Company Registration No. SC031286 (Scotland)

SPRINGFIELD PROPERTIES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2019

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COMPANY INFORMATION

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

SPRINGFIELD PROPERTIES PLC

STRATEGIC REPORT

The Directors' present their strategic report for the Group for the year ended 31 May 2019.

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 MAY 2019

Group Revenue	Group Completions	Group Adjusted PBT*	Private Homes Revenue	Affordable Homes Revenue
+36%	**+24%**	**+69%**	**+41%**	**+15%**
2019: £190.8m **2018: £140.7m**	**2019: 952 homes** **2018: 770 homes**	**2019: £16.5m** **2018: £9.8m**	**2019: £143.3m** **2018: £101.9m**	**2019: £42.9m** **2018: £37.3m**

Group	**2018/19 £m**	**2017/18 £m**	**Change %**
Revenue	190.8	140.7	+35.6%
Gross profit	34.3	22.1	+55.1%
Adjusted operating profit*	17.6	10.7	+65.3%
Adjusted profit before tax*	16.5	9.8	+69.2%
Earnings per share*	13.92p	10.78p	+29.1%
Net debt	29.6	15.3	+93.8%

*Adjusted excludes exceptional items. Exceptional items are costs relating to acquisition of Walker Group (2018 - Dawn Homes and IPO costs relating to existing ordinary shares).

Strategic and Operational Highlights

- Achieved strong revenue and gross margin growth across the business
- £31m net acquisition of Walker Group
- Increased land bank by 3,462 plots to 15,938 plots
- Gross development value of land bank increased to £3.2bn
- Strong first full year contribution from Dawn Homes

STRATEGIC REPORT

EXECUTIVE CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MAY 2019

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 made great progress with our Village developments, with the most advanced becoming attractive new places with new communities putting down roots. We expanded our geographic presence and the scale of our business with the acquisition of Walker Group, a provider of high-quality homes in the Edinburgh commuter belt, and by securing land for a fifth Village development at Gavieside. This operational and financial progress across the Group puts us in a stronger position than ever before.

People

The skill and hard work of our employees are a vital part of our success. We now have over 700 employees and more than 400 subcontractors, which makes us one of Scottish housebuilding's leading employers. During the year, we welcomed the team from Walker Group to Springfield. We have been very pleased with the expertise they have added and with how well the acquisition has become integrated in the Group.

We believe that if we look after our employees they, in turn, will look after our customers. We are proud of how well we retain employees, with the average length of service being 5.1 years, staff retention being 89% in the year to May 2019 and ten of the original fourteen Springfield staff are still working with the Group today. This loyalty is also reflected in the number of employees who have invested in our Save As You Earn Scheme to share in the success of our business, with over 68% of employees having joined the scheme when it launched in November 2017.

One of the most rewarding aspects of my job is seeing people develop their true potential and reach levels they never thought were possible. A key part of our ethos is training and development, and we encourage our employees to take new opportunities to help them grow. This improves job satisfaction for our employees and helps make sure we have the right people, with the right skills to support growth. We also work with external partners in the public and private sectors to bring in new talent. Currently we are supporting 21% of staff in further education, training and apprenticeships.

On behalf of the Board, I would like to thank all of our employees for their continued hard work and dedication. I would also like to extend my thanks to our subcontractors and suppliers for their valued contribution to our business.

Community

At Springfield, we are passionate about supporting the local community in areas where we are building homes. This can involve sponsorships, running local events, fundraising for local charities, donating to foodbanks or providing talks at local schools, and we were active in doing this during the year. We also work with local communities as part of the planning process.

At our Villages, we are delivering attractive, welcoming and sustainable new places. We already build the homes our customers want and now we are creating the places they want to live, new villages which include everything a community needs to become established and thrive. At the design stage we pay great attention to including public spaces, indoor and outdoor. At an early stage of development, we complete key aspects such as playparks and central landscaping and we create opportunities for people in the Village to come together.

We were delighted this year with the installation of public art at Dykes of Gray, in partnership with Dundee City Council. The project, which is ongoing, is contributing to giving this new place and its community a sense of identity. To celebrate the first installation, we held a BBQ for the Dykes of Gray community, including activities for children. The project also led to our engagement with local schools on arts projects.

The vision of our designers is shaping the new built environment of the future Scotland, it is a great privilege to be able to design and build new Villages throughout our country. We are very aware that with this privilege comes the knowledge that our work will be on view for centuries to come and the responsibility to create places that can flourish.

EXECUTIVE CHAIRMAN'S STATEMENT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2019

In delivering affordable housing, we help Local Authorities and Housing Associations provide much needed new affordable homes to meet the current national shortfall. We are particularly proud of the specialist facilities that we provide, primarily for the elderly but also bespoke properties with modifications for people with disabilities or health issues. This year, we have begun building apartments specially designed for those aged over 55. The blocks include lifts and measures to help manage declining memory in older age enabling people to live independently for longer.

Housing market

We continue to be supported by strong market drivers in both private and affordable housing. The demand for housing in Scotland is outstripping supply at a time when interest rates are low and there is good mortgage availability, supporting an increase in average house prices. 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. Indeed, average house prices in Scotland have grown faster than the UK annual rate in all but two months since December 2017. Sales volumes in Scotland for 2019 to end April increased over the same period in 2018, compared with a decline for the UK as a whole, further indicating a buoyant market. 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.

Dividends

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.

We remain confident in Springfield's prospects and expect to continue to pay a regular dividend in line with our dividend policy.

Board

I would like to thank my colleagues on the Board for their ongoing support and contribution as we delivered another year of growth and significantly scaled up our business. At the beginning of the year, I was delighted to welcome Nick Cooper to the Board of Springfield. Having worked for several companies during a period of accelerated growth, Nick brings extensive corporate and operational experience and is a great resource to the Board. The Board was further strengthened last week with the addition of Colin Rae, a Chartered Quantity Surveyor with nearly 40 years' experience in the construction and housebuilding industries. He most recently held leadership positions at Places for People, one of the largest development, regeneration and property management companies in the UK, including Group Executive Development Director. Colin brings considerable industry experience and expertise in building large-scale development and regeneration projects across Scotland and the wider UK.

We value dialogue with our shareholders and the AGM is an important opportunity for this communication. We were pleased to see so many shareholders at our first AGM as a public company and we look forward to another great attendance this year.

The Board also recognises the importance of strong corporate governance. We continue to establish policies and procedures as we expand our business to ensure that we are complying with corporate governance regulation and meeting standards of best practice.

STRATEGIC REPORT

EXECUTIVE CHAIRMAN'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

Future

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.

It is nearly two years now since we floated Springfield on AIM. The flotation and the capital raised have helped Springfield to continue its expansion and growth. Indeed, with the opportunities we have been able to take as a result of listing on AIM, growth in the last two years has exceeded my original expectations.

At the core of our success is our dedication to customers and quality. We believe that everyone in Scotland deserves a great place to live. There is a need for more homes countrywide and we address this need by providing high-quality homes for private sale, whether to first time buyers or those already on the housing ladder, and by providing affordable homes through our partnerships with Housing Associations and Local Authorities.

Our strength in delivery is thanks to our highly experienced Board and senior management team; our in-house expertise; the skills of our employees who are able to develop projects from start to finish, including complex sites; and our strong reputation and relationships with our partners. These strengths are part of our culture and are the basis for our future success.

While our primary focus is now on progressing our existing land bank and embedding our acquisitions, we continually monitor the market for opportunities to accelerate our growth via geographic expansion. This can be achieved through negotiation with individual landowners, as is the case with our recent expansion into Inverness and the Highlands, as well as through bulk additions with acquisitions such as Dawn Homes and Walker Group.

In conclusion, with our strong land bank of nearly 16,000 plots progressing through planning towards development with private and affordable housing, the great 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.

Sandy Adam
Executive Chairman
23 September 2019

CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 31 MAY 2019

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 able 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.

Operational Review

Springfield made significant operational progress during the year to 31 May 2019, with strong growth in sales and completions, a substantial increase in the land bank as well as the scale of the business and excellent progress on the Village developments.

- Total completions increased 23.6% to 952 homes (2017/18: 770), reflecting growth in our delivery of private and affordable housing.
- Our acquisition of Walker Group added 10 new developments and strengthened our presence in Edinburgh's commuter belt, where house prices and price growth are above the national average.
- Dawn Homes, which we acquired at the end of the previous financial year, continued to perform strongly, in line with management's expectations.
- Early in the year, we secured our fifth Village development at Gavieside, Livingston, which is also in Edinburgh's commuter belt.

Land Bank

At year end we were active on 43 developments (31 May 2018: 41) 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);
- overall, we secured 4,719 plots in 21 locations;
- we added 994 consented plots over 13 developments to the land bank, including 533 plots on 7 developments from the Walker Group acquisition; and
- as of 31 May 2019, 28.4% of our 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 securing land for a new Village at Gavieside, Livingston.

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

We deliver private homes on developments of various size, across Central, West and the North of Scotland under our Springfield, Dawn Homes and Walker Group brands. This includes the standalone Village developments, each with up to 3,000 plots and the infrastructure and amenities needed for a village community to become established. Springfield homes are differentiated by their high-quality specification and a wide variety of personalised finishes.

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

During the year, in private housing delivery:

- we completed 630 homes, representing an increase of 37.0% over the previous year (2017/18: 460);
- the average selling price of our private housing was £227k compared with £222k for 2017/18;
- our 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);
- we 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; and
- 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.

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.

Village Developments

We made excellent progress in the development of our 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). We 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, we received planning approval to remix an area which will broaden the offer at the Village, and a planning application was submitted for the next phase of Dykes of Gray 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. 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.

We 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, which is a 3,042-home Village development, proposals are at an advanced stage with planning consent expected towards the end of 2019.

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

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

Other Private Housing Highlights

We progressed sales of private homes on 25 developments during the year (excluding 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 consent for, and launching sales of, a further 113 houses at Meadow Lea, Nairn, and the submission of a planning application to build an additional 316 homes in nearby Forres, with a decision expected in the first half of the current financial year. In both locations, sales rates have consistently demonstrated the popularity of this area, with buyers camping out overnight to secure a home at the sales launch of Meadow Lea and 30 homes being sold in the year at Forres. A further highlight was selling 56 homes during the year at one of our Elgin developments, The Range.

The launch of sales at Dornoch extended the Group's geographical reach to the North of Inverness, and we increased our presence in quality locations in the Highlands by securing a development in Beauly, for 25 private homes. Post period, we achieved a key milestone with a land acquisition in Inverness, which will be a development for approximately 90 homes at Easterfield. This adds to our developments at Drumnadrochit and Ardersier, expanding our geographic reach and strengthening our foothold in the Highland region of Scotland.

At The Wisp, a large development area for 200 homes in South East Edinburgh, there were 38 completions. We received a planning permission in principle for the next phase of housing and submitted the planning application for 139 apartments, comprising 104 private and 35 affordable homes. Elsewhere in Central Scotland, good progress was made in sales and construction at Kinross, including the opening of a show home, and 66 homes were handed over at Hamilton Road, Motherwell.

Advances were made on the Dawn Homes developments, which we acquired at the end of the previous year, including the submission of a detailed planning application for 147 homes at Neilston, which is located on the outskirts of Glasgow, and an application for 149 homes in Glenmavis, Airdrie. Planning Application Notices have also been submitted for 100 homes in Irvine. Consent was granted, post period, for the second phase of 70 homes at Cambuslang.

We also moved forward with the Walker Group developments following the acquisition in the second half of the year. At Dalhousie South, immediately post period, we received planning approval for 240 private homes and approval for 78 homes at Dalhousie B where we started construction. At Tranent, near Edinburgh, planning permission in principle for 561 homes was also released immediately after the period.

Affordable Housing

We develop 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, in affordable housing delivery:

- the number of completions grew to 322 homes (2017/18: 310);
- the average selling price increased to £133k (2017/18: £120k) due to changes in sales mix; and
- at 31 May 2019, we were 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);
- we secured planning consent for 189 affordable housing plots and 2,133 plots were the subject of planning applications; and
- at 31 May 2019, 25.3% of our 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.

Key advances during the year include making good progress under our local authority framework agreement for 10 developments. At one of the developments, for 28 homes, we started on-site work at the beginning of the year, began handover of homes in the second half, and completed handovers, post period, by mid-July. We also commenced construction at a further two developments under the framework, for a total of 72 homes, and secured build contracts for another two of the developments totalling of 61 homes, with work commencing on-site, post period, in early July.

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

During the year, we 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 our Village developments and is the initial phase of an expected 750 affordable homes to be built at Bertha Park over the next 30 years.

Our pipeline of affordable housing was also expanded with the acquisition of Walker Group, which did not build affordable housing whereas development of its current land bank will require 346 affordable homes to be built. Since the acquisition, we have progressed three Walker Group developments in this regard: 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 we are in early-stage discussions with Midlothian Council for a development at Windygoul, Bonnyrigg.

Improving Delivery

During the year, we implemented a number of measures to increase production capacity and efficiency at our timber kit factory in Elgin. Capacity was increased with the staged addition through the year of three further workstations, taking the total to nine. Efficiency measures included upgrades such as the installation of a new air extraction system, provision of a higher capacity electrical supply cable, and forming new walkways to improve the flow of materials and workers around the factory. This also enabled the full utilisation of certain equipment to reduce some manual processes, which reduces production time. These measures increased the potential for each workstation from 100 kits per year to approximately 120. During the year, the factory produced kits for 823 homes, a 36.9% increase over the previous year when 601 kits were produced.

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

Springfield made progress in making its developments more environmentally sustainable with an initiative to use an eco-friendlier asphalt mix for road surfacing. The product incorporates plastic waste that would otherwise have gone to landfill or incineration, which enables a reduction in the amount of bitumen as well as increasing the durability and longevity of the road surface. It has been initially used on a section of road at our Linkwood Steadings development in Elgin, and to resurface the yard at our kit factory, establishing Springfield as the first housebuilder in the UK to use this waste plastic mix in place of some of the bitumen in its roads. We have begun suggesting in planning applications the use of waste plastic in roads and pavements.

Our homes are designed to be energy efficient and we regularly adopt measures to make them more environmentally sustainable and to reduce running costs for customers, consistently going beyond regulatory requirements. A key aspect of the design process is the ongoing assessment of our options for improving energy efficiency. As a result, we are adding to the design of Springfield homes the cabling required for an electric car charging point to be fitted, and already the cabling has been installed in many homes; air source heat pumps or energy efficient boilers with gas saver units are used to heat homes; and light tunnels are provided in some homes. In wider environmental initiatives, electric car charging points are installed at our offices, the use of plastic in offices is discouraged and recycling encouraged, and recycling on sites has been reviewed, resulting in a reduction in waste being sent to landfill and cost savings.

During the second half of the year, we improved our customer surveying process by engaging an external company that conducts telephone interviews to measure customer satisfaction whereas previously we sent forms to customers. This has increased the rate and speed of responses, improved the consistency of surveying and analysis, and enables action to be taken 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.

Strengthened Organisation

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

Following our acquisition of Dawn Homes at the end of the 2017/18 financial year, we focused this year on embedding that acquisition, which provided us 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 2018/19 year, we 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 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. We plan 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 PROPERTIES PLC

STRATEGIC REPORT

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

Outlook

We 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. Our land bank provides activity for at least the next 16 years at current sales rates, and our primary focus is on progressing our active sites and developing the future sites. We are also continuing to embed the acquisitions of Walker Group and Dawn Homes, and are realising benefits increasingly across the Group.

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

Both private and affordable housing markets are 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. 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.

Innes Smith
Chief Executive Officer
23 September 2019

SPRINGFIELD PROPERTIES PLC

STRATEGIC REPORT

CHIEF FINANCIAL OFFICER'S REVIEW
FOR THE YEAR ENDED 31 MAY 2019

This was another year of strong growth for Springfield, we are delighted to report 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 revenue growth 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 the 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 we receive 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 on private housing due to the Group having completed in the previous year all but one of the lower margin legacy sites 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 was 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.

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Michelle Motion
Chief Financial Officer
23 September 2019

STRATEGIC REPORT

COMPANY OVERVIEW AND RISKS
FOR THE YEAR ENDED 31 MAY 2019

Review of the Business

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

Financial and Business Highlights

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

Key Performance Indicators
2019 Vs 2018

Financial

	2018/19	2017/18	Change
Homes	952	770	24%
Revenue	£190.8m	£140.7m	36%
Gross profit margin	18.0%	15.7%	230 bps
Adjusted profit before tax*	£16.5m	£9.8m	69%
Net debt	£29.6m	£15.3m	94%
Land Bank	15,938 plots	12,476 plots	28%

*Adjusted excludes exceptional items. Exceptional items are costs relating to acquisition of Walker Group (2018 - Dawn Homes and IPO costs relating to existing ordinary shares).

Personnel

- Number of employees up to 705 in May 2019 from 593 in May 2018.
- 134 employees, 19% of the workforce were in training or apprenticeships in May 2019, which, as a percentage, is lower than last year as a result of the acquisition of Walker Group where the percentage of employees in training was low. Subsequently the Group's apprenticeship scheme has been rolled out at Walker Group providing 11 new apprenticeships. By July 2019 21% of the workforce was in formal training, consistent with last year.

Gender Diversity

At 31 May 2019 employee gender diversity was:

	Male	Female
Directors	5	1
Senior Managers	34	15
Employees	558	92

Environmental

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

Within the regulatory requirements when designing homes, we work to optimise the following: improving profitability, reducing environmental impact and minimising energy bills for customers.

Quality Management

The Group is accredited to ISO 19011-2015 standard. During 2019 improvements actioned as a result of quality management was 168 (2018: 266).

Key Risks and Uncertainties

The principle risks and uncertainties identified and mitigated against include: market, credit, liquidity, price / sales, cash flow, resources, legal and regulatory, health and safety, land supply, planning and funding. Market, credit and liquidity risk are dealt with in Note 27 of the consolidated financial statements.

Price / Sales Risk

The risk of facing reduced demand in an area is mitigated by the following factors:

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

Cash Flow Risk

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

Resources Risk

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

Strategies in place to maintain Springfield's reputation as a good employer and ensure the appropriate supply of skills includes:

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

Upward pressure on materials prices is being mitigated by:

- actively seeking alternative suppliers and materials;
- standardising materials and products across the Group to add to buying power; and
- negotiating deals directly with manufacturers.

STRATEGIC REPORT

COMPANY OVERVIEW AND RISKS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

Legal and Regulatory Risk

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

Health and Safety Risk

There are health and safety risks inherent to construction. Health and safety is the first agenda item at every board meeting. The Group has an in house health and safety department which ensures overall compliance by:

- monitoring health and safety standards across sites with regular visits;
- taking action where required;
- advising on safe practice at the outset of projects;
- initiating training; and
- introducing or updating applicable policies or procedures.

Land Supply Risk

The risk of securing sufficient land is mitigated by a healthy and growing supply of land owned or secured by contract in a growing spread of geographic locations which will appeal to our range of customers. Land is brought forward, through the planning system, in tranches considered by the Board to be sufficient to allow the Group to achieve its plans for growth. Acquisitions offer further mitigation with the bulk addition of land spanning the planning pipeline in new geographic locations.

Planning Risk

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

Funding Risk

The Group has bank facilities, securing funding until 2022 which have appropriate covenants and sufficient headroom in place. The Group and funders communicate regularly.

Financial Risk Management Objectives

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

Future Developments

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

Charitable Donations and Community Support

During the year the Group made payments of £6,130 (2018: £17,793) to local charities and £21,090 (2018: £1,440) to national charities.

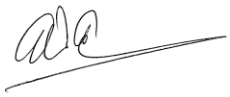
Springfield looks for opportunities to engage with the community in towns where we are building. We aim to help young people achieve more and to help those who are disadvantaged. Staff visit schools to support a variety of initiatives including careers information, mentoring, and charitable programmes.

COMPANY OVERVIEW AND RISKS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

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.

With the conclusion of Springfield's six year headline sponsorship of The European Pipe Band Championships Springfield have become headline sponsors of Scottish Squash, This has enabled the resurrection of the Scottish Squash Open, now the Springfield Scottish Squash Open. The sponsorship is also enabling Scottish Squash to develop the game in communities around Scotland and to support its elite players.

On behalf of the Board



Sandy Adam
Executive Chairman
23 September 2019

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

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

Innes Smith, Chief Executive Officer
After graduating from Heriot Watt University in 1991, Innes qualified as a Chartered Accountant with KPMG before moving into industry as financial controller at SGL Technic, a subsidiary of RK Carbon Fibres (now called SGL Carbon Fibres Limited), a NASDAQ and Deutsche Börse listed company. Subsequently Innes was promoted to Finance Director at SGL Technic and after five years moved to Gael Force. Innes joined Springfield in 2005 as Finance Director and was appointed Chief Executive Officer at Springfield in October 2012 after seven years with the Company. In his role as Chief Executive Officer, Innes has grown the scale of the Group with annual revenue increasing from £53 million to £191 million and completions increasing from approximately 300 to over 950 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 sits on the Board of the Port of Cromarty Firth and of their Cruise Highland subsidiary. Roger joined Springfield as a non-executive Director on 13 November 2008.

Matthew Benson, Non-Executive Director
(Chair of Audit Committee, sits on Remuneration and Nomination Committees)
Matthew graduated from Oxford University and began his career with Morgan Stanley, working in international finance in London. Matthew then established his own consultancy business focused on the structuring and planning of high quality residential and leisure projects. Matthew joined Rettie & Co as a Director in 2002 and heads up the Investment and Development teams, with particular focus on Build to Rent and affordable housing in Scotland. Matthew is 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.

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. From 2010 to 2015, he was Corporate Services Director at Cable & Wireless Communications plc, which he joined from Cable & Wireless plc, where from 2006 to 2010 he was General Counsel and Company Secretary. His previous in-house legal and corporate experience includes roles at Energis Communications Ltd, JD Wetherspoon plc, The Sage Group plc and Asda Group plc. Nick is currently a Non-Executive Director of AIM-listed CPP Group plc and a number of private start-up companies.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS (CONTINUED)

Colin Rae, Non-Executive Director (Appointed 16 September 2019)
Colin is a Chartered Quantity Surveyor with nearly 40 years' experience in the construction and housebuilding industries. 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 Group Executive Development Director responsible for a UK-wide mixed tenure development programme of c.£200 million. Previous experience includes project management roles at The EDI Group, and Woolwich Homes Ltd, as well as surveyor positions at Millar Brown Associates and Gibson & Simpson. Colin is a director of Homes for Scotland, he is a Member of the Royal Institution of Chartered Surveyors (MRICS) and holds a BSc in Quantity Surveying from Napier University.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE
FOR THE YEAR ENDED 31 MAY 2019

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

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

1. Strategy and Business Model

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

Private:
Private housing is delivered via Springfield Properties plc and its subsidiaries: Walker Group and Dawn Homes. We focus on sourcing land in areas with high growth potential and, subsequently, progress developments through the planning process. We are motivated by making Scotland a better place to live and we value the idea that when purchasing a new home it should feel like 'YOUR home'. We offer "Choices" and "It's Included" customer incentives so that customers receive many features as standard along with the ability to customise their own home.

Affordable:
Our affordable housing operation focuses on developing land into (i) standalone sites that consist entirely of affordable homes; and (ii) developing affordable housing on the Group's private developments as a condition of receiving planning permission. With over 130,000 households on local authority waiting lists, there is a substantial need for affordable housing in Scotland. The Scottish Government has set a target of building 50,000 affordable homes by 2021. We have built over 1,500 affordable houses in the last five years and we aim to further increase the size of our affordable housing business.

In order to support our strategy we have a wealth of skills in-house to allow us to develop 'difficult' sites (often involving several land owners) that require considerable remediation works and/or significant investment in infrastructure prior to commencing development. Our in-house staff increase our ability to competitively purchase such sites.

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

2. Understanding Shareholder Needs and Expectations

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

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

We maintain a corporate website (https://www.springfield.co.uk/investor_relations). It contains a range of information required by AIM Rule 26 including our annual and half year reports, trading statements and all regulatory announcements. We 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.

2. Understanding Shareholder Needs and Expectations (continued)

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

3. Wider Stakeholder and Social Responsibilities

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

Employees (current): The Chairman and CEO meet bi-annually with all employees in departmental groups to hear employees' needs, interests and expectations. During these discussions key achievements of the groups are discussed as well as future goals. Employees have the opportunity to ask questions and provide feedback. We currently have 705 employees at 31 May 2019 and are proud that many of our employees have chosen to remain with Springfield with the average length of service being 5.1 years. We undertake an annual pay review in June and all of our current employees at June 2019 were paid at least 3% above minimum wage. Springfield recognise gender diversity and are confident that male and female employees are paid fairly and appropriately for work of equal value. The construction industry has typically been dominated by men, however we have seen proportionally more women joining us to begin a career in construction. You can read more about our findings in the Gender Pay Gap Report on our website. The Group has a series of data protection policies which have been updated, along with providing training for staff, to ensure compliance with the General Data Protection Regulation (GDPR).

Employees (training & education): At May 2019 we supported 134 (19.1%) staff in further education, training and apprenticeships. This includes 110 apprenticeships.

Employees (future): The Group has a strong focus on education and training. We encourage student placement programmes and we have placed 19 university students in a variety of work experience roles over the past two years. As a direct result of these placements Springfield has offered full-time employment to 4 of the students who now work for us, or will do after completion of their degree. We have recently introduced an 'ideas' initiative where our employees are encouraged to be creative and suggest any ideas they have for the Group. Some of these ideas have already been actioned and have reduced our costs e.g. installing wireless doorbells.

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 will action any points required as a result of this feedback.

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

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

3. Wider Stakeholder and Social Responsibilities (continued)

Environment: We have implemented several environmentally friendly policies and initiatives including installation of electric car charging points in our staff car parks and cabling for electric car charging points in all our private homes. We recently put in our first ‘waste plastic road’ using the equivalent of 6,000 plastic bottles or 17,042 plastic bags. These ‘waste plastic roads’ are up to 60% stronger than a standard road due to the flexible properties of the plastic. Springfield is the first UK housebuilder to do this, and we intend to work with local authorities to use recycled plastic roads on all of our developments across Scotland. Our affordable housing operation has a variety of environmentally friendly approaches to their sites which includes air source heat pumps, energy efficient boilers with gas saver units and the provision of water butts in gardens which are connected to down pipes enabling the collection of rainwater which can then be used for things such as watering the garden.

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

4. Embedding Risk Management

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

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

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

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. As Springfield has developed, the composition of the Board has been under constant review to ensure that it remains appropriate to the managerial requirements of the Group. As such the Board identified that an additional Non-Executive Director would be highly beneficial to the Board, accordingly Nick Cooper was appointed to the Board on 1 June 2018 following a thorough assessment of potential candidates’ skills and suitability for the role.

The Board consider Nick Cooper and Matthew Benson to be independent Directors for the purpose of the Corporate Governance Code. From 13 November 2019 Roger Eddie will have completed eleven years' service as a Director. Having considered his independence in the context of the Corporate Governance Code, the Board is also satisfied that Mr Eddie will remain independent from 13 November 2019, notwithstanding his length of service.

5. Maintaining a Well-Functioning Board (continued)

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. The Board receives regular updates from its advisors.

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

7. Evaluation of Board Performance

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

Additionally, the effectiveness of the Board and its committees is kept under review in accordance with corporate governance best practice. Springfield's Board currently does not have a formal review process, rather its effectiveness is assessed in an informal manner by the Chairman on an on-going basis. During the year 2019/20, the Board will formalise a self-evaluation process, selecting criteria against which it will consider the quality of its performance, as well as specifying the frequency of such evaluations.

8. Corporate Culture

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

Dedication to customers is at the heart of the Springfield culture. We offer our customers a wide choice of options on design, fixtures and fittings through our online "Choices" initiative and we build trust through our "It's Included" promise and our after sales service. Customer satisfaction statistics are an integral part of how we manage our business and incentivise our key people. Our CEO presents our customer satisfaction statistics at each board meeting.

The Group have received numerous awards for customer service and for the sites we build. Most recently, the Dawn Homes Limited site at Camas Walk, Cambuslang was a recipient of the Commended and Highly Commended Sites NHBC award for 2019.

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 AIM. Ten of the original fourteen Springfield employees are still with the Group today – the majority in promoted positions. As a result we benefit from the loyalty and commitment of employees who have played a major part in building the business and in many cases have taken the opportunity to share in its success via our SAYE Scheme. The Board works hard to promote the same levels of loyalty and engagement in its new recruits throughout Scotland.

QCA CODE COMPLIANCE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

8. Corporate Culture (continued)

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

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

9. Maintaining Good Governance

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

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

Springfield reviews its governance structures regularly. In June 2018, Springfield appointed a third Non-Executive Director to provide a balance between executive and Non-Executive Directors on the Board. Meanwhile, day-to-day operational responsibility has been delegated to four managing directors: Dave Main for the North of Scotland projects, Martin Egan for the West of Scotland projects, Peter Matthews for the Central Belt projects and Tom Leggeat for the Partnerships projects delivering affordable housing across the Group.

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

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

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

The Remuneration Committee reviews and sets the terms and conditions of the Directors' appointment, along with their remuneration and benefits package and makes recommendations to the Board in relation to the allocation of share options to employees under our Share Plans. The 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 nominations of candidates to fill vacancies on the Board. The 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 and 29.

QCA CODE COMPLIANCE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

10. Communicating Governance and Performance

The Company 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.

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

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

Andrew Todd
Company Secretary
23 September 2019

AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 31 MAY 2019

Statement from the Chairman of the Audit Committee

On behalf of the Board, I am pleased to present the Audit Committee Report for the year to 31 May 2019. 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 Audit Committee comprises Matthew Benson (Chairman), Nick Cooper and Roger Eddie.

All members of the Committee are independent Non-Executive Directors. Both Roger Eddie and Matthew Benson have worked within the financial industry and have recent and relevant financial experience.

Other members of the Board occasionally attend Committee meetings when requested by invitation. In the year to 31 May 2019 the Audit Committee met three times and other members of the Board attended two of those meetings. The Chief Financial Officer attended all three Audit Committee meetings.

Responsibilities

The Audit Committee, *inter alia*, determines and examines matters relating to the financial affairs of the Group including the terms of engagement of the Company's auditor and, in consultation with the auditor, the scope of the annual audit. It receives and reviews reports from management and the Company's auditor relating to the half yearly and annual accounts and the accounting and internal control and risk management systems in use throughout the Group reviewing the Group's overall risk appetite and strategy and monitors, on behalf of the Board, current risk exposures. The Committee monitors the integrity of the financial statements produced by the Group and makes recommendations to the Board on accounting policies and their application. The Committee receives reports from compliance functions within the Group and is responsible for reviewing and approving the means by which the Group seeks to comply with its regulatory obligations. The Committee also ensures that the arrangements for employees and contractors to raise concerns confidentially about possible wrongdoing in financial reporting (or other matters) are proportionate and allow for independent investigation. The duties of the Audit 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.

The Audit Committee meets at least twice a year. Since 1 June 2018, the Committee has met three times to consider the planning of the statutory audit and to review the Group's draft half year and full year results prior to Board approval and to consider the external auditor's detailed reports.

Internal Audit

The Group does not currently have an internal audit function. The Committee considered the size and nature of the Group and believes that existing management within the Group is able to derive assurance as to the adequacy of internal control and risk management systems without the introduction of an internal audit function. As the Group continues to grow rapidly the Committee is currently considering implementing an internal audit process during the next financial year.

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 20 to 25 of the Governance Report. There is a framework of risk management within the Group for risk management. The Audit Committee works alongside the Board to review, and where necessary suggest changes to, the current systems in place.

The Audit Committee is satisfied that the current systems in place are operating effectively.

AUDIT COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

Anti-bribery

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

External Audit

Johnston Carmichael were re-appointed for the year to 31 May 2019. The Audit Committee monitors the relationship with the external auditor to ensure independence and objectivity at all times. The Audit Committee also reports to the Board on the independence, objectivity and effectiveness of the external auditor. Johnston Carmichael have been the external auditor for The Group since 2008 with David McBain as the Partner. David McBain is rotating off as signing partner this year. The Audit Committee has recommended that Johnston Carmichael are appointed for the next financial year. The Group will look to tender this position in future financial years, Johnston Carmichael also carry out ad-hoc VAT work, process reviews, due diligence and other ad-hoc works for the Group. Any non-audit work carried out by Johnston Carmichael is undertaken by a separate team from the audit team to ensure segregation of duty. The Audit Committee is made aware of any non-audit work being carried out by Johnston Carmichael. The fees paid for non-audit work are included in the table at note 7.

External Audit process

Johnston Carmichael 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 Audit Committee for approval in advance of the audit. On completion of the audit, the findings are presented to the Audit Committee by the auditor for discussion. There were no significant areas of concern highlighted by the auditor this year.

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

AUDIT COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

Main issues discussed and conclusions

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

Issue	How it was addressed by the Committee
Revenue recognition Revenue from private housebuilding is recognised when the house is handed over although the timing may require management judgement in determining when ownership has transferred.	The Committee reviewed the existing revenue recognition policies in light of the adoption of IFRS 15. The committee satisfies itself that the accounting policies for revenue are compliant with the new standard.
Profit recognition The group under contracts construction which takes 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.
Business combinations and asset purchases During the year the Group completed one acquisition transaction.	The Committee reviewed and discussed the Group's accounting for these acquisitions and satisfied itself that it was appropriate.

Matthew Benson
Chairman of the Audit Committee
23 September 2019

REMUNERATION COMMITTEE REPORT FOR THE YEAR ENDED 31 MAY 2019

Introduction

This report outlines the Group's remuneration policy for its Directors and shows how that policy was applied during the financial year ending on 31 May 2019.

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 AIM Rule 19.

Committee Members and Meetings

In the period of twelve months to 31 May 2019, the Remuneration Committee comprised:

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

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

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

Committee Responsibilities

The main responsibilities of the Remuneration Committee are:-

- 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 2019, 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.

Basic Salaries

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

The Committee reviews the Executive Directors' salaries annually, with any increases taking effect on 1 June each year. As at 31 May 2019, the annual rates of base salaries for the Executive Directors were:

- Sandy Adam - £95,000
- Innes Smith - £210,000 and
- Michelle Motion - £159,000

The above salary levels reflect the Committee's previously stated intention (details of which were set out in last year's report) that, in the initial period following admission to AIM, the Executive Directors' pre-admission salaries would be increased at an enhanced rate to ensure that they reached a level that was competitive when compared to other similarly sized organisations in the Group's sector. The Committee can confirm that, following the increases that were awarded on 1 June 2019 (which will be disclosed in next year's remuneration report), this exercise has been completed with the result that, for financial years commencing on or after 1 June 2020, any salary raises for Executive Directors will normally reflect those applied to the wider workforce.

Annual Bonus

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

For the financial year to 31 May 2019, the maximum bonus opportunity for Innes Smith and Michelle Motion was 75% of salary 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%	42%	39%
Return on capital employed	20%	25%	12%	11%
Gross margin	20%	25%	15%	17%
Customer satisfaction	10%	0%	7%	0%
	Total bonus (% of maximum opportunity) = (a)		76%	67%
	Maximum opportunity (% of base salary) = (b)		75%	75%
	Total bonus earned (% of base salary) = (a) x (b)		57%	50%

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.

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

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 2019.

For the avoidance of doubt, Sandy Adam did not participate in the annual bonus scheme for the financial year to 31 May 2019.

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

During the year to 31 May 2019, discretionary long term incentives were provided through the operation of the following arrangements that were first introduced in October 2017 as part of the process surrounding the Group's admission to AIM:

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

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

In the case of the CSOP and ESOP grants made to Innes Smith and Michelle Motion during the financial year to 31 May 2019 and earlier periods (details of which are included in the table set out on page 33), no additional performance conditions require to be satisfied before the relevant options can be exercised. However, in light of feedback received from shareholders, this aspect of the Company's remuneration policy has recently been reviewed by the Committee and it has been decided that, for awards granted under these arrangements to Executive Directors during the financial year to 31 May 2020 (and in later periods), vesting will also normally be dependent on the achievement of stretching targets that are linked to the long-term performance of the Company. Details of the specific measures and targets that are applied will be disclosed in next year's remuneration report.

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

Save As You Earn ("SAYE")

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

No grants were made under the SAYE Scheme during the year to 31 May 2019. Details of the options granted under this arrangement to Innes Smith and Michelle Motion in earlier periods are set out on page 33. For the same reason stated above in relation to the CSOP and ESOP, Sandy Adam does not currently participate in the SAYE Scheme.

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

Remuneration in the Year

During the year to 31 May 2019, the Directors received the following remuneration:

	Basic salary/fees	Annual Bonus	Taxable benefits[1]	Pension contributions	2019 Total	2018 Total
	£000	£000	£000	£000	£000	£000
Executive Directors						
Sandy Adam	95	-	8	5	108	61
Innes Smith	210	119	8	21	358	275
Michelle Motion	159	80	8	16	263	249
Non-Executive Directors						
Matthew Benson	35	-	-	-	35	24
Roger Eddie	35	-	-	-	35	21
Nick Cooper[2]	35	-	-	-	35	-
	569	199	24	42	834	630

Notes:

[1] 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.

[2] Nick Cooper was appointed as a Non-Executive Director on 1 June 2018.

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

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

Share Options

Details of options over the Group's shares that have been granted to Executive Directors under the CSOP, ESOP and SAYE Scheme and which were outstanding during the year to 31 May 2019 are as follows:

Director	Scheme	Date of grant	Earliest exercise date and date of vesting	Exercise price	Number of shares
Innes Smith	CSOP	16 October 2017	16 October 2020	106p	28,301
	ESOP	16 October 2017	16 October 2020	106p	208,019
	SAYE	8 November 2017	1 December 2020	84.8p	21,226
	ESOP	1 October 2018	1 October 2021	122.5p	257,142
Michelle Motion	CSOP	16 October 2017	16 October 2020	106p	28,301
	ESOP	16 October 2017	16 October 2020	106p	84,906
	SAYE	8 November 2017	1 December 2020	84.8p	21,226
	ESOP	1 October 2018	1 October 2021	122.5p	129,795

None of the above options are subject to performance conditions. During the year to 31 May 2019, no share options held by Executive Directors lapsed or were exercised.

Directors' Interests in the Group's Shares

Directors' interests in the Group's shares are disclosed in the Directors' Report (page 36).

Roger Eddie
Chairman of the Remuneration Committee
23 September 2019

CORPORATE GOVERNANCE

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2019

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 May 2019.

Principal Activity and Business Review

This information is included within the Strategic Report above, as part of the 'Review of the Business' under the Amendment to the Companies Act 2006 of s.414C(2a).

Directors

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

Name	Position
Mr Sandy Adam	Executive Chairman
Mr Innes Smith	Chief Executive Officer
Ms Michelle Motion	Chief Financial Officer
Mr Roger Eddie	Non-Executive Director
Mr Matthew Benson	Non-Executive Director
Mr Nick Cooper	Non-Executive Director
Mr Colin Rae	Non-Executive Director (Appointed on 16 September 2019)

Results and Dividends

The results for the year are set out on page 44.

Interim ordinary dividends were paid amounting to £1,156k (2018: £821k) equating to 1.2p (2018: 1.00p) per share.

The Board is proposing a final dividend of 3.2p per share subject to shareholder approval at the next Annual General Meeting to be held on 23 October 2019. Taking into account the interim dividend of 1.2p (2018:1.0p) per share already declared and paid, this equates to a total dividend of 4.4p (2018: 3.70p) 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.

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.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

Equal Opportunities

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

Post Year End Events

There are no post year end events to report.

Going Concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and 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 Group at the date when this report is approved:

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

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

Board of Directors

The Group supports the concept of an effective Board of Directors leading and controlling the Group. The Board of Directors is responsible for approving Group policy and strategy. It meets regularly and has a schedule of matters specifically reserved to it for decision. All Directors have access to advice from independent professionals at the Group's expense. Training is available for new and existing Directors as necessary. Biographical details are set out on pages 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 2019

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 29.

Directors' Interests in Shares

Name of Director	Number of ordinary shares	% of ordinary share capital and voting rights
Sandy Adam		
- Direct	24,900,000	25.8%
- Indirect	18,908,322	19.6%
Innes Smith		
- Direct	1,158,009	1.2%
- Indirect	44,419	0.0%
Michelle Motion	52,999	0.1%
Roger Eddie	47,170	0.1%
Matthew Benson	28,302	0.0%
	45,139,221	**46.8%**

Financial Risk Management Objectives and Policies

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

Strategic Report

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

On behalf of the Board

Sandy Adam
Executive Chairman
23 September 2019

CORPORATE GOVERNANCE

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MAY 2019

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

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

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

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

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

On behalf of the Board

Sandy Adam
Executive Chairman
23 September 2019

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

Opinion

We have audited the financial statements of Springfield Properties Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2019 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2019, and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

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

Conclusion relating to Going Concern

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

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Risk of incorrect recognition of revenue The Group has recorded revenue in the year of £190.8m which is a key metric of business performance. Recognition of revenue on affordable housebuilding construction contracts is linked to estimates of contractual performance as activity progresses which is inherently judgemental, albeit such estimates of performance are certified by or agreed with the housing association customer. Private housebuilding sales involve less inherent judgements as any recognition of any income is deferred until control has passed to the customer although the timing of recognition of property sales around the year-end can require management judgements.	For a sample of affordable housing contracts, we agreed that the sales value recognised to date was in line with surveyor reports as certified by or agreed with the housing association customer, and that these had correctly been recognised in the reported revenue figure. For private house sales we were able to agree, for a sample of sites that had an associated materials cost or time record entry, that a house was either sold and included in reported revenue or was still under construction and included within work-in-progress. Where the house was included in reported revenue, we obtained copies of the sales pack and confirmed the date the missives were settled and the amount of consideration for the sale was accurately recognised in the nominal ledger. Substantive testing regarding missives concluded in the last two working days of the year and first week of the following accounting period was also undertaken to confirm that all private house sales were recognised in the appropriate accounting period. No issues were noted in the above testing.

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

Key audit matter	How our audit addressed the key audit matter
Construction contracts and private housebuilding sites profit recognition The Group has reported a gross profit of £34.3m. Gross profit is largely a function of margins recognised on both construction contracts and private housebuilding sites. The Group prepares Cost Valuation Reports ("CVRs") for each site which provide estimated site margins and which provide the basis for margin recognition as activity progresses at each site. The inherent estimates involved in this process present a risk of incorrect profit recognition.	We undertook a review of previous year estimates against current year actual (for completed sites) or latest current year estimates for ongoing sites based on the latest CVRs and conclude that the Group's estimation processes provide a reliable basis for margin recognition. We also reviewed CVRs prepared after the financial year-end for any significant differences in estimated margin relative to the year-end position. No significant differences were noted. We reviewed latest CVR site forecasts and confirmed that any loss-making contracts had been provided for in full.
Management override of controls Inherent in the construction industry, which requires some key judgements to be exercised, is the need for a level of management oversight over the systematic recording of transactions. Ensuring that this judgement is applied to improve the quality and accuracy of financial reporting is a key audit risk as there is potential for undue management bias to be exercised in this process.	Using data analytical tools, we undertook a review of all journal entry activity during the period and subsequent to the year-end to identify any activity that met certain risk-criteria pre-determined by us as auditor. Our findings in these areas confirm our assertion that there had been no unexplained or unusual activity that could suggest manipulation of the financial statements. In limited cases, journal activity review identified management estimates which were subject to separate audit verification and assessment based on supporting management explanations and subsequent corroboration.

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

Our application of materiality

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

Materiality was determined as follows:

Materiality Measure	**Group**	**Parent Company**
Financial statements as a whole (Overall materiality)	£800,000 We determined that 5% of profit before tax of the Group was an appropriate measure for a profit-oriented trading business.	£425,000 We determined that 5% of profit before tax of the Company was an appropriate measure for a profit-oriented trading business.
Performance materiality used to drive the extent of testing	60% of financial statement materiality.	60% of financial statement materiality.
Communication of misstatements to the Directors	£16,000 (2% of overall materiality) and any misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£8,500 (2% of overall materiality) and any misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

An overview of the scope of our audit

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

David McBain (Senior Statutory Auditor)
For and on behalf of Johnston Carmichael LLP

Chartered Accountants
Statutory Auditor

Commerce House
South Street
Elgin
IV30 1JE

SPRINGFIELD PROPERTIES PLC

FINANCIAL STATEMENTS

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	4	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	11	(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)	6	**17,629**	**(565)**	**17,064**	**10,107**
Interest receivable and similar income		416	-	416	147
Finance costs	9	(1,511)	-	(1,511)	(1,039)
Profit/(loss) before tax		**16,534**	**(565)**	**15,969**	**9,215**
Tax	10	(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)	13	13.92p	(0.58)p	13.34p	10.02p
Diluted earnings, on profit for the year (pence per share)	13	13.79p	(0.58)p	13.21p	9.99p

The Group has no items of other comprehensive income.

The accompanying notes on pages 48 to 76 form an integral part of these financial statements.

SPRINGFIELD PROPERTIES PLC

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 MAY 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	**14**	4,977	4,492
Intangible assets	**15**	1,649	600
Investments	**16**	1,481	1,018
Accounts receivable	**18**	903	870
		9,010	**6,980**
Current assets			
Inventories and work in progress	**17**	148,649	105,630
Accounts receivable	**18**	20,144	19,104
Cash and cash equivalents	**25**	3,062	12,015
		171,855	**136,749**
Total assets		**180,685**	**143,729**
Current liabilities			
Accounts payable	**19**	43,697	33,910
Short-term obligations under finance lease	**22**	1,012	1,020
Corporation tax		2,018	1,139
		46,727	**36,069**
Non-current liabilities			
Long-term borrowings	**21**	31,000	25,000
Long-term obligations under finance lease	**22**	624	1,254
Provisions	**23**	13,954	2,394
		45,578	**28,648**
Total liabilities		**92,305**	**64,717**
Net assets		**88,560**	**79,012**
Equity			
Share capital	**24**	120	120
Share premium	**24**	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**

These financial statements were approved by the Board of Directors on 23 September 2019.

Signed on behalf of the Board by:
Sandy Adam
Executive Chairman

Company number: SC031286

The accompanying notes on pages 48 to 76 form an integral part of these financial statements.

FINANCIAL STATEMENTS

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	**24**	-	-	218	-	218
Dividends	**12**	-	-	(821)	-	(821)
31 May 2018		**120**	**50,105**	**28,767**	**20**	**79,012**
Share issue	**24**	-	13	-	-	13
Total comprehensive income for the year		-	-	12,848	10	12,858
Share option reserves	**24**	-	-	434	-	434
Dividends	**12**	-	-	(3,757)	-	(3,757)
31 May 2019		**120**	**50,118**	**38,292**	**30**	**88,560**

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

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

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

The accompanying notes on pages 48 to 76 form an integral part of these financial statements.

SPRINGFIELD PROPERTIES PLC

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR TO 31 MAY 2019

Operating activities	Note	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	**11**	(565)	(558)
Gain on disposal of tangible fixed assets	**6**	(270)	(45)
Share option employment costs	**24**	434	218
Share of joint venture profit	**16**	(420)	(21)
Depreciation and impairment of tangible fixed assets	**14**	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	**15**	-	(600)
Purchase of property, plant and equipment		(1,549)	(752)
Proceeds on disposal of property, plant and equipment		368	62
Net purchase of subsidiary 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	**24**	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	**12**	(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	**25**	**3,062**	**12,015**

The accompanying notes on pages 48 to 76 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR TO 31 MAY 2019

1. Organisation and Trading Activities

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

The Group consists of Springfield Properties PLC and its subsidiaries Glassgreen Hire Limited, DHomes 2014 Holdings Limited, Walker Holdings (Scotland) Limited and SP Sub 2018 Limited.

The Group also indirectly includes Dawn Homes Limited, Dawn (Robroyston) Limited, DHPL Limited and Dawn Homes (Johnstone) Limited who are subsidiaries of DHomes 2014 Limited and its jointly owned entity DHHG 1 Limited.

The Group also indirectly includes Walker Group (Scotland) Limited, Perten Limited, Walker Residential (Scotland) Limited, Walker Group (Land & Projects) Limited, Walker Contracts (Scotland) Limited and Craig Developments Limited who are subsidiaries of Walker Holdings (Scotland) Limited.

2. Summary of Significant Accounting Policies

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

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

2.1 Basis of accounting

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

The financial statements have changed layout from last year to show Group and Company information separately. The change in presentation is more appropriate as the group grows so that the financial statements are easier to read between group and company. The accounting policies apply to both Group and Company.

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.

2. Summary of Significant Accounting Policies (continued)

2.1 Basis of accounting (continued)

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.

2.2 Basis of consolidation

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

All financial statements are made up to 31 May 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.

2.3. Functional and presentation currencies

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

2.4. Going concern

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

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

2.5. Revenue recognition

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

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

2. Summary of Significant Accounting Policies (continued)

2.5. Revenue recognition (continued)

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.

2.6. 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.

2.7. Retirement benefits

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

2.8. 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.

2.9. 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.

2. Summary of Significant Accounting Policies (continued)

2.9. Taxation (continued)

Deferred tax

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

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

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

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

2.10. 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.

2.11. 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.

2.12. 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.

2. Summary of Significant Accounting Policies (continued)

2.12. Intangible Fixed Assets (continued)

Goodwill on Acquisition

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

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

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

2.13. 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.

2.14. 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.

2.15. 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.

2. Summary of Significant Accounting Policies (continued)

2.15. Inventories and work in progress (continued)

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

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

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

2.16. 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.

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.

Loans and receivables

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

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

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

2. Summary of Significant Accounting Policies (continued)

2.17. Financial instruments (continued)

Impairment of financial assets

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

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

Derecognition of financial assets

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

Financial liabilities

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

Other financial liabilities

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

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

Derecognition of other financial liabilities

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

2.18. 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.

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. Summary of Significant Accounting Policies (continued)

2.21. 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.

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 direct issue costs.

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

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

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

2.23. 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2019

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

3.1. Work in progress measurement on construction contracts

The group undertakes construction contracts which takes place over a period of time and revenues and profits are recognised as the group performs under these contracts. The group regularly reviews these estimates to ensure they reflect the latest known position. The total work in progress value of £148,649k (2018: £105,630k) is impacted by the estimates involved in the construction contracts in relation to costs to complete and therefore expected profit margin.

3.2. Work in progress measurement on private house sales

The recognition of costs expensed against properties sold at sites remaining under construction requires estimation of costs to complete at these sites. These estimates impact the total work in progress value recognised of £148,649k (2018: £105,630k). The group regularly reviews these estimates to ensure they reflect the latest known position.

3.3. Fair value assessment

The Group undertakes a fair value assessment of all assets and pays particular attention to work in progress as part of the acquisition process. The fair value assessment is a one-off exercise. These estimates are arrived at on arms-length basis and where appropriate third-party valuations are acquired. These estimates impact the total work in progress value recognised of £43,727k (2018: £29,650k).

4. Revenue

Analysis of the Group's revenue is as follows:

Revenue	2019 £000	2018 £000
Private residential properties	143,260	101,867
Affordable housing	42,906	37,272
Other revenue	4,638	1,584
Revenue from the sale of goods as reported in the profit and loss account	**190,804**	**140,723**
Operating Income	384	126
Profit before interest and tax from JV	584	21
Finance income	416	147
	192,188	**141,017**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2019

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.

	2019	2018
Revenue	**£000**	**£000**
Private residential properties	143,260	101,867
Affordable housing	42,906	37,272
Other	4,638	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**

6. Operating profit

Operating profit is stated after charging / (crediting):

	Notes	2019 £000	2018 £000
Depreciation of owned tangible fixed assets	**14**	754	470
Depreciation of tangible fixed assets held under finance leases	**14**	837	618
Gain on disposal of tangible fixed assets		(270)	(45)
Cost of inventories recognised as an expense		156,470	118,580
Exceptional items	**11**	565	558
Operating lease charges		459	284

7. Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the group's auditor for the audit of the group and company annual accounts	55	44
Fees payable to the group's auditor for the audit of the company's subsidiaries	55	6
Fees payable to the group's auditor and their associates for other services to the group and company - other non-audit services	64	77
	174	127

8. Staff costs

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

	2019	2018
Building staff	409	368
Administrative staff	277	200
	686	568

	2019 £000	2018 £000
Wages and salaries	28,273	18,126
Share based payments	434	218
Social security costs	3,266	1,701
Pension costs	964	574
	32,937	20,619

Directors' Remuneration

Full details of the Directors' remuneration, for current Directors, is provided in the audited part of the Directors' Remuneration Report on page 29.

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

June to October 2017	2019 £000	2018 £000
Remuneration for qualifying services	-	87
Company pension contributions to defined contribution schemes	-	14
	-	101

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 £964k (2018: £574k). Contributions totalling £156k (2018: £109k) were payable to the fund at the year-end and are included in creditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2019

9. Finance costs

	2019 £000	2018 £000
Interest on bank overdrafts and loans	1,202	908
Interest on hire purchase contracts	113	95
Other interest	196	36
	1,511	1,039

10. Taxation

	2019 £000	2018 £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

11. Exceptional Items

	2019 £000	2018 £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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR TO 31 MAY 2019

12. 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**

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 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.

14. Property, Plant and Equipment

	Land & buildings £000	Plant & machinery £000	Fixtures, fittings & equipment £000	Motor vehicle £000	Total £000
Cost					
At 1 June 2017	675	4,253	593	750	6,271
Acquisition of Subsidiary	-	1	-	7	8
Additions	6	2,507	211	61	2,785
Disposals	-	(175)	(4)	(116)	(295)
At 31 May 2018	681	6,586	800	702	8,769
Acquisition of subsidiary	2	160	35	-	197
Additions	-	1,655	250	72	1,977
Disposals	-	(788)	(112)	(202)	(1,102)
At 31 May 2019	**683**	**7,613**	**973**	**572**	**9,841**
Accumulated depreciation					
At 1 June 2017	33	2,327	577	531	3,468
Depreciation charge	19	831	104	134	1,088
Disposals	-	(166)	(3)	(110)	(279)
At 31 May 2018	52	2,992	678	555	4,277
Depreciation charge	21	1,331	142	97	1,591
Disposals	-	(696)	(107)	(201)	(1,004)
At 31 May 2019	**73**	**3,627**	**713**	**451**	**4,864**
Net book value					
At 31 May 2019	**610**	**3,986**	**260**	**121**	**4,977**
At 31 May 2018	**629**	**3,594**	**122**	**147**	**4,492**
At 31 May 2017	**642**	**1,926**	**16**	**219**	**2,803**

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

	2019 £000	2018 £000
Net book value:		
Plant and machinery	2,198	2,691
Motor vehicles	78	90
	2,276	2,781
Total depreciation charge	837	618

Fixed assets with the carrying value of £2,276k (2018: £2,781k) are pledged as security.

15. Intangible fixed assets

	Goodwill	Marketing-related assets	Total
	£000	**£000**	**£000**
Cost			
At 1 June 2017	-	-	-
Additions	-	600	600
At 31 May 2018	-	600	600
Additions	1,049	-	1,049
Disposals	-	-	-
At 31 May 2019	**1,049**	**600**	**1,649**
Amortisation and impairment			
At 1 June 2017 and 31 May 2018	-	-	-
Impairment	-	-	-
Disposals	-	-	-
At 31 May 2019	-	-	-
Net book value			
At 31 May 2019	**1,049**	**600**	**1,649**
At 31 May 2018	**-**	**600**	**600**

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

Goodwill has arisen due to the acquisition of Walker Holdings (Scotland) Limited. A Fair Value assessment has been performed resulting in an adjustment of £11,886,000 to stock. IAS 12 requires that deferred taxation should be recognised on this adjustment. The deferred consideration has been discounted in the financial statements at a market rate. These have resulted in goodwill of £1,048,835 being recognised in the financial statements (note 16).

16. Fixed assets investments

	2019	2018
	£000	**£000**
Cost		
Loans to joint ventures	807	764
Investment in joint ventures	674	254
	1,481	**1,018**

Movement in fixed asset investments

	Investment in joint venture	Loans to joint venture	Total
	£000	**£000**	**£000**
Cost			
At 1 June 2018	254	764	1,018
Additions	-	43	43
Share of profit after tax	420	-	420
At 31 May 2019	**674**	**807**	**1,481**

16. Fixed assets investments (continued)

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

	2019 £000	2018 £000
Profit before interest and tax	584	21
Interest	(62)	-
Taxation	(102)	-
Profit after tax	420	21

	2019 £000	2018 £000
Share of assets		
Current assets	2,331	4,365
Share of liabilities		
Liabilities due with one year	(564)	(1,081)
Liabilities due after one year or more	(1,093)	(3,030)
Share of net assets	**674**	**254**

Walker Holdings (Scotland) Limited was acquired on 31 January 2019 and the fair value of the assets and liabilities are disclosed in the table below:

	Book value	Revaluation adjustment	Fair Value to Group
Net assets at date of Acquisition	**£000**	**£000**	**£000**
Fixed assets	197	-	197
Intangible fixed asset - Goodwill	-	1,049	1,049
Stock and work in progress	31,851	11,886	43,727
Accounts receivable	1,723	-	1,723
Bank	41,509	-	41,509
Accounts payable	(13,765)	-	(13,765)
Corporation tax	(626)	-	(626)
Deferred tax	-	(2,021)	(2,021)
At 31 January 2019	**60,889**	**10,914**	**71,803**
Discharged by:			
Consideration paid - Cash			62,400
Deferred consideration			9,403
			71,803

Goodwill has arisen due to the acquisition of Walker Holdings (Scotland) Limited. A Fair Value assessment has been performed resulting in an adjustment of £11,886,000 to stock. IAS 12 requires that deferred taxation should be recognised on this adjustment. The deferred consideration has been discounted in the financial statements at a market rate. These have resulted in goodwill of £1,048,835 being recognised in the financial statements (see note 15).

17. Inventories and work in progress

	2019 £000	2018 £000
Work in progress	148,649	105,630
	148,649	**105,630**

Land under development is included in work in progress

	2019 £000	2018 £000
Accounts receivable in relation to construction contracts	10,003	9,770
	10,003	**9,770**

	2019 £000	2018 £000
Accounts payable in relation to construction contracts	299	448
	299	**448**

	2019 £000	2018 £000
Retentions held by customers for contract work	1,538	1,275
Advances received from customers for contract work	(299)	(448)
	1,239	**827**

Included within inventories is £41,006k (2018: £27,009k) pledged as security.

18. Accounts receivable

Amounts falling due within one year

	2019 £000	2018 £000
Trade receivables	9,546	9,916
Other receivables	9,351	8,484
Prepayments and accrued income	1,247	704
	20,144	**19,104**

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

The Group's exposure to credit risk is limited by the fact that the Group generally receives cash at the point of legal completion of its sales. There are certain categories of revenue where this is not the case; for instance, housing association revenues or land sales where management considers that the ratings of these various debtors are good and therefore credit risk is low. Loans to related parties have also been assessed as low credit risk based on the expected profitability of their future contracts. Any assets which expose the Group to credit risk can be spread over a considerable number of properties. As such, the Group has low concentration of credit risk, with exposure spread over a large number of customers. The maximum exposure to credit risk at 31 May 2019 is represented by the carrying amount of each financial asset.

Amounts falling due after one year

	2019 £000	2018 £000
Trade receivables	548	735
Other receivables	141	135
Deferred tax asset (see note 23)	214	-
	903	**870**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2019

19. Accounts payable

	2019 £000	2018 £000
Trade creditors	23,413	21,152
Other taxation and social security	1,083	546
Other creditors	1,612	977
Accruals and deferred income	17,589	11,235
	43,697	**33,910**

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

20. Financial assets and liabilities

Assets	2019 £000	2018 £000
Loans and receivables at amortised cost	23,455	32,050
Total	**23,455**	**32,050**

Liabilities	2019 £000	2018 £000
Measured at amortised cost	74,773	60,637
Total	**74,773**	**60,637**

Included within loans and receivables is a loan to a related party which is valued at amortised cost. £275k (2018: £127k) has been recognised as interest received in the profit and loss account. Market rate interest has been used (note 27).

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

21. Borrowings

	2019 £000	2018 £000
Secured borrowings:		
Bank loans	31,000	25,000
	31,000	25,000
Less: payable within one year	-	-
Payable after one year	**31,000**	**25,000**

The bank loan comprises of a revolving credit facility which is repayable by 31 January 2022 and is secured over certain of the group's properties. The facility attracts an interest rate of 2% per annum above the Bank of England Base Rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2019

22. Obligations under hire purchase contracts

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

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

	Minimum lease payments		Present value of minimum lease payments	
	2019	**2018**	**2019**	**2018**
	£000	**£000**	**£000**	**£000**
Within 1 year	1,079	1,128	1,012	1,020
Two to five years	642	1,322	624	1,254
	1,721	2,450	1,636	2,274
Less: unearned finance income	(85)	(176)		
	1,636	**2,274**		

23. Provisions

	2019	**2018**
	£000	**£000**
Deferred taxation	2,361	394
Deferred consideration	11,593	2,000
	13,954	**2,394**

Deferred consideration

	2019	**2018**
	£000	**£000**
Acquisition of DHomes 2014 Holdings Limited (“Dawn”)	2,000	2,000
Acquisition of Walker Holdings (Scotland) Limited (“Walker”)	9,593	-
	11,593	**2,000**

Deferred consideration movement

	2019	**2018**
	£000	**£000**
Opening Balance	2,000	-
Additions on acquisition (discounted)	9,403	2,000
Deemed interest in year	190	-
Closing balance	**11,593**	**2,000**

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

As part of the purchase agreement of Walker Holdings (Scotland) Limited there is a further £10,375,000 to pay. This can be broken down into: (i) £2,187,500 payable on the first anniversary of the acquisition date (31 January 2020); (ii) £2,187,500 payable on the second anniversary of the acquisition date (31 January 2021); (iii) £4,000,000 payable when outline planning is granted at Carlaverock and (iv) £2,000,000 payable when detailed planning is granted at Carlaverock. (iii) and (iv) probability has been assessed at 98% and 95% respectively. This has been discounted at a market rate of interest. £9,593,418 is recognised as a provision at the year end.

23. Provisions (continued)

Deferred Taxation

	2017	Profit and Loss Account	On Acquisition	2018	Profit and Loss Account	On Acquisition	2019
	£000	£000		£000	£000	£000	£000
Fixed assets – temporary differences	43	18	-	61	7	-	68
Other – temporary differences	2	(9)	340	333	(6)	1,752	2,079
	45	**9**	**340**	**394**	**1**	**1,752**	**2,147**

	2019	2018
	£000	£000
Deferred tax liability	2,361	394
Deferred tax assets (note 18)	(214)	-
	2,147	394

24. Share capital

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

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

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

Ordinary shares of £1 - allotted, called up and fully paid	Number of shares	Share capital £000	Share premium £000
At 1 June 2018	96,333,642	120	50,105
Share issue	15,919	-	13
At 31 May 2019	**96,349,561**	**120**	**50,118**

During the year 15,919 shares (2018: nil) were issued in satisfaction of share options exercised.

Share based payments

During the year the Group operated three share based schemes.

Share related share options scheme

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

24. Share Capital (continued)

Long-Term Incentive Plan (LTIP)

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

Fair Value of share options

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

Savings Related Share Option Scheme

CSOP

	2019		2018	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at the beginning of the year	1,033,382	110.59	-	-
Granted during the year	182,024	121.94	1,061,683	110.46
Lapsed during the year	-	-	(28,301)	106.00
Exercised during the year	-	-	-	-
Options at the year end	1,215,406	112.29	1,033,382	110.59

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
CSOP – 16th October 2017	106.00	799,869	106.00	3
CSOP – 4th December 2017	112.00	24,553	112.00	3
CSOP – 8th December 2017	111.00	27,027	111.00	3
CSOP – 15th January 2018	110.50	27,149	110.50	3
CSOP – 3rd May 2018	134.00	22,388	134.00	5
CSOP – 16th May 2018	134.00	132,396	134.00	5
CSOP – 1st October 2018	122.50	156,708	122.50	5
CSOP – 5th October 2018	118.50	25,316	118.50	5

ESOP

	2019		2018	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at the beginning of the year	596,524	110.29	-	-
Granted during the year	1,675,233	122.49	597,048	110.29
Lapsed during the year	-	-	(524)	106.00
Exercised during the year	-	-	-	-
Options at the year end	2,271,757	119.29	596,524	110.29

24. Share Capital (continued)

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
ESOP – 16th October 2017	106.00	503,631	106.00	5
ESOP – 15th January 2018	110.50	1,810	110.50	5
ESOP – 3rd May 2018	134.00	72,761	134.00	7
ESOP – 16th May 2018	134.00	18,332	134.00	7
ESOP – 1st October 2018	122.50	1,672,279	122.50	7
ESOP – 5th October 2018	118.50	2,954	118.50	7

Savings Related Share Option Scheme (continued)

SAYE

	2019		2018	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at the beginning of the year	3,030,643	84.80	-	84.80
Granted during the year	-	-	3,129,975	84.80
Lapsed during the year	(296,900)	84.80	(99,332)	84.80
Exercised during the year	(15,919)	84.80	-	-
Options at the year end	2,717,824	84.80	3,030,643	84.80

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
SAYE – 16th October 2017	112.00	2,717,824	84.80	3

Inputs used to determine fair value of options

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

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

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

SAYE – 15,919 of shares were exercised during the year.

Charge for share based incentive schemes

The total charge for the year relating to employee share-based plans were £434k (2018: £218k), all of which related to equity-settled share-based payment transactions.

25. Cash and cash equivalents

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

	2019 £000	2018 £000
Cash at bank and in hand	3,062	12,015
	3,062	**12,015**

At 31 May 2019, the group had available £36,000k (2018: £37,000k) of undrawn committed borrowing facilities.

26. Capital risk management

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

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

27. Financial risk management

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

27.1. Market Risk

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

Interest rate risk

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

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.

	2019 £000	2018 £000
Financial liabilities at fixed rate	1,636	2,274
Financial liabilities at floating rate	31,000	25,000
Non-interest-bearing financial liabilities	42,137	33,363
	74,773	**60,637**

27. Financial risk management (continued)

27.1. Interest Risk (continued)

Interest rate sensitivity analysis

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

	Bank of England base rate 31 May 2019		Bank of England base rate 31 May 2018	
	Interest rate +0.5% £000	Interest rate –0.5% £000	Interest rate +0.5% £000	Interest rate –0.5% £000
(Loss) / profit	(155)	155	(125)	125

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 2019.

27.2. Liquidity Risk

Liquidity risk is the risk that the group will be unable to meet its liabilities as they fall due. The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, medium to long term borrowings and hire purchase contracts. The Directors continually assess the balance of capital and debt of the Group. They consider the security of capital funding against the potentially higher rates of return offered by debt financing in order to set an efficient but stable balance appropriate to the size of the Group.

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

27. Financial risk management (continued)

27.2. Liquidity Risk (continued)

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

31 May 2018	Carrying amount £000	Total minimum future payment £000	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000
Accounts payable	33,363	33,363	33,363	-	-
Borrowings	25,000	25,000	-	25,000	-
Hire purchase	2,274	2,451	1,128	939	384
	60,637	**60,814**	**34,463**	**25,939**	**384**

27.3 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 their level of trade receivables and following up when they are overdue more than 3 months.

The ageing profile of trade receivables was:

	31 May 2019		31 May 2018	
	Total book value £000	Allowance for impairment £000	Total book value £000	Allowance for impairment £000
Current	9,435	-	8,554	-
Overdue 90 days	111	-	1,362	-
	9,546	**-**	**9,916**	**-**

27. Financial risk management (continued)

27.3. Credit Risk (continued)

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

The ageing profile of other receivables was:

	31 May 2019		31 May 2018	
	Total book value £000	Allowance for impairment £000	Total book value £000	Allowance for impairment £000
Current	9,351	-	8,484	-
Overdue 90 days	-	-	-	-
	9,351	**-**	**8,484**	**-**

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

28. Transactions with related parties

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

During the year dividends totalling £1,759k (2018: £384k) 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	2019 £000	2018 £000
Mr Sandy Adam	1,708	374
Mr Innes Smith	46	10
Ms Michelle Motion	2	-
Mr Matthew Benson	2	-
Mr Roger Eddie	1	-
Mr Nick Cooper	-	-
	1,759	**384**

The remuneration of Key Management Personnel was £1,825k (2018: £1,538k).

28. Transactions with related parties (continued)

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

	Sale of goods		Purchase of goods	
	2019 £000	**2018 £000**	**2019 £000**	**2018 £000**
Bertha Park Limited (1)	15,821	5,471	-	-
AW & JG Adam Limited (2)	7	2,741	-	-
DHHG 1 Limited (3)	5,756	577	-	-
Other entities which key management personnel have control, significant influence or hold a material interest in	184	266	11	363
Key management personnel	19	44	-	650
Other related parties	806	35	287	200
	22,593	**9,134**	**298**	**1,213**

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

Included within purchases from key management personnel is £nil (2018: £600k) from Sandy Adam, Director, to terminate annual licence fee in respect of the group's use of a trademark.

	Interest paid		Rent paid	
	2019 £000	**2018 £000**	**2019 £000**	**2018 £000**
Entities which key management personnel have control, significant influence or hold a material interest in	-	-	184	162
Key management personnel	-	12	5	-
Other related parties	-	15	132	134
	-	**27**	**321**	**296**

	2019 £000	**2018 £000**
Interest received:		
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	188	102
	188	**102**

The following amounts were outstanding at the reporting end date:

	2019 £000	**2018 £000**
Amounts receivable:		
Bertha Park Limited (1)	9,152	8,948
DHHG 1 Limited (3)	564	930
Other entities which key management personnel have control, significant influence or hold a material interest in (short-term)	97	86
Key management personnel	-	2
Other related parties	37	-
	9,850	**9,966**

28. Transactions with related parties (continued)

	2019	2018
	£000	£000
Accounts payable:		
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	-	57
James Adam	770	1,419
Other related parties	46	-
	816	**1,476**

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 £15,821k (2018: £5,471k) in relation to a build contract. At the year-end £4,389k (2018: £4,231k) is included in trade debtors and included within other debtors is a loan of £4,763k (2018: £4,717k) at the year-end.

(2) AW & JG Adam Limited a company in which Sandy Adam is a Director. During the year sales of £7k (2018: £2,741k) were made to AW & JG Adam Limited in relation to a build contract. £nil (2018: £nil) was included within debtors at the year end.

(3) DHHG 1 Limited is a jointly owned entity of Dawn Homes Limited, which Michelle Motion is a Director. During the year the group made sales to DHHG 1 Limited totalling £5,756k (2018: £577k) in relation to a build contract and management fees. At the year-end £564k (2018: £930k) was due from DHHG 1 Limited.

29. Contingencies, commitments and guarantees

In the ordinary course of the group's business the group is required to enter into performance bond arrangements. The group's bankers have provided such guarantees in the ordinary course of business totalling £4,436k (2018: £206k).

29.1. Contingent Liabilities

The company acquired the entire share capital of DHomes 2014 Holdings Limited and its subsidiaries and joint ventures, for a consideration of £20,085,000, which includes deferred consideration of £2,500,000. The deferred consideration is for land and paid if (i) we make a planning application when we reasonably believe the council will recommend approval; or (ii) it is zoned by the council. The Directors have reviewed the probability of the land being zoned for planning and included £2,000,000 as a provision (see note 23), the remaining £500,000 has been treated as a contingent liability due to the uncertainty over future payment.

The company acquired the entire share capital of Walker Holdings (Scotland) Limited and its subsidiaries and joint ventures, for a consideration of £72,775,000, which includes a deferred consideration of £10,375,000. This can be broken down into: (i) £2,187,500 payable on the first anniversary of the acquisition date (31 January 2020); (ii) £2,187,500 payable on the second anniversary of the acquisition date (31 January 2021); (iii) £4,000,000 payable when the council grant outlined planning concern at Carlaverock and (iv) £2,000,000 payable when the council grant detailed planning concern at Carlaverock. This has been discounted at a market rate of interest to £9,593,418 and is included within provisions (see note 23), the remaining £180,000 has been treated as a contingent liability due to the uncertainty over the future payments.

29. Contingencies, commitments and guarantees (continued)

29.2. Capital Commitments

	2019 £000	2018 £000
Acquisition of property, plant and equipment	517	700
Call and put options for the purchase of plots for development	2,725	4,919

29.3. Operating lease commitments

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

	2019 £000	2018 £000
Within one year	692	348
Two to five years	1,576	1,131
Over five years	1,009	1,231
	3,277	2,710

FINANCIAL STATEMENTS

COMPANY BALANCE SHEET
AS AT 31 MAY 2019

	Note	2019 £000	2018 £000
Non-current assets			
Property, plant and equipment	**1**	3,262	2,892
Intangible assets	**2**	600	600
Investments	**3**	54,431	19,627
Accounts receivable	**5**	196	135
		58,489	**23,254**
Current assets			
Inventories and work in progress	**4**	78,960	76,212
Accounts receivable	**5**	21,639	17,835
Cash and cash equivalents	**12**	1,165	8,505
		101,764	**102,552**
Total assets		**160,253**	**125,806**
Current liabilities			
Accounts payable	**6**	34,302	28,360
Short-term obligations under finance lease	**9**	493	555
Corporation tax		890	866
		35,685	**29,781**
Non-current liabilities			
Long-term borrowings	**8**	31,000	15,000
Long-term obligations under finance lease	**9**	183	676
Provision	**10**	11,593	2,054
		42,776	**17,730**
Total liabilities		**78,461**	**47,511**
Net assets		**81,792**	**78,295**
Equity			
Share capital	**11**	120	120
Share premium	**11**	50,118	50,105
Retained earnings		31,554	28,070
Total equity		**81,792**	**78,295**

As permitted s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £6,806,761 (2018: £6,906,949).

These financial statements were approved by the Board of Directors on 23 September 2019.
Signed on behalf of the Board by:

Sandy Adam
Executive Chairman
23 September 2019

Company number: SC031286

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

The accompanying notes on pages 80 to 93 form an integral part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MAY 2019

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Total £000
1 June 2017		**73**	**10,285**	**21,766**	**32,124**
Issue of share capital		47	39,820	-	39,867
Total comprehensive income for the year		-	-	6,907	6,907
Dividends		-	-	(821)	(821)
Share options reserve		-	-	218	218
31 May 2018		**120**	**50,105**	**28,070**	**78,295**
Issue of share capital	**11**	-	13	-	13
Total comprehensive income for the year		-	-	6,807	6,807
Share options reserves		-	-	434	434
Dividends paid		-	-	(3,757)	(3,757)
31 May 2019		**120**	**50,118**	**31,554**	**81,792**

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

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

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

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

The accompanying notes on pages 80 to 93 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
YEAR TO 31 MAY 2019

	Note	2019 £000	2018 £000
Operating activities			
Profit for the year after taxation (before exceptional items)		7,372	7,465
Adjusted for:			
Taxation charged		1,704	1,727
Finance costs		1,168	973
Interest receivable and similar income		(297)	(147)
Gain on disposal of tangible fixed assets		(122)	-
Exceptional items		(565)	(558)
Depreciation and impairment of tangible fixed assets	**1**	909	544
Share option employment costs	**11**	434	218
Operating cash flows before movements in working capital		**10,603**	**10,222**
(Increase)/decrease in inventory		(2,519)	5,999
Increase in accounts and other receivables		(447)	(6,636)
Increase in accounts and other payables		2,625	3,516
Net cash generated from operations		**10,262**	**13,101**
Income taxes paid		(1,791)	(1,612)
Net cash inflow from operating activities		**8,471**	**11,489**
Investing activities			
Payments to acquire intangible assets	**2**	-	(600)
Purchase of property, plant and equipment	**1**	(1,374)	(659)
Proceeds on disposal of property, plant and equipment		217	1
Purchase of subsidiary company	**3**	(62,400)	(17,585)
Dividends received		37,000	-
Interest received and similar income		22	19
Net cash used in investing activities		**(26,535)**	**(18,824)**
Financing activities			
Proceeds from issue of shares	**11**	13	42,180
Cost from issue of shares		-	(2,312)
Proceeds from bank loans		68,000	-
Repayment of bank loans		(52,000)	(22,500)
Repayment of other borrowings		-	(2,929)
Proceeds paid to related parties		-	(4,647)
Payment of finance leases obligations		(555)	(388)
Dividends paid		(3,757)	(821)
Interest paid		(977)	(1,067)
Net cash inflow from financing activities		**10,724**	**7,516**
Net (decrease)/ increase in cash and cash equivalents		**(7,340)**	**181**
Cash and cash equivalents at beginning of year		8,505	8,324
Cash and cash equivalents at end of year	**12**	**1,165**	**8,505**

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

The accompanying notes on pages 80 to 93 form an integral part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 2019

1. Property, Plant and Equipment

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings & equipment £000	Total £000
Cost				
At 1 June 2017	675	1,952	593	3,220
Additions	6	1,503	211	1,720
Disposals	-	-	(4)	(4)
At 31 May 2018	681	3,455	800	4,936
Additions	-	1,138	236	1,374
Disposals	-	(463)	(96)	(559)
At 31 May 2019	**681**	**4,130**	**940**	**5,751**
Accumulated depreciation				
At 1 June 2017	33	893	577	1,503
Depreciation charge	19	421	104	544
Disposals	-	-	(3)	(3)
At 31 May 2018	52	1,314	678	2,044
Depreciation charge	21	755	133	909
Disposals	-	(372)	(92)	(464)
At 31 May 2019	**73**	**1,697**	**719**	**2,489**
Net book value				
At 31 May 2019	**608**	**2,433**	**221**	**3,262**
At 31 May 2018	**629**	**2,141**	**122**	**2,892**
At 31 May 2017	**642**	**1,059**	**16**	**1,717**

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

	2019 £000	2018 £000
Net book value:		
Plant and machinery	971	1,500
	971	1,500
Total depreciation charge	422	324

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 2019

2. Intangible fixed assets

	Marketing-related assets £000
Cost	
1 June 2017	-
Additions	600
At 31 May 2018	600
Additions	-
Disposals	-
At 31 May 2019	**600**
Amortisation and impairment	
At 1 June 2017 and 31 May 2018	-
Impairment	-
Disposals	-
At 31 May 2019	-
Net book value	
At 31 May 2019	**600**
At 31 May 2018	**600**

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

3. Fixed Asset Investments

	2019 £000	2018 £000
Cost		
Investment in subsidiaries	91,431	19,627
Provision for impairment		
Impairment	(37,000)	-
Net book value	**54,431**	**19,627**

On 31 January 2019, the company acquired the entire share capital of Walker Holdings (Scotland) Limited and its subsidiaries, Walker Group (Scotland) Limited, Perten Limited, Walker Residential (Scotland) Limited, Walker Group (Land & Projects) Limited, Walker Contracts (Scotland) Limited and Craig Developments Limited for an initial consideration of £72,595,000. The purchase agreement also includes a deferred consideration payment of £10,195,000. The costs relating to the acquisition is included within the profit and loss account as an exceptional item which is in line with the accounting policy for fixed assets investments.

The deferred consideration estimated economic outflow has been assessed as £10,195,000 (see consolidation note 29.1). This has been discounted at 6% to present value. At 31 January 2019, this was calculated as £9,403,215. Deemed interest of £190,203 has been processed through the company profit and loss account to 31 May 2019. This has resulted in deferred consideration being £9,593,418 at 31 May 2019 (note 10).

Walker Holdings (Scotland) Limited was purchased as it was a good opportunity to acquire a well-run business with an excellent reputation and to accelerate growth with live sites in new areas and with a healthy land bank pipeline. Walker Holdings (Scotland) Limited has contributed revenue of £13,600,000 and profit before tax of £3,400,000 from the acquisition date of 31 January 2019 to 31 May 2019. If the acquisition of Walker Holdings (Scotland) Limited had taken place at 1 June 2018 then the acquisition would have produced a combined revenue of £45,600,000 and profit after exceptional items and before tax of £10,500,000.

3. Fixed asset investments (continued)

Movement in fixed asset investments

	Share in group undertakings £000	Total £000
Cost		
At 1 June 2017	42	42
Additions	19,585	19,585
At 1 June 2018	19,627	19,627
Additions	71,804	71,804
At 31 May 2019	**91,431**	**91,431**
Provisions for impairment		
At 1 June 2017 and 1 June 2018	-	-
Impairment	(37,000)	(37,000)
At 31 May 2019	**(37,000)**	**(37,000)**
Net Book Value		
At 31 May 2019	**54,431**	**54,431**
At 31 May 2018	**19,627**	**19,627**

Subsequent to acquisition, a dividend of £37,000k was received from Walker Holdings (Scotland) Limited.

During the year, the company also purchased 100% of the share capital of SP SUB 2018 Limited. This company has yet to trade.

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 2019

3. Fixed asset investments (continued)

Details of the company's subsidiaries and jointly owned entities at 31 May 2019 are as follows:

Name of Undertaking	Nature of Business	Class of Shares Held	% Held
Glassgreen Hire Limited	Hire of plant and machinery	Ordinary	96%
DHomes 2014 Holdings Limited	Holding Company	Ordinary	100%
Dawn Homes Limited *	Housebuilder/ Construction	Ordinary	100%
Dawn (Robroyston) Limited *	Housebuilder/ Construction	Ordinary	100%
DHPL Limited *	Buying and selling of own real estate	Ordinary	100%
Dawn Homes (Johnstone) Limited *	Housebuilder/ Construction	Ordinary	100%
Walker Holdings (Scotland) Limited	Housebuilder/ Construction	Ordinary	100%
Walker Group (Scotland) Limited *	Housebuilders/ property development/ management services	Ordinary	100%
Perten Limited *	Dormant	Ordinary	100%
Walker Residential (Scotland) Limited *	Dormant	Ordinary	100%
Walker Group (Land & Projects) Limited *	Dormant	Ordinary	100%
Walker Contracts (Scotland) Limited *	Dormant	Ordinary	100%
Craig Developments Limited *	Sale of residential property	Ordinary	100%
SP SUB 2018 Limited	Dormant	Ordinary	100%
DHHG 1 Limited *	Housebuilder/ Construction	Ordinary	50%

*Indirectly held

4. Inventories and work in progress

	2019 £000	2018 £000
Work in progress	78,960	76,212
	78,960	**76,212**

Land under development is included in work in progress

	2019 £000	2018 £000
Accounts receivable in relation to construction contracts	9,993	9,760
	9,993	**9,760**

	2019 £000	2018 £000
Accounts payable in relation to construction contracts	149	340
	149	**340**

	2019 £000	2018 £000
Retentions held by customers for contract work	1,528	1,265
Advances received from customers for contract work	(149)	(340)
	1,379	**925**

Included within inventories is £23,224k (2018: £27,009k) pledged as security.

5. Accounts receivable

Amounts falling due within one year

	2019 £000	2018 £000
Trade receivables	8,721	8,809
Other receivables	8,814	8,474
Amounts due from group undertakings	3,422	104
Prepayments and accrued income	682	448
	21,639	**17,835**

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

The company's exposure to credit risk is limited by the fact that the company generally receives cash at the point of legal completion of its sales. There are certain categories of revenue where this is not the case; for instance, housing association revenues or land sales where management considers that the ratings of these various debtors are good and therefore credit risk is low. Loans to related parties have also been assessed as low credit risk based on the expected profitability of their future contracts. Any assets which expose the company to credit risk can be spread over a considerable number of properties. As such, the company has low concentration of credit risk, with exposure spread over a large number of customers. The maximum exposure to credit risk at 31 May 2019 is represented by the carrying amount of each financial asset.

5. Accounts receivable (continued)

Amounts falling due after one year

	2019 £000	2018 £000
Other receivables	140	135
Deferred tax asset (see note 10)	56	-
	196	135

6. Accounts payable

	2019 £000	2018 £000
Trade creditors	15,994	15,528
Other taxation and social security	811	547
Other creditors	222	421
Amounts due to group undertakings	7,996	760
Accruals and deferred income	9,279	11,104
	34,302	**28,360**

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

7. Financial assets and liabilities

Assets	**2019 £000**	**2018 £000**
Loans and receivables at amortised cost	22,262	26,027
Total	**22,262**	**26,027**

Total Liabilities	**2019 £000**	**2018 £000**
Measured at amortised cost	65,017	44,044
Total	**65,017**	**44,044**

Included within loans and receivables is a loan to a related party which is valued at amortised cost. £275k (2018: £127k) has been recognised as interest received in the profit and loss account. Market rate interest has been used (note 14).

8. Borrowings

	2019 £000	2018 £000
Secured borrowings:		
Bank loans	31,000	15,000
	31,000	15,000
Less: payable within one year	-	-
Payable after one year	**31,000**	**15,000**

The bank loan comprises of a revolving credit facility which is repayable by January 2022 and is secured over certain of the company's properties. The facility attracts an interest rate of 2% per annum above the Bank of England Base Rate.

9. Obligations under hire purchase contracts

Finance lease and hire purchase payments represent rentals payable by the company 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.

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	2019	2018
	£000	£000	£000	£000
Within 1 year	523	617	493	555
Two to five years	186	708	183	676
	709	1,325	**676**	**1,231**
Less: unearned finance income	(33)	(94)		
	676	**1,231**		

10. Provisions

	2019	2018
	£000	£000
Deferred taxation (now an asset – see note 5)	-	54
Deferred consideration	11,593	2,000
	11,593	**2,054**

Deferred consideration

	2019	2018
	£000	£000
Acquisition of DHomes 2014 Holdings Limited ("Dawn")	2,000	2,000
Acquisition of Walker Holdings (Scotland) Limited ("Walker")	9,593	-
	11,593	**2,000**

Deferred consideration movement

	2019	2018
	£000	£000
Opening Balance	2,000	-
Additions on acquisition (discounted)	9,403	2,000
Deemed interest in year	190	-
Closing balance	**11,593**	**2,000**

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

As part of the purchase agreement of Walker Holdings (Scotland) Limited there is a further £10,375,000 to pay. This can be broken down into: (i) £2,187,500 payable on the first anniversary of the acquisition date (31 January 2020); (ii) £2,187,500 payable on the second anniversary of the acquisition date (31 January 2021); (iii) £4,000,000 payable when outline planning is granted at Carlaverock and (iv) £2,000,000 payable when detailed planning is granted at Carlaverock. (iii) and (iv) probability has been assessed at 98% and 95% respectively. This has been discounted at a market rate of interest. £9,593,418 is recognised as a provision at the year end.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 2019

10. Provisions (continued)

Deferred Taxation

	2017 £000	Profit & Loss Account £000	2018 £000	Profit & Loss Account £000	2019 £000
Fixed assets – temporary differences	43	18	61	32	93
Other – temporary differences	(5)	(2)	(7)	(142)	(149)
	38	**16**	**54**	**(110)**	**(56)**

	2019 £000	2018 £000
Deferred tax liability	-	54
Deferred tax assets (note 5)	(56)	-
	(56)	**54**

11. Share Capital

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

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

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

Ordinary shares of £1 - allotted, called up and fully paid	Number of shares	Share capital £000	Share premium £000
At 1 June 2018	96,333,642	120	50,105
Share issue	15,919	-	13
At 31 May 2019	**96,349,561**	**120**	**50,118**

During the year 15,919 shares (2018 - nil) were issued in satisfaction of share options exercised.

Share based payments

During the year the Company operated three share based schemes.

Share related share options scheme

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

Long-Term Incentive Plan (LTIP)

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

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 2019

11. Share Capital (continued)

Fair Value of share options

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

Savings Related Share Option Scheme

CSOP

	2019		2018	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at the beginning of the year	1,033,382	110.59	-	-
Granted during the year	182,024	121.94	1,061,683	110.46
Lapsed during the year	-	-	(28,301)	106.00
Exercised during the year	-	-	-	-
Options at the year end	1,215,406	112.29	1,033,382	110.59

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
CSOP – 16th October 2017	106.00	799,869	106.00	3
CSOP – 4th December 2017	112.00	24,553	112.00	3
CSOP – 8th December 2017	111.00	27,027	111.00	3
CSOP – 15th January 2018	110.50	27,149	110.50	3
CSOP – 3rd May 2018	134.00	22,388	134.00	5
CSOP – 16th May 2018	134.00	132,396	134.00	5
CSOP – 1st October 2018	122.50	156,708	122.50	5
CSOP – 5th October 2018	118.50	25,316	118.50	5

ESOP

	2019		2018	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at the beginning of the year	596,524	110.29	-	-
Granted during the year	1,675,233	122.49	597,048	110.29
Lapsed during the year	-	-	(524)	106.00
Exercised during the year	-	-	-	-
Options at the year end	2,271,757	119.29	596,524	110.29

11. Share Capital (continued)

Savings Related Share Option Scheme (continued)

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
ESOP – 16th October 2017	106.00	503,631	106.00	5
ESOP – 15th January 2018	110.50	1,810	110.50	5
ESOP – 3rd May 2018	134.00	72,761	134.00	7
ESOP – 16th May 2018	134.00	18,332	134.00	7
ESOP – 1st October 2018	122.50	1,672,279	122.50	7
ESOP – 5th October 2018	118.50	2,954	118.50	7

SAYE

	2019		2018	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at the beginning of the year	3,030,643	84.80	-	84.80
Granted during the year	-	-	3,129,975	84.80
Lapsed during the year	(296,900)	84.80	(99,332)	84.80
Exercised during the year	(15,919)	84.80	-	-
Options at the year end	2,717,824	84.80	3,030,643	84.80

Share Option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period
SAYE – 16th October 2017	112.00	2,717,824	84.80	3

Inputs used to determine fair value of options

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

11. Share Capital (continued)

Savings Related Share Option Scheme (continued)

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

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

SAYE – 15,919 of shares were exercised during the year.

Charge for share based incentive schemes

The total charge for the year relating to employee share-based plans were £434k (2018 - £218k), all of which related to equity-settled share-based payment transactions.

12. Cash and Cash Equivalents

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

	2019 £000	2018 £000
Cash at bank and in hand	1,165	8,505
	1,165	**8,505**

At 31 May 2019, the company had available £36,500k (2018- £25,000k) of undrawn committed borrowing facilities.

13. Capital risk management

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

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

14. Financial risk management

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

14.1 Market risk

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

14. Financial risk management (continued)

14.1 Market risk (continued)

Interest rate risk

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

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

	2019	**2018**
	£000	**£000**
Financial liabilities at fixed rate	676	1,231
Financial liabilities at floating rate	31,000	15,000
Non-interest-bearing financial liabilities	33,341	27,813
	65,017	**44,044**

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 2019		**Bank of England base rate 31 May 2018**	
	Interest rate +0.5% £000	Interest rate – 0.5% £000	Interest rate +0.5% £000	Interest rate – 0.5% £000
(Loss) / profit	(155)	155	(75)	75

Limitations of sensitivity analysis

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

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

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

Management believe that fair value of the loans, borrowings and finance lease obligations approximates their carrying amounts as the majority of obligations bear interest rates approximating market rates at 31 May 2019.

14. Financial risk management (continued)

14.2 Liquidity Risk

Liquidity risk is the risk that the company will be unable to meet its liabilities as they fall due. The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, medium to long term borrowings and hire purchase contracts. The Directors continually assess the balance of capital and debt of the Company. They consider the security of capital funding against the potentially higher rates of return offered by debt financing in order to set an efficient but stable balance appropriate to the size of the Company.

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

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

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

31 May 2018	**Carrying amount £000**	**Total minimum future payment £000**	**Within 1 year £000**	**Within 1-2 years £000**	**Within 2-5 years £000**
Accounts payable	27,813	27,813	27,813	-	-
Borrowings	15,000	15,000	-	15,000	-
Hire purchase	1,231	1,325	617	522	186
	44,044	**44,138**	**28,430**	**15,522**	**186**

14.3 Credit risk

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

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

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

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14. Financial risk management (continued)

14.3 Credit risk (continued)

The ageing profile of trade receivables was:

	31 May 2019		31 May 2018	
	Total book value £000	**Allowance for impairment £000**	**Total book value £000**	**Allowance for impairment £000**
Current	8,632	-	7,473	-
Overdue 90 days	89	-	1,336	-
	8,721	**-**	**8,809**	**-**

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

The ageing profile of other receivables was:

	31 May 2019		31 May 2018	
	Total book value £000	**Allowance for impairment £000**	**Total book value £000**	**Allowance for impairment £000**
Current	8,814	-	8,474	-
Overdue 90 days	-	-	-	-
	8,814	**-**	**8,474**	**-**

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