17 September 2019

Springfield Properties plc
("Springfield", the "Company" or the "Group")

Full Year Results
Strong growth with delivery on all targets
Significant expansion in scale and geographic presence

Springfield Properties (AIM: SPR), a leading housebuilder in Scotland delivering private and affordable housing, announces its full year results for the year ended 31 May 2019.

Financial Highlights

	2018/19 £m	2017/18 £m	Change
Revenue	190.8	140.7	+36%
Gross margin	18.0%	15.7%	+230bps
Adj. operating profit*	17.6	10.7	+65%
Adj. profit before tax*	16.5	9.8	+69%
Net debt	29.6	15.3	+93%
EPS* (p)	13.92	10.78	+29%

** Adjusted to exclude exceptional expenses of £0.6m in 2018/19 and 2017/18 respectively*

The Directors of Springfield are pleased to propose a final dividend of 3.2p per share (2017/18: 2.7p), bringing the total dividend for the year to 4.4p, representing an 18.9% increase over the previous year (2017/18: 3.7p).

Operational Highlights

- Strong revenue and gross margin growth across private and affordable housing
- Completion of new homes increased by 23.6% to 952 (2017/18: 770)
- Expanded 16-year land bank to 15,938 plots (31 May 2018: 12,476), 28.4% of which have planning permission, and Gross Development Value ("GDV") of land bank at 31 May 2019 increased to £3.2bn (31 May 2018: £2.4bn)
- Significantly strengthened geographic presence in Edinburgh commuter belt with the acquisition of Walker Group, a Livingston-based housebuilder focussed on private housing, and by securing land for a new Village at Gavieside, Livingston
- First full-year contribution from Dawn Homes, which performed strongly, in line with management's expectations

Private Housing Delivery

- Revenue increased by 40.6% to £143.3m (2017/18: £101.9m)
- Completions grew by 37.0% to 630 homes (2017/18: 460)
- Average selling price increased by 2.7% to £227k (2017/18: £222k)
- Added 805 consented plots, including 533 from Walker Group acquisition
- Land bank grew to 11,511 plots (31 May 2018: 8,757)
- Expanded geographical presence in Edinburgh commuter belt with Walker Group acquisition and securing land at Gavieside, and in the Highland region, including, post period, a strategic land acquisition in Inverness
- Excellent progress on Village developments:
    - Total of 212 homes occupied at year end across Dykes of Gray and Bertha Park
    - Development of Village centres and infrastructure at Dykes of Gray and Bertha Park, including a major new road link, with work led by the Local Authority, connecting Bertha Park to Perth
    - Villages increasingly becoming sufficiently established to support new businesses, with

advanced construction on commercial units during the year and, post period, the opening of a sports centre at Linkwood, Elgin and Bertha Park Secondary School, the first entirely new secondary school to be established in Scotland for more than 15 years and the first Microsoft Flagship School in the UK
  - Commenced construction at Linkwood, Elgin; advanced planning on Durieshill, Stirling; and secured land for 2,500-home development at Gavieside and submitted detailed planning application for first phase

Affordable Housing Delivery

- Revenue increased by 15.1% to £42.9m (2017/18: £37.3m)
- Completions grew by 3.9% to 322 homes (2017/18: 310)
- Average selling price increased by 10.8% to £133k (2017/18: £120k)
- Planning consent secured for 189 affordable plots
- Land bank grew to 4,427 plots (31 May 2018: 3,719)
- Strong progress under local authority framework agreement for 10 developments, including completion of first development post period
- Planning consent for 237 affordable homes at Dalmarnock, in Glasgow, advanced during the year and approved post period
- Progressed construction of 54 affordable homes and six adjoining commercial units at Bertha Park – the first affordable housing at a Village development
- Pipeline expanded with acquisition of Walker Group land bank that will require 346 affordable homes

Sandy Adam, Executive Chairman of Springfield Properties, said: "I am pleased to report another year of strong growth for Springfield. We increased our revenue from both private and affordable housing, and achieved significant improvement in gross margin. We expanded our geographic presence and scale and made great progress with our Village developments, with the most advanced strengthening in appeal as they become increasingly established new communities.

"Throughout our history, Springfield's strategies have been designed to secure growth and future-proof the business. We have been successful in achieving this in the past and this continues to be our focus for the future. With our strong land bank of nearly 16,000 plots, the progress that we're making with our Village developments and sustained market drivers, we are well-positioned for continued growth. On behalf of the Board, I thank our shareholders for their support and look forward to providing further updates on our achievements."

Innes Smith, Chief Executive Officer of Springfield Properties, commented: "This was another great year for Springfield as we delivered on all of our targets and strengthened our ability to deliver sustained growth. In particular, our investments in the acquisition of Dawn Homes, Walker Group and our four high calibre managing directors have greatly enhanced our business. None of this would have been possible without the skill and hard work of our employees, for which we thank them. With a great product, an excellent team and sustained demand for housing in Scotland, we have established a solid pipeline and remain on track to deliver continued growth in line with market expectations."

Enquiries

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Analyst Presentation

Sandy Adam, Executive Chairman, Innes Smith, Chief Executive Officer, and Michelle Motion, Chief Financial Officer, will be hosting a presentation for analysts at 9.00am BST today at the office of Luther Pendragon, 48 Gracechurch Street, London, EC3V 0EJ.

Operational Review

Springfield achieved another year of strong growth with sales increasing in both private and affordable housing, with total completions 23.6% higher at 952 new homes (2017/18: 770). This included excellent progress at the Group's Village developments, the most advanced of which now have extensive infrastructure and amenities in place and are strengthening in appeal as they become increasingly established. During the year, Springfield expanded its geographic presence in the Edinburgh commuter belt with the acquisition of Walker Group and by securing land for a fifth Village development at Gavieside, and into the Highlands, including, post period, making a strategic land acquisition in Inverness. Dawn Homes, which made its first full-year contribution, performed strongly, in line with management's expectations. With the increased scale of the business, the Group strengthened its operating structure, including the appointment of four managing directors.

Land Bank

Springfield significantly increased the size and expanded the geographic reach of its land bank, securing 4,719 plots in 21 locations (including the Walker Group acquisition). At year end, the Group was active on 43 developments (31 May 2018: 41 active developments) and during the year:

- 22 new active developments were added while 20 developments were completed;
- the land bank was increased by 27.7% to 15,938 plots (31 May 2018: 12,476 plots);
- 994 consented plots over 13 developments were added to the land bank, including 533 plots on seven developments from the Walker Group acquisition; and
- as of 31 May 2019, 28.4% of the Group's land bank had planning consent (31 May 2018: 39.5%).

The expansion in the land bank was primarily through the acquisition of Walker Group during the year, which added 10 developments in a single transaction and significantly strengthened the Group's visibility over projections for the next three years, as well as through securing land for a new Village at Gavieside, Livingston.

The addition of the Walker Group land bank expanded the Group's geographic presence and established a strong foothold in the Edinburgh commuter belt. During the year, the Group also continued to expand its reach into the Highlands region, including, post period, securing land in Inverness.

The change in the proportion of plots with planning primarily reflects the expansion in the size of the total land bank with the addition of new plots at an earlier stage of development.

Private Housing

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 the standalone Village developments, each with up to 3,000 plots and the requisite infrastructure and amenities for a village community to become established. Springfield homes are differentiated by their high-quality specification and a wide variety of personalised finishes.

The Group's delivery of private housing continued to be supported by strong market drivers. For the first half of calendar year 2019, house prices in Scotland increased by 1.3% annually – compared with 0.9% for the UK as a whole. In addition, sales volumes in Scotland for 2019 to the end of April increased over the same period in 2018, compared with a decline for the UK as a whole, further reflecting the buoyant market.

During the year, the Group completed 630 private homes, representing an increase of 37.0% over the previous year (2017/18: 460). The average selling price was £227k compared with £222k for 2017/18.

The increase in average selling price was primarily due to the addition of Walker Group, which operates in locations where there are higher average property prices, and rising property prices.

The Group's active private housing developments grew to 29 (31 May 2018: 23), with 14 active developments added during the year while eight developments were completed. In total, the private housing land bank was expanded to 11,511 plots on 62 developments (31 May 2018: 8,757 plots on 50 developments).

The Group added 805 consented plots for private housing to the land bank, including 533 from the Walker Group acquisition, and 5,020 plots were the subject of planning applications; as at 31 May 2019, 29.6% of private plots had planning consent (31 May 2018: 41.7%), with 43.6% of plots going through the planning process and 26.7% at the pre-planning stage.

Village developments

Springfield made excellent progress in the development of its Villages, with their appeal strengthening as they become increasingly established.

At Dykes of Gray near Dundee, 178 homes were occupied as at 31 May 2019 (31 May 2018: 108). The Group continued to progress the development of community infrastructure, including extensive planting throughout the Village, particularly in central areas, and the opening of a grass sports pitch and cycling and walking routes. A third party began construction of a children's nursery post period and a convenience store is expected to open in the first half of the current financial year, which reflects Dykes of Gray becoming sufficiently established to support new businesses. During the year, planning approval was received to remix an area, which will broaden the offering at the Village, and a planning application was submitted for the next phase comprising 218 homes with community infrastructure, including a primary school. The planning decision on this application is expected in the first half of the current financial year.

At Bertha Park near Perth, the first owners moved in during the year and 34 homes were occupied by 31 May 2019. Development of the central landscape features progressed and works, led by the Local Authority, on a new major road that connects the Village directly to Perth were completed and have facilitated a public transport link. The first six business units also reached an advanced stage of construction with occupation expected to begin from October 2019. Post period, during August, Bertha Park Secondary School was opened to its first pupils. The school is the first entirely new secondary school to be established in Scotland for more than 15 years and is the first Microsoft Flagship School in the UK.

Springfield commenced on-site construction at Linkwood, Elgin, where the first phase will comprise 870 homes and community facilities, provided by third parties, including a primary school, which is under construction, and a sports centre, which opened post period. At Durieshill, Stirling, a 3,042-home Village development, proposals are at an advanced stage, with planning consent expected towards the end of 2019.

During the year, Springfield secured approximately 400 acres of zoned land at Gavieside, Livingston, which is in the Edinburgh commuter belt, for the Group's fifth Village development. The Group designed the masterplan, which generated an increase in the anticipated number of plots to 2,500. Post period, a detailed planning application was submitted for the first phase of 502 homes, play areas and up to eight business units, which will provide employment and services for local people.

Other private housing highlights

The Group progressed sales on 25 private housing developments during the year (excluding Villages and the Walker Group acquisition), which have a total of 506 homes. Private housing excluding the contribution from Villages made up 81% of total private housing revenue (2017/18: 84%).

In the North of Scotland, highlights included receiving planning and launching sales for further homes at Meadow Lea, Nairn, with buyers camping out overnight to secure a home at the sales launch. The Group extended its geographical reach in the Highlands with the launch of sales at Dornoch and by securing a development in Beauly. Post period, Springfield achieved a key milestone with a strategic land acquisition in Inverness.

At The Wisp, a large development area for 200 homes in South East Edinburgh, the Group received planning permission in principle for the next phase of new homes and submitted a planning application for 139 apartments, comprising 104 private and 35 affordable homes.

Advances were made on the Dawn Homes and Walker Group developments. This included the submission of a detailed planning application for 147 homes at Neilston, located on the outskirts of Glasgow, and, immediately post period, receiving planning approval for 240 private homes at Dalhousie South and planning permission in principle for 561 homes at Tranent, near Edinburgh.

Affordable Housing

Springfield develops affordable housing in partnership with Local Authorities, Housing Associations or other public bodies. This can be alongside private housing under Section 75 Agreements with Local Authorities (whereby private developers agree to make a contribution of housing, money or infrastructure as a condition of planning permission) or on standalone developments that consist entirely of affordable homes.

During the year, the number of affordable home completions grew to 322 (2017/18: 310) and the average selling price increased by 10.8% to £133k (2017/18: £120k) due to changes in sales mix. At 31 May 2019, the Group was operating on 14 active affordable housing developments (31 May 2018: 18), of which six were affordable-only developments (31 May 2018: 13) with the reduction due to the timing of the release of planning consents. During the year, the total affordable housing land bank increased to 4,427 plots on 41 developments (31 May 2018: 3,719 plots on 43 developments).

Springfield secured planning consent for 189 affordable housing plots and 2,133 plots were the subject of planning applications. At 31 May 2019, 25.3% of affordable housing plots had planning (31 May 2018: 34.4%), with 48.2% of plots going through the planning process and 26.5% at the pre-planning stage.

During the year, the Group made good progress under its Local Authority framework agreement for 10 affordable-only developments. The Group commenced construction on three of the developments, with one progressing to completion of handovers post period. The Group also secured build contracts for another two of the developments during the year, with work commencing on site, post period, in early July.

Plans for 237 affordable homes in Dalmarnock, in Glasgow, were approved post period. The development is part of the Clyde Valley Regeneration project and will include retail space and urban apartments, with construction due to start on site in the coming months.

During the year, Springfield progressed the construction of 54 affordable homes and six adjoining commercial units at Bertha Park. The handover of these homes and buildings is expected to take place in the first half of this current financial year. This is the first affordable housing to be delivered at any of the Group's Village developments and is the initial phase of an expected 750 affordable homes to be built at Bertha Park over the next 30 years.

The Group's affordable housing pipeline was also expanded with the acquisition of Walker Group, which did not build affordable housing; development of its current land bank will require 346 affordable homes to be built. Since the acquisition, the Group has progressed three Walker Group affordable developments: a planning application for 70 affordable homes in Dalhousie, Midlothian was submitted in August 2019; plans are scheduled to be submitted in the first half of this financial year for 69 homes in West Calder, West Lothian; and Springfield is in early-stage discussions with Midlothian Council for a development at Windygoul, Bonnyrigg.

Strengthened Organisation & Operations

During the year, the Group significantly expanded and strengthened its operations – above all, with the acquisition of Walker Group. This greatly enhanced the Group's sales presence in the east of Central Scotland, within the Edinburgh commuter belt. The Walker Group premises in Livingston and all of the company's 53 staff were also retained. The integration of the business has progressed positively and Walker Group continued to trade as expected.

Following the acquisition of Dawn Homes at the end of the 2017/18 financial year, Springfield focussed on embedding that acquisition during 2018/19, which provided the Group with a presence in a new region, west of Central Scotland, and an established supply chain. Dawn Homes has continued to perform strongly, in line with management's expectations.

At the beginning of the year, Springfield established a new group operating structure, including a Group Operating Board comprising four managing directors for North Scotland (private housing), Central Scotland (private housing), Dawn Homes and Partnerships (affordable housing) respectively; and the directors of the respective corporate functions. Subsequently, the managing director for Central Scotland (private housing) also became responsible for running Walker Group following the acquisition of that business. This structure has enhanced operational efficiency across the Group and supported the increase in the scale of the business.

The Group is benefitting from the addition of further strong sales, land and planning, and commercial teams from Dawn Homes and Walker Group, and is leveraging the significant experience and capabilities gained from the combination of the three businesses. Springfield intends to effect Group-wide supply chain efficiencies over the coming year. Movement of staff around the Group is broadening opportunities for employees, and individual corporate functions are beginning to offer their services Group-wide, which is expected to further increase efficiencies and improve performance.

Springfield continued to progress in making its developments more environmentally sustainable and energy efficient. During the year, the Group pioneered the use of an eco-friendlier asphalt mix for road surfacing, incorporating plastic waste in a section of road at one of the Group's Elgin developments. This reduces the amount of bitumen used, while increasing the durability and longevity of the road surface. The initiative complements Springfield's ongoing commitment to increasing the environmental credentials of its homes, with a key aspect of the design process being an assessment of options for improving energy efficiency.

The eco-friendly asphalt mix was also used to resurface the yard at the Group's timber kit factory, which was among a number of improvement measures implemented to increase production capacity and efficiency. This contributed to the number of kits produced in 2018/19 being 36.9% higher than the previous year.

In addition, the Group improved its customer surveying processes to increase response times, thereby enabling action to be taken more quickly if required. Over 90% of customers surveyed, who had moved into a Springfield home between December 2018 and May 2019, responded that they would recommend Springfield to a friend or relative.

Financial Review

This was another year of strong growth for Springfield, with increases in completions, sales and profit before tax.

Revenue for the year to 31 May 2019 was 35.6% higher than the previous year at £190.8m (2017/18: £140.7m). Growth was primarily driven by the 40.6% increase in revenue from private housing, which remained the largest contributor to Group revenue, accounting for 75.1% of total sales. There was growth in revenue from affordable housing of 15.1% as well as an increase in other income, largely relating to the recognition of revenue from the sale of land under a land swap with a major housebuilder, to exchange 62 plots at Dykes of Gray for land in Kinross.

Revenue	**2018/19 £'000**	**2017/18 £'000**	**Change**
Private housing	143,260	101,867	+40.6%
Affordable housing	42,906	37,272	+15.1%
Other*	4,638	1,584	+192.8%
TOTAL	**190,804**	**140,723**	**+35.6%**

*Principally the recognition of revenue under the land swap as well as construction-only projects, typically on land not owned or controlled by Springfield where the Group receives fees for design and construction work.

Gross profit for 2018/19 increased by 55.1% to £34.3m (2017/18: £22.1m), with a consolidated gross margin improvement of 230 basis points to 18.0% (2017/18: 15.7%). The increase in gross margin primarily reflects margin improvement in private housing delivery due to the Group having completed in the previous year all but one of its lower margin legacy developments, as well as the positive impact in 2018/19 of the Dawn Homes and Walker Group properties, which generate a slightly higher margin.

Total administrative expenses for 2018/19 were £18.2m compared with £12.2m for the previous year. The increase reflects the larger scale of the business, including the addition of Dawn Homes and Walker Group and the appointment of new managing directors to enhance the Group's operating structure.

Profit before tax increased by 73.3% to £16.0m (2017/18: £9.2m). On an adjusted basis, excluding £0.6m of exceptional items in both 2018/19 and 2017/18 respectively, profit before tax increased by 69.2% to £16.5m (2017/18: £9.8m).

Basic EPS (excluding exceptional items) increased by 29.1% to 13.92p for 2018/19 compared with 10.78p for 2017/18 and return on capital employed ("ROCE") for the year ended 31 May 2019 increased to 14.6% compared with 11.3% for the prior year.

Net debt at 31 May 2019 was £29.6m compared with £25.3m at 30 November 2018 and £15.3m at 31 May 2018 due to the acquisition of Walker Group.

Dividend

The Board is pleased to recommend a final dividend of 3.2p per share (2017/18: 2.7p), subject to shareholder approval at the next AGM, with an ex-dividend date of 31 October 2019, a record date of 1 November 2019 and a payment date of 18 November 2019. This brings the total dividend for the year, including the interim dividend already paid, to 4.4p per share (2017/18: 3.7p), an 18.9% increase over the previous year.

Outlook

Springfield entered the 2019/20 financial year in a stronger position than ever before, with a presence in almost all of the key geographies within Scotland and an enhanced operational structure. The Group's land bank provides activity for at least the next 16 years at current sales rates and its focus is on progressing its active sites and developing future sites. Springfield is also continuing to embed the acquisitions of Walker Group and Dawn Homes, and is realising benefits increasingly across the Group.

Springfield continues to see good growth across the business. In particular, the Village developments are progressing well and their appeal is strengthening as they become increasingly established, adding further amenities for residents with the opening of other businesses.

The delivery of both private and affordable housing is supported by strong market drivers. The demand for housing in Scotland continues to outstrip supply at a time when interest rates are low and mortgage availability is good. House price growth in Scotland is ahead of that in the rest of the UK and the Scottish Government continues to focus on bolstering levels of affordable housing as it seeks to hit its target of building 50,000 new affordable homes by 2021.

As a result, the Board of Directors remains confident of continuing to deliver sustained growth, in line with market expectations, and delivering shareholder value.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2019

	Notes	2019 Pre – Exceptional Items £000	Exceptional Items £000	2019 Post – Exceptional Items £000	2018 Post – Exceptional Items £000
Revenue	2	190,804	-	190,804	140,723
Cost of sales		(156,470)	-	(156,470)	(118,580)
Gross profit		**34,334**	**-**	**34,334**	**22,143**
Administrative expenses	4	(17,673)	(565)	(18,238)	(12,183)
Share of profit before interest and taxation		584	-	584	21
Other operating income		384	-	384	126
Operating profit/(loss)		**17,629**	**(565)**	**17,064**	**10,107**
Interest receivable and similar income		416	-	416	147
Finance costs		(1,511)	-	(1,511)	(1,039)
Profit/(loss) before tax		**16,534**	**(565)**	**15,969**	**9,215**
Tax	3	(3,111)	-	(3,111)	(1,854)
Profit for the year and total comprehensive income		**13,423**	**(565)**	**12,858**	**7,361**
Profit for the year and total comprehensive income is attributable to:					
-Owners of the parent company		13,413	(565)	12,848	7,353
-Non-controlling interests		10	-	10	8
		13,423	**(565)**	**12,858**	**7,361**
Earnings per share					
Basic earnings, on profit for the year (pence per share)	6	13.92p	(0.58)p	13.34p	10.02p
Diluted earnings, on profit for the year (pence per share)	6	13.79p	(0.58)p	13.21p	9.99p

The Group has no items of other comprehensive income.

These financial statements were approved by the Board of Directors on 16 September 2019.

Signed on behalf of the Board by:

Sandy Adam
Executive Chairman

Company number: SC031286

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 MAY 2019

	2019 £000	2018 £000
Non-current assets		
Property, plant and equipment	4,977	4,492
Intangible assets	1,649	600
Investments	1,481	1,018
Accounts receivable	903	870
	9,010	**6,980**
Current assets		
Inventories and work in progress	148,649	105,630
Accounts receivable	20,144	19,104
Cash and cash equivalents	3,062	12,015
	171,855	**136,749**
Total assets	**180,685**	**143,729**
Current liabilities		
Accounts payable	43,697	33,910
Short-term obligations under finance lease	1,012	1,020
Corporation tax	2,018	1,139
	46,727	**36,069**
Non-current liabilities		
Long-term borrowings	31,000	25,000
Long-term obligations under finance lease	624	1,254
Provisions	13,954	2,394
	45,578	**28,648**
Total liabilities	**92,305**	**64,717**
Net assets	**88,560**	**79,012**
Equity		
Share capital	120	120
Share premium	50,118	50,105
Retained earnings	38,292	28,767
Equity attributable to owners of the parent company	**88,530**	**78,992**
Non-controlling interest	30	20
Total equity	**88,560**	**79,012**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2019

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Non-controlling interest £000	Total £000
1 June 2017		73	10,285	22,017	12	32,387
Share issue		47	39,820	-	-	39,867
Total comprehensive income for the year		-	-	7,353	8	7,361
Share option reserves		-	-	218	-	218
Dividends	**5**	-	-	(821)	-	(821)
31 May 2018		**120**	**50,105**	**28,767**	**20**	**79,012**
Share issue		-	13	-	-	13
Total comprehensive income for the year		-	-	12,848	10	12,858
Share option reserves		-	-	434	-	434
Dividends	**5**	-	-	(3,757)	-	(3,757)
31 May 2019		**120**	**50,118**	**38,292**	**30**	**88,560**

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR TO 31 MAY 2019

Operating activities	**Notes**	**2019** **£000**	**2018** **£000**
Profit for the year after taxation (excluding exceptional items)		13,423	7,919
Adjusted for:			
Taxation charged		3,111	1,854
Finance costs		1,511	1,039
Interest receivable and similar income		(416)	(147)
Exceptional items	**4**	(565)	(558)
Gain on disposal of tangible fixed assets		(270)	(45)
Share option employment costs		434	218
Share of joint venture profit		(420)	(21)
Depreciation and impairment of tangible fixed assets		1,591	1,088
Operating cash flows before movements in working capital		**18,399**	**11,347**
Decrease in inventory		948	6,230
Decrease/(Increase) in accounts and other receivables		653	(7,314)
(Decrease)/Increase in accounts and other payables		(3,978)	4,166
Net cash generated from operations		**16,022**	**14,430**
Income taxes paid		(2,868)	(1,714)
Net cash inflow from operating activities		**13,154**	**12,716**
Investing activities			
Payments to acquire intangible assets		-	(600)
Purchase of property, plant and equipment		(1,549)	(752)
Proceeds on disposal of property, plant and equipment		368	62
Net purchase of subsidiary company undertakings		(20,891)	(14,719)
Interest received and similar income		98	19
Net cash used in investing activities		**(21,974)**	**(15,990)**
Financing activities			
Proceeds from issue of shares		13	42,180
Cost from issue of shares		-	(2,312)
Proceeds from bank loans		68,000	-
Repayment of bank loans		(62,000)	(22,500)
Proceeds paid to related parties		-	(4,647)
Repayment of other borrowings		-	(2,929)
Payment of finance leases obligations		(1,065)	(849)
Dividends paid	**5**	(3,757)	(821)
Interest paid		(1,324)	(1,168)
Net cash (outflow)/inflow from financing activities		**(133)**	**6,954**
Net (decrease)/increase in cash and cash equivalents		**(8,953)**	**3,680**
Cash and cash equivalents at beginning of year		12,015	8,335
Cash and cash equivalents at end of year		**3,062**	**12,015**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2019

1. 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.

1.1 Basis of accounting

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

The Group has adopted all the standards and amendments to existing standards which are mandatory for accounting periods beginning on 1 June 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

At 31 May 2019 the following new and revised IFRSs relevant to the Group are issued but are not yet effective:

	Effective date
IFRS 16 Leases	1 January 2019
Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019

IFRS 16 Leases will be effective for the Group from 1 June 2019. The key effect of this standard will be to require the Group to create a long term depreciating "right of use" asset and corresponding lease liability for leases currently classified as operating leases and charged over the lease term in accordance with the current standard IAS 17 Leases. The Group operate a number of such operating leases, principally in relation to office properties and vehicles. If IFRS 16 was applied from 1 June 2018, both fixed assets and other payables would have been increased by £3,277,410 at 31 May 2019. There would be no material impact to the reported profit from operations.

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

Following the implementation of IFRS 15, Revenue from Contracts with Customers, revenue has been reviewed to ensure that it is reported in line with IFRS 15. There is no material impact to the financial statements for the current and prior year.

IFRS 9 Financial Instruments came into effect on 1 January 2018 replacing IAS 39 Financial Instruments: Recognition and Measurement and requires changes to the classification and measurement of certain financial instruments from that under IAS 39. The new standard has been applied fully retrospectively and on review the majority of the Group's and Parent Company financial assets and liabilities will continue to be accounted for on an identical basis under IFRS 9 as they were under IAS 39. There is no material effect from applying IFRS 9 for expected credit losses.

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

1.2 Basis of consolidation

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

All financial statements are made up to 31 May 2019.

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

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

1.3. 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).

1.4. Going concern

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

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

1.5. Revenue recognition

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

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

Private house sales

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

Construction contracts

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

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

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

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

1.6. 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.

1.7. Retirement benefits

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

1.8. Borrowing costs

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

1.9. Taxation

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

Current tax

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

Deferred tax

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

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

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

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

1.10. 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.

1.11. Property, Plant and Equipment

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

Buildings	- 2% and 5% straight line
Plant and machinery	- 2-5 years straight line
Fixtures, fittings & equipment	- 2-5 years straight line
Motor vehicles	- 4-5 years straight line

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.

1.12. Intangible Fixed Assets

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

Market Related Assets

Market-related assets are expected to have an infinite useful life; however, impairment reviews are performed annually. Any impairment losses or reversals of impairment losses are recognised immediately in the profit and loss account.

Goodwill on Acquisition

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

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

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

1.13. Fixed asset investments

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

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

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

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

1.14. 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.

1.15. 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 income profit and loss account.

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

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

1.16. Construction contracts

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

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

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

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

1.17. 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.

Loans and receivables

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

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

Loans outside the group are valued at amortised cost and discounted at a market rate of interest. The discount is being spread over the development the loan is financing.

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. 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 received, discounted at an approximation of the original effective interest rate.

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

Derecognition of financial assets

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

Financial liabilities

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

Other financial liabilities

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

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

Derecognition of other financial liabilities

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

1.18. Provisions

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

1.19. 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.

1.20. 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.

1.21. Leases

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

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

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

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

Finance charges are charged to the profit and loss account.

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

1.22. 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 direct issue costs.

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

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

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

1.23. 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.

2. 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.

	2019	2018
Revenue	**£000**	**£000**
Private residential properties	143,260	101,867
Affordable housing	42,906	37,272
Land sales	3,100	-
Other	1,538	1,584
Total Revenue	**190,804**	**140,723**
Gross Profit	**34,334**	**22,143**
Administrative expenses	(17,673)	(11,625)
Operating Income	384	126
Profit before interest and tax from JV	584	21
Finance income	416	147
Finance expenses	(1,511)	(1,039)
Exceptional items	(565)	(558)
Profit before tax	**15,969**	**9,215**
Taxation	(3,111)	(1,854)
Profit for the period	**12,858**	**7,361**

3. Taxation

	2019	2018
	£000	**£000**
Current tax		
UK corporation tax on profits for the current period	3,117	1,872
Adjustments in respect of prior periods	(7)	(27)
	3,110	1,845
Deferred tax		
Origination and reversal of timing differences	16	23
Adjustments in respect of prior periods	(15)	(14)
	1	9
	3,111	1,854

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

	2019 £000	2018 £000
Profit before tax	15,969	9,215
Tax at the UK corporation tax rate of 19% (2018- 19%)	3,034	1,751
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	(12)	31
Exceptional items – no deductions	107	106
Adjustments in respect of prior years	(7)	(27)
Depreciation on assets not qualifying for tax allowances	4	4
Deferred tax adjustments in respect of prior years	(15)	(14)
Land remediation relief	(4)	(6)
Adjust deferred tax to closing average rate	4	9
Tax charge for period	3,111	1,854

4. Exceptional Items

	2019		2018
	£000		£000
Acquisition and other transaction related costs (1)	565		255
Existing share capital conversion to AIM (2)	-		303
	565		558

(1) Acquisition and other transactions related costs relate to the costs incurred relating to the work undertake for the acquisition of Walker Holdings (Scotland) Limited and its subsidiaries and jointly owned companies (2018 - DHomes 2014 Holdings Limited and its subsidiaries and jointly owned companies).
(2) Existing share capital conversion to AIM relates to costs incurred relating to the work undertaken for the Initial Public Ordering (IPO) for existing ordinary shares.

5. Dividends

	2019 £000	2018 £000
Total dividend payment	3,757	821
Weighted average number of ordinary shares in issue	96,333,642	82,083,642
Dividend per share (pence per share)	**3.90**	**1.00**

6. 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 2019 assumes that all shares have been included in the computation based on the weighted average number of days since issue.

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

	2019 £000	**2018 £000**
Profit for the year attributable to owners of the Company	12,848	7,353
Adjusted for the impact of exceptional costs in the year	565	558
Normalised earnings	13,413	7,911
Weighted average number of ordinary shares for the purpose of basic earnings per share	96,336,885	73,412,651
Effect of dilutive potential shares: share options	953,235	201,061
Weighted average number of ordinary shares for the purpose of diluted earnings per share	97,290,120	73,613,712
Earnings per ordinary shares		
Basic earnings per share (pence per share)	13.34	10.02
Diluted earnings per share (pence per share)	13.21	9.99
Underlying earnings per ordinary shares (1)		
Basic earnings per share (pence per share)	13.92	10.78
Diluted earnings per share (pence per share)	13.79	10.75

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