)**

Marketing-related assets comprises of brand name and licences which have been measured at cost. Market-related assets are expected to have an indefinite useful life. The recoverable amount of the marketing intangible has been determined based on a value in use calculation using cash flow projections based on the actual results for Springfield company only for the year ended 31 May 2021 and the financial budget approved by the Board covering the period to 31 May 2022, with projected cash flows for the years ending 31 May 2023 to 31 May 2025 based on a growth rate of 5% per annum.

The discount rate applied to cash flows is 6% based on the market rate of interest applied previously to the external loan discounting. As a result of the impairment review, there has been no impairment to the carrying value of the intangible assets. The Directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

**3. Fixed asset investments**

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| **Cost** | | |
| Investment in subsidiaries | 91,467 | 91,467 |
| **Provision for impairment** | | |
| Impairment | (37,000) | (37,000) |
| **Net book value** | **54,467** | **54,467** |

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

**Movement in fixed asset investments**

| | Share in Group undertakings | Total |
|---|---|---|
| | £000 | £000 |
| **Cost** | | |
| At 1 June 2019 | 91,431 | 91,431 |
| Additions | 36 | 36 |
| At 31 May 2020 and 31 May 2021 | 91,467 | 91,467 |
| **Provisions for impairment** | | |
| At 1 June 2019 | (37,000) | (37,000) |
| Impairment | - | - |
| At 31 May 2020 and 31 May 2021 | (37,000) | (37,000) |
| **Net book value** | | |
| At 31 May 2020 and 31 May 2021 | **54,467** | **54,467** |
| At 31 May 2019 | **54,431** | **54,431** |

**3. Fixed asset investments (continued)**

Details of the Company's subsidiaries and jointly owned entities at 31 May 2021 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% |
| DHPL Limited * | Buying and selling of own real estate | Ordinary | 100% |
| Walker Holdings (Scotland) Limited | Housebuilder/ Construction | Ordinary | 100% |
| Walker Group (Scotland) Limited * | Housebuilders/ property development/ management services | 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 | 100% |

*Indirectly held

All of the above have a registered office address of:

Alexander Fleming House 8 Southfield Drive Elgin, Morayshire IV30 6GR

**4. Inventories**

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Work in progress | 91,306 | 99,194 |
| | **91,306** | **99,194** |

**5. Trade and other receivables**

**Amounts falling due within one year**

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Trade receivables | 9,197 | 2,708 |
| Other receivables | 7,687 | 3,089 |
| Amounts recoverable on contracts | 2,524 | 1,682 |
| Amounts due from Group undertakings | 2,344 | 6,779 |
| Prepayments and accrued income | 432 | 533 |
| | **22,184** | **14,791** |

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. The Company has low concentration of credit risk, with exposure spread over a large number of customers and developments. The maximum exposure to credit risk at 31 May 2021 is represented by the carrying amount of each financial asset.

**Amounts falling due after one year**

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Other receivables | 5,046 | 4,484 |
| | 5,046 | 4,484 |

**6. Trade and other payables**

| | 2021<br>£000 | 2020<br>As restated<br>£000 |
|---|---|---|
| Trade creditors | 16,708 | 2,167 |
| Other taxation and social security | 739 | 1,836 |
| Other creditors | 308 | 195 |
| Amounts due to Group undertakings | 23,304 | 5,774 |
| Payments on account | 3,206 | 2,774 |
| Accruals and deferred income | 11,696 | 6,710 |
| | **55,961** | **19,456** |

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

## 7. Financial assets and liabilities

| Assets | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Financial assets at amortised cost | 31,413 | 19,536 |
| **Total** | **31,413** | **19,536** |

| Liabilities | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Measured at amortised cost | 90,090 | 88,451 |
| **Total** | **90,090** | **88,451** |

Included within financial assets is a loan to a related party which is valued at amortised cost. £355k (2020: £252k) has been recognised as interest received in the profit and loss account. Market rate interest has been used (Note 16).

## 8. Bank borrowings

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| **Secured borrowings:** | | |
| Bank loans | 34,000 | 69,000 |
| | 34,000 | 69,000 |
| Less: payable within one year | (34,000) | (18,000) |
| Payable after one year | **-** | **51,000** |

The bank loan comprises of a revolving credit facility which was extended in September 2021 and is repayable by January 2025 and is secured over certain of the Company's properties. The facility attracts an interest rate of 2.15% per annum above the Bank of England Sonia (Sterling overnight index average response rate). The amount payable within one year in the prior year related to a Term loan which was drawn down on 24 April 2020 and repaid in full in April 2021, attracted an interest rate of 2.5% above the Bank of England Base Rate.

## 9. Obligations under leases

Lease 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. Leases are stated at the present value of the contractual payments due to the lessor over the lease term.

| | 2021 | 2020 |
|---|---|---|
| Future minimum payments due: | £000 | £000 |
| Not later than one year | 242 | 592 |
| After one year but not more than five years | 762 | 882 |
| After five years | 693 | 849 |
| | 1,697 | 2,323 |
| Less finance charges allocated to future periods | (382) | (490) |
| | 1,315 | 1,833 |
| Present value of minimum lease payments is: | | |
| Not later than one year | 166 | 486 |
| After one year but not more than five years | 547 | 629 |
| After five years | 602 | 718 |
| | 1,315 | 1,833 |

## 10. Deferred taxation

| | 2019 | Profit & loss account | 2020 | Profit & loss account | 2021 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Fixed assets – temporary differences | 93 | - | 93 | (187) | (94) |
| Other – temporary differences | (149) | (68) | (217) | (148) | (365) |
| | **(56)** | **(68)** | **(124)** | **(335)** | **(459)** |

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Deferred tax assets | 459 | 124 |
| | **459** | **124** |

## 11. Deferred consideration

As part of the purchase agreement of Walker Holdings (Scotland) Limited, there was a further £4,375,000 of Deferred consideration payable. 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) – see Note 13. The outstanding discounted amount payable at the period end is £nil (2020: £2,107,289).

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Deferred consideration | - | 2,107 |
| | **-** | **2,107** |

**12. (a) Contingent consideration**

As part of the purchase agreement of Walker Holdings (Scotland) Limited, there was a further £6,000,000 payable which is included within Provisions. £4,000,000 is payable when outline planning is granted at Carlaverock and £2,000,000 payable when detailed planning is granted at Carlaverock, the probability of which was assessed at 98% and 95% respectively. The outstanding amount payable at the period end is £1,900,000 (2020: £1,796,486). The remaining £100,000 (5% on the £2,000,000 still to be paid) has been treated as a contingent liability due to the uncertainty over the future payment. As part of the purchase agreement of DHomes 2014 Limited there was 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 provision of £2,000,000 based on 80% probability. The outstanding amount payable at the period end included within Provisions is £2,000,000 (2020: £2,000,000). The remaining £500,000 (20% on the £2,500,000 still to be paid) has been treated as a contingent liability due to the uncertainty over the future payment.

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Acquisition of DHomes 2014 Holdings Limited ("Dawn") | 2,000 | 2,000 |
| Acquisition of Walker Holdings (Scotland) Limited ("Walker") | 1,900 | 1,797 |
| | **3,900** | **3,797** |

**12. (b) Provisions**

Dilapidation provisions are included for all rented buildings. Maintenance provisions relate to costs to come on developments where the final homes have been handed over.

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Dilapidation provision | 125 | - |
| Maintenance provision | 825 | 210 |
| | **950** | **210** |

**13. 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 share issue costs.

| Ordinary shares of 0.125p - allotted, called up and fully paid | Number of shares | Share capital £000 | Share premium £000 |
|---|---|---|---|
| At 1 June 2020 | 97,860,963 | 122 | 52,330 |
| Share issue | 4,216,563 | 6 | 4,431 |
| At 31 May 2021 | **102,077,526** | **128** | **56,761** |

During the year 2,539,270 shares (2020: 30,660) were issued in satisfaction of share options exercised.
On 31 January 2021, 1,677,293 shares (2020: 1,480,742) were issued to satisfy the second anniversary payment (2020: first anniversary payment) for Walker Holdings (Scotland) Limited.

**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.

**13. Share capital (continued)**

**Share based payments (continued)**

**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 it 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 of the CSOP and ESOP.

**CSOP**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Number of shares | Weighted average exercise price (pence) | Number of shares | Weighted average exercise price (pence) |
| Options at the beginning of the year | 1,240,111 | 111.95 | 1,215,406 | 112.29 |
| Granted during the year | - | - | 95,930 | 108.5 |
| Lapsed during the year | (41,451) | 109.29 | (71,225) | 112.98 |
| Exercised during the year | (396,915) | 106.31 | - | - |
| Options at the year end | 801,745 | 114.89 | 1,240,111 | 111.95 |

| Share option | Grant Price (p) | Number of shares at year end | Exercise price (p) | Vesting period (years) |
|---|---|---|---|---|
| CSOP – 16th October 2017 | 106.00 | 405,558 | 106.00 | 3 |
| CSOP – 8th December 2017 | 111.00 | 27,027 | 111.00 | 3 |
| CSOP – 3rd May 2018 | 134.00 | 22,388 | 134.00 | 3 |
| CSOP – 16th May 2018 | 134.00 | 132,396 | 134.00 | 3 |
| CSOP – 1st October 2018 | 122.50 | 151,400 | 122.50 | 3 |
| CSOP – 4th June 2019 | 108.50 | 62,976 | 108.50 | 3 |

**ESOP**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Number of shares | Weighted average exercise price (pence) | Number of shares | Weighted average exercise price (pence) |
| Options at the beginning of the year | 2,167,027 | 119.23 | 2,271,757 | 119.29 |
| Lapsed during the year | (95,579) | 122.50 | (104,730) | 120.51 |
| Exercised during the year | (46,612) | 106.17 | - | - |
| Options at the year end | 2,024,836 | 119.38 | 2,167,027 | 119.23 |

## 13. Share capital (continued)

**Share based payments (continued)**

| Share option | Grant Price (p) | Number of shares at year end | Exercise price (p) | Vesting period (years) |
|---|---|---|---|---|
| ESOP – 16th October 2017 | 106.00 | 446,926 | 106.00 | 5 |
| ESOP – 3rd May 2018 | 134.00 | 72,761 | 134.00 | 5 |
| ESOP – 16th May 2018 | 134.00 | 18,322 | 134.00 | 5 |
| ESOP – 1st October 2018 | 122.50 | 1,486,827 | 122.50 | 5 |

**SAYE**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Number of shares | Weighted average exercise price (pence) | Number of shares | Weighted average exercise price (pence) |
| Options at the beginning of the year | 2,436,799 | 84.80 | 2,717,824 | 84.80 |
| Granted during the year | 2,094,548 | 130.50 | - | - |
| Lapsed during the year | (242,609) | 84.80 | (250,365) | 84.80 |
| Exercised during the year | (2,095,743) | 84.80 | (30,660) | 84.80 |
| Options at the year end | 2,192,995 | 128.45 | 2,436,799 | 84.80 |

| Share option | Grant Price (p) | Number of shares at year end | Exercise price (p) | Vesting period (years) |
|---|---|---|---|---|
| SAYE – 16th October 2017 | 112.00 | 98,447 | 84.80 | 3 |
| SAYE – 29th April 2021 | 145.00 | 2,094,548 | 130.50 | 3 |

**PSP**

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Number of shares | Weighted average exercise price (pence) | Number of shares | Weighted average exercise price (pence) |
| Options at the beginning of the year | 376,936 | 0.13 | - | - |
| Granted during the year | 648,422 | 0.13 | 376,936 | 0.13 |
| Lapsed during the year | (18,725) | 0.13 | - | - |
| Options at the year end | 1,006,633 | 0.13 | 376,936 | 0.13 |

| Share option | Grant Price (p) | Number of shares at year end | Exercise price (p) | Vesting Period (years) |
|---|---|---|---|---|
| PSP – 9th January 2020 | 0.13 | 358,211 | 0.13 | 3 |
| PSP – 30th October 2020 | 0.13 | 648,422 | 0.13 | 3 |

**13. Share capital (continued)**

**Share based payments (continued)**

**Inputs used to determine fair value of options**

| | CSOP | ESOP | SAYE | PSP |
|---|---|---|---|---|
| Expected volatility | 29.00% | 29.00% | 29.00% | 28.56% |
| Risk free interest rate | 0.49% | 0.49% | 0.49% | -0.10% |
| 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, ESOP and SAYE and the 12 month average Springfield share price prior to the grant of the PSP options.

CSOP – 396,915 (2020 - nil) of options were exercised during the year and 587,369 (2020: nil) shares were exercisable.

ESOP – 46,612 (2020 - nil) of options were exercised during the year and 538,009 (2020: nil) shares were exercisable.

SAYE – 2,095,743 (2020 – 30,660) of options were exercised during the year and 15,668 (2020: nil) shares were exercisable.

PSP - no share options have vested in the year and none can be exercised at the year-end.

**Charge for share based incentive schemes**

The total charge for the year relating to employee share-based plans were £493k (2020: £557k), all of which related to equity-settled share-based payment transactions.

**14. Cash and cash equivalents**

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

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Cash at bank and in hand | 4,615 | 794 |
| | **4,615** | **794** |

At 31 May 2021, the Company had available £33,000k (2020: £16,000k) of undrawn committed borrowing facilities.

## 15. 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 of 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.

## 16. 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.

### *16.1 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.

***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.

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Financial liabilities at fixed rate | 1,315 | 1,833 |
| Financial liabilities at floating rate | 34,000 | 69,000 |
| Non-interest-bearing financial liabilities | 54,775 | 17,618 |
| | **90,090** | **88,451** |

***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 2021** | | **Bank of England base rate 31 May 2020** | |
|---|---|---|---|---|
| | Interest rate +0.5% £000 | Interest rate -0.5% £000 | Interest rate +0.5% £000 | Interest rate -0.5% £000 |
| (Loss) / profit | (170) | 170 | (345) | 345 |

**16. Financial risk management (continued)**

***16.1 Market risk (continued)***

***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.

***Limitations of sensitivity analysis (continued)***

This analysis is for illustrative purposes only, as in practice market rates rarely change in isolation of other factors that also affect the Company'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 2021.

***16.2 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 reputation, which would in turn reduce the Company's ability to borrow at optimal rates. Covenant tests are continually reviewed to ensure covenant criteria are 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 2021** | **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 | 54,775 | 54,775 | 54,775 | - | - | - |
| Bank borrowings | 34,000 | 34,000 | 34,000 | - | - | - |
| Leases | 1,315 | 1,697 | 242 | 214 | 548 | 693 |
| | **90,090** | **90,472** | **89,017** | **214** | **548** | **693** |

## 16. Financial risk management (continued)

***16.2 Liquidity risk (continued)***

| 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 | - | - | - |
| Bank borrowings | 69,000 | 69,000 | 18,000 | 51,000 | - | - |
| Leases | 1,833 | 2,323 | 592 | 313 | 569 | 849 |
| | **88,451** | **88,941** | **36,210** | **51,313** | **569** | **849** |

***16.3 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 by actively monitoring the level of trade receivables and following up when they are overdue more than three months.

The ageing profile of trade receivables was:

| | 31 May 2021 | | 31 May 2020 | |
|---|---|---|---|---|
| | Total book value £000 | Allowance for impairment £000 | Total book value £000 | Allowance for impairment £000 |
| Current | 9,043 | - | 2,595 | - |
| Overdue 90 days | 154 | - | 113 | - |
| | **9,197** | **-** | **2,708** | **-** |

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

The ageing profile of other receivables was:

| | 31 May 2021 | | 31 May 2020 | |
|---|---|---|---|---|
| | Total book value £000 | Allowance for impairment £000 | Total book value £000 | Allowance for impairment £000 |
| Current | 15,211 | - | 9,114 | - |
| | **15,211** | **-** | **9,114** | **-** |

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

## NOTES TO THE COMPANY FINANCIAL STATEMENTS
## YEAR ENDED 31 MAY 2021

### 17. Analysis of net debt

The analysis of net debt is as follows:

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Cash in hand and bank | 4,615 | 794 |
| Bank borrowings | (34,000) | (69,000) |
| | (29,385) | (68,206) |
| Lease liability | (1,315) | (1,833) |
| **Net debt** | **(30,700)** | **(70,039)** |

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

| | At 1 June 2020 | New Leases | Cashflow | Fair Value | At 31 May 2021 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Cashin hand and bank | 794 | - | 3,821 | - | 4,615 |
| Bank Borrowings | (69,000) | - | 35,000 | - | (34,000) |
| Lease | (1,833) | (28) | 573 | (27) | (1,315) |
| **Net Debt** | **(70,039)** | **(28)** | **39,394** | **(27)** | **(30,700)** |