Company Registration No. SC031286 (Scotland)

SPRINGFIELD PROPERTIES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2023

CONTENTS

COMPANY INFORMATION

DIRECTORS:	Mr Sandy Adam Mr Innes Smith Mr Iain Logan Mr Roger Eddie (non-executive) Mr Matthew Benson (non-executive) Mr Nick Cooper (non-executive) Mr Colin Rae (non-executive)
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STRATEGIC REPORT

The Directors present their strategic report for Springfield Properties plc (the "Company") and its Group of companies ("Springfield", "The Springfield Group" or the "Group") for the year ended 31 May 2023.

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 MAY 2023

Group Revenue	Group Completions	Group Adjusted PBT*	Private Homes Revenue	Affordable Homes Revenue	Contracting Homes Revenue
2023: £332.1m	**2023: 1,301 homes**	**2023: £16.0m**	**2023: £253.4m**	**2023: £53.9m**	**2023: £19.7m**
2022: £257.1m	**2022: 1,242**	**2022: £20.8m**	**2022: £174.4m**	**2022: £64.3m**	**2022: £16.5m**

Group	**2022/23 £m**	**2021/22 £m**	**Change %**
Revenue	332.1	257.1	+29%
Gross profit	48.0	43.1	+11.4%
Gross margin	14.5%	16.8%	-230bps
Statutory profit before tax	15.3	19.7	-22.3%
Adjusted profit before tax*	16.0	20.8	-23.1%
Earnings per share	10.19p	14.74p	-30.9%
Net debt**	67.7	38.1	+77.7%

*Adjusted profit before tax excludes exceptional items detailed at Note 10.
**Net debt is defined as bank borrowings plus long-term obligations under lease liabilities plus short term obligations under lease liabilities less cash and cash equivalents.

Strategic and Operational Highlights

- Revenue growth driven by full year contribution from acquisition of Tulloch Homes and Mactaggart & Mickel Homes.
- Total owned land bank of 6,712 plots, 83% with planning permission, and strategic options over a further 3,255 acres representing c. 33,000 plots
    - One of the largest land banks in Scotland, in areas of high demand and with a low cost per plot, underpins the Board's long-term confidence
    - Large owned land bank provides asset for cash generation
- Acquisition of the Scottish housebuilding business of Mactaggart & Mickel.
- Progress of ESG strategy against first year objectives as noted in the CEO report.

STRATEGIC REPORT

EXECUTIVE CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MAY 2023

This year we delivered a record turnover of £332.1m, a year-on-year increase of 29%. While we were not immune to the significant market turmoil, which did impact our profits, given this backdrop, our revenue growth is quite an achievement.

With over 700 employees, across six well-established brands, we are one of the largest house builders in Scotland and we operate in all key regions. We have one of the largest land banks in Scotland – with over 6,700 owned plots, 83% of which has planning permission, situated in areas of significant demand. We are proud to have continued to receive recognition from our peers, including, for the first time, being awarded accolades on a UK-wide platform in recognition of the quality of the communities being developed in our Villages and the quality of the communities being developed there.

Our ethos remains centred on a strong belief that everyone in Scotland deserves a good home and our business culture is underpinned by our commitment to building quality, energy efficient homes and looking after our customers, our employees, our sub-contractors and the communities in which we operate. This year we have taken significant steps to deliver against our first ESG Strategy and our progress has been captured in an update published alongside this report.

People

Our commitment to being a quality employer remains at the fore as we continue to create an environment where everyone can thrive. We have a great package of benefits for our employees to ensure that we retain, reward, support and attract the best people. In recognition of the cost-of-living challenges being experienced nationwide, three pay increases were awarded to employees during calendar year 2022, which included passing on to our employees our own National Insurance saving of 1.25% following the UK Government announcement that the rate payable would be reduced from November 2022. During the year, we also extended quality private health care cover to employees across the Group, crucially including trade employees working on our sites.

Looking after the mental health of our employees continued to be a focus, targeting in particular construction workers, apprentices and also our subcontractors. We increased the number of fully trained mental health first aiders and undertook a number of engaging campaigns in partnership with the Lighthouse Club, a mental health support charity exclusively for those within the construction sector and their families. A specific focus was given to mental wellbeing amongst apprentices, with nearly 100 apprenticeship employees completing mental health awareness training with specialist charity Mikeysline.

We improved our employee engagement with the launch of our very first intranet site. The platform provides access to support resources and a forum to share positive news, and is designed to bring employees together from across the Group, whether they work out on site, at a sales centre, at our workshops, or in one of our offices.

We take our position as a major employer in the housebuilding industry seriously and pride ourselves in the active role we take in the skills development of our workforce. This year, 16% of our employees were undertaking an apprenticeship or formal training, which is far greater than the industry standard. In total, 50 employees completed formal qualifications during the year and we were pleased to award 48 promotions, reflecting our commitment to helping our people to flourish.

At the same time, we have also had to make some tough decisions to generate resource efficiencies across the Group in response to the challenging market conditions. Alongside other actions that we have taken, in some areas of the business most affected by the downturn, it has unfortunately meant making some redundancies.

This year also saw changes at the senior management and Board level. In March, Michelle Motion stepped down as Chief Financial Officer after nine years with Springfield and Iain Logan, then Finance Director, became interim CFO. The Board was very pleased with Iain's performance in this role and, post year end, unanimously decided to make the position permanent as well as appoint him to the Board. In addition, during the year we restructured a number of Group Director reporting lines to maximise the breadth of experience held by Chief Operating Officer, Martin Egan. This allowed a strong emphasis to be placed on the operational and technical efficiencies that are being driven across the Group.

I would like to thank all of our employees, past and present, for their hard work and commitment this year.

Finally, I would also like to express my gratitude to Roger Eddie who, in the interests of corporate governance, has notified the Board of his intention to retire as a Non-executive Director during the course of the year. A selection process has started, which may or may not identify a replacement.

Markets

Market conditions across our business were particularly challenging this year and this has continued post period. In private housing, there was a marked slowdown in the UK housing market, particularly following the UK Government's mini-budget in September 2022, as mortgage rate increases and cost-of-living pressures impacted affordability and the confidence of buyers. Whilst we saw some recovery after the traditionally quieter festive period, the market took another dip following the Bank of England's decision to increase rates to 5% and buyer confidence has been affected since.

However, within a UK context, there is greater affordability in Scotland, characterised by lower income multiples and lower levels of house price inflation. Our private housing is also supported by the Scottish missive system, which ensures that customers are contracted into the purchase much earlier in the build programme. The fundamental demand for the type of private housing that we offer remains strong. Across each of our brands, we build quality, spacious, energy efficient homes in highly desirable areas with generous private gardens and plenty of surrounding greenspace. The mortgage market is also more supportive of new build homes, particularly given their energy credentials.

We remain extremely proud of our record in affordable housing and the benefits it provides to communities. This year our ability to deliver affordable homes was curtailed due to the significant build cost inflation and the fixed price nature of contracts in this part of the business. Accordingly, we took the strategic decision to pause entering into new, large, long-term affordable-only contracts and we reassessed the costs to completion for our ongoing affordable housing projects. Consequently, our activity in affordable housing was far lower than we had originally expected. However, since year end, the Scottish Government has announced an eagerly anticipated increase to their affordable housing investment benchmarks. As a result, and with build cost inflation easing, we envisage a strong return in this area of the business to deliver against built-up demand – which remains exceptionally high with 178,000 applicants on Local Authority housing lists across Scotland. In addition, the Scottish Government remains committed to delivering new affordable homes, illustrated by their target to deliver 110,000 energy efficient affordable homes by 2032.

The position regarding private rented sector ("PRS") housing remained unchanged throughout the year. The uncertainty surrounding the Scottish Government rent caps, which had been put in place to support families with cost-of-living concerns, has deterred PRS providers from entering new contracts in Scotland. While there is nothing yet to suggest a change to this policy environment, we are hopeful that proven demand for purpose-built, high quality, energy efficient PRS homes will drive investment into Scotland. The 75 PRS homes we delivered at Bertha Park have been extremely popular amongst families looking to move into the area.

There remains an undersupply of all types of housing across Scotland. This can only be satisfied through the delivery of new homes. With one of the largest land banks with 6,712 plots owned, 83% of which with planning permission, we are well-positioned to take advantage of opportunities when market conditions improve.

Our commitment to Environmental, Social, Governance ("ESG")

This year we were proud to publish our first ESG Strategy, bringing together all the good practice from across our brands and regions and setting new, challenging objectives to ensure we continue to improve. The strategy included priorities identified across the ESG spectrum that we saw as critical to the future success of our organisation and valued by our varied stakeholders. Being the first year of a formal strategy, much of the objectives involved research and data collection, setting a baseline upon which we can improve, measure and report performance.

A new governance structure was launched with our CEO leading a dedicated ESG Committee of the Board. Since its launch in August 2022, the ESG Committee has met a number of times to monitor progress of strategy delivery, with a report having been made to the PLC board. Alongside this annual report, we are pleased to be publishing an update to our ESG strategy for our investors. The publication, which can be found within the ESG pages of the Springfield Group website, reports on our performance within year one, summarises findings within today's economic and environmental climate and sets objectives for the year ahead.

Alongside our strategy development and delivery, we became the first housebuilder to engage with NextGeneration Core. This initiative was recently launched by NextGeneration – which provides an external assessment of the largest 25 housebuilders in the UK – to encourage small to medium-sized businesses to benchmark their performance. Through the voluntary scheme, we were assessed against 14 key criteria including our policies for reducing energy use and waste, our health and safety standards, commitment to placemaking and affordable housing, and educating our workforce. We were delighted with the feedback. Our drive to reach net zero stood out, with our head start on the use of air source heat pumps being commended. We were particularly pleased to receive recognition for our efforts in placemaking, where it was noted that Springfield's role in community creation met aspirational standards and far exceeded practice elsewhere in the wider UK industry.

At Springfield, we build more than homes, we create sustainable communities for families to enjoy for years to come. Our dedicated Community Engagement Co-ordinator has made a strong impact within their first full year in post, working closely with communities where we are building and engaging new residents within our Village developments through community events. This year we also took steps to strengthen our approach to community engagement during the planning process. Despite the challenges in delivering affordable housing, our commitment to regeneration was reinforced in May through the signing of a contract to deliver new homes at the previously condemned housing estate in Deans South. This has been a project close to my heart for a number of years where the building of new homes will have a transformational impact on the Livingston community and the lives of the families who are desperate to return.

Our abilities in placemaking and the creation of sustainable communities are well showcased at our Springfield Villages, with Bertha Park in Perth and Dykes of Gray in Dundee being the most developed. We were delighted when both were awarded prestigious accolades from the WhatHouse? Awards. Bertha Park was named the Best Sustainable Development in the UK and Dykes of Gray received a silver award in recognition of the strength of its public realm. Similarly, Bertha Park was also named the best development in Scotland at the Scottish Home Awards.

Our approach to charitable donations was refreshed during the year to ensure we are maximising our impact, which included the creation of a dedicated webpage encouraging applications. This year we donated £80,284, supporting 86 local causes as a result.

Dividend

While recognising the importance of the dividend to shareholders, the Board has resolved not to propose a dividend for FY 2023 as a measure to preserve liquidity in response to market conditions. Our focus is on managing cash flow and reducing debt to ensure that we are in the optimal position for when market conditions improve. The Board intends to resume making dividend payments once the Group's bank debt is materially reduced.

STRATEGIC REPORT

EXECUTIVE CHAIRMAN'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Looking to the future

The continued market turmoil being faced across the UK housebuilding industry means that, in the immediate term, our strategic priorities have shifted. We are sharply focused on managing our cash flow and reducing our bank debt to put us in a position of strength for when market conditions improve and enable us to deliver on our goals.

The fundamentals of our business and of the Scottish housing market remain strong. We are extremely proud of our high-quality land bank. A high number of our development sites are owned with planning permission in place, in desirable locations across Scotland. As well as offering the Springfield Group with a solid pipeline, it provides an asset for cash generation. With the new National Planning Framework creating challenges on unallocated sites, we are in a strong position to capitalise on our land bank when the terms are favourable, and we are currently in discussions with a number of housebuilders, affordable housing and PRS providers about a number of our sites.

Whilst times are tough just now, we retain an extremely significant place within the Scottish housing market and are excellently placed to springboard when the time is right. We build homes of exceptional quality with an unrivalled level of specification and choice for customers across our established housebuilder brands. Our ability to deliver sustainable communities is highly regarded.

For over two decades, we have intentionally diversified our business, delivering not only private homes for sale but also quality new homes in partnership with local authorities and housing associations. From the outset, we saw value in the cash flow benefits of affordable housing delivery and this value is set to return. Build cost inflation has eased, the Scottish Government affordable housing investment benchmarks have increased, we have signed two, short term, affordable contracts and discussions are well underway with our well established partners on new projects to allow us to start delivering affordable homes that are much needed across the country.

Similarly, as we see demand for all housing tenures increase, and as UK operators come to better understand the policy dynamics in Scotland, I also expect to see a return to delivering homes for the private rented sector through partnerships. The homes that we delivered for Sigma Capital at Bertha Park Village provide an excellent example. I am confident that our vast experience of delivering homes through partnerships, together with our effective land bank, will stand us in excellent stead for embracing new opportunities.

Accordingly, we are highly confident in the future of our business and in our ability to deliver growth for our shareholders.

I would like, again, to thank our skilled management team for the decisive action they have taken, within and post period, to navigate the business through the turmoil. The continued support for our business from all of our stakeholders is critical and ever more appreciated in the challenging times. We very much look forward to creating value across our business and to delivering great homes and communities for our customers.

Sandy Adam
Executive Chairman
20 September 2023

STRATEGIC REPORT

CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 31 MAY 2023

Against a challenging market backdrop, this year we delivered our highest level of annual completions and revenue. We brought another premium brand into the Group through the acquisition of Mactaggart & Mickel Homes, and on favourable payment terms. While we were significantly impacted by the build cost inflation, particularly in affordable housing, we took decisive action to address this, resulting in annualised cost savings of £4.0m.

Alongside the build cost inflation, there was a sharp reduction in homebuyer confidence resulting from rising mortgage rates and cost-of-living challenges, which peaked around the time of the UK Government's mini-budget. In addition, following the Scottish Government's introduction of rent controls, our plans for expanding our PRS housing activity were withdrawn. Accordingly, while the fundamentals of the housing sector in Scotland and of our business remain strong, the market conditions during 2023 were particularly challenging.

During 2023, total revenue grew by 29.2% to £332.1m (2022: £257.1m), and we completed 1,301 homes (2022: 1,242). This was driven by private housing, with revenue increasing by 45.2% to £253.4m (2022: £174.4m), primarily due to the first full 12-month contributions from Tulloch Homes and Mactaggart & Mickel Homes, but we also delivered organic revenue growth in private housing. The increased revenue in private housing offset the reduction in affordable housing to £53.9m (2022: £64.3m), which was due to the significant build cost inflation. This also impacted gross margin, resulting in profit before tax and exceptional items being £16.0m (2022: £20.8m). Our net debt position at year end was £67.7m (2022: £38.1m), primarily reflecting the Mactaggart and Mickel Homes acquisition; the first deferred payment of £6.1m for the acquisition of Tulloch Homes; and the significantly higher interest payments.

Trading conditions have remained tough into the new financial year as private housing reservations continue to be impacted by reduced homebuyer confidence. We do not expect to see any material improvement in homebuyer confidence before next Spring. Our priority is to maximise cash generation to reduce our debt to ensure we maintain the value of our business. Accordingly, we are pausing all speculative private housing development. We will build based on sales and not sell based on build. We are actively pursuing land sales and will further reduce our cost base where necessary. We are also encouraged by the interest we are now receiving in affordable housing, which has strong cash flow dynamics.

The fundamentals of our business and our position within the Scottish housing market remain strong. We have one of the largest land banks in Scotland – with over 6,700 owned plots and 83% of which has planning permission. This is particularly valuable given the current planning difficulties being faced in Scotland. We have an excellent reputation of offering high quality, energy efficient homes in desirable locations in key housing markets across Scotland. In addition, there is an undersupply of housing of all tenures, which is being exacerbated by the current conditions, and which can only be addressed through building new homes. The stability in house prices and the better affordability in Scotland underpin our opportunities for medium-term growth.

Decisive Response to Market Conditions

To address the uncertain and difficult market conditions, we took decisive action during the year alongside maintaining tight cost control. We halted entering new large long-term affordable housing contracts, as described further below, and we adopted a cautious approach to new site launches in private housing, including undertaking 'soft launches' to test the market before making further investment into site infrastructure. We reduced land buying activity and completed a land sale for £3.7m. We paused recruitment and reduced staffing levels in areas most impacted by the market downturn as well as identifying synergies across the Group. As a result of these actions, we have delivered savings of approximately £4.0m on an annualised basis.

STRATEGIC REPORT

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Since year end, we have continued to closely monitor the economy and buyer behaviour in both the housing and land market and carefully manage our activities to limit exposure in the slower sales environment. With private housing reservations remaining subdued and the uncertainty around when demand will improve, we are now acutely focused on managing cash flow and prioritising cash generation to reduce debt. Accordingly, we will now only build a private home once a reservation is secured, which will improve cash generation in this part of this business. We are actively seeking land sales, on favourable terms, in order to accelerate the realisation of cash from our large land bank – with the target of selling 800-1,000 plots within two years. We will also take action to further reduce our cost base where necessary and have paused the payment of dividends until debt has been materially reduced.

Through these actions, we will limit our exposure to the uncertain conditions in the short term while maximising cash generation to reduce debt and thereby be in a stronger position for when normalised demand returns. This is further supported by having one of the largest land banks in Scotland with 6,712 owned plots – 83% with planning permission – and strategic options over a further 3,255 acres representing c. 33,000 plots.

Land Bank

During the year, we strengthened our land bank with the acquisition of Mactaggart & Mickel Homes. This comprised a total of 701 plots in highly desirable locations within the Central Belt of Scotland and strategic options over a further c. 2,300 acres.

At the same time, we continued to realise value from our large, high-quality land bank with the sale of land to a housebuilder. We are actively seeking further opportunities for land sales where the terms and price are desirable and we are currently in discussions with a number of housebuilders about a selection of our sites. The slowdown across the industry has had a corresponding impact on the land market, however we expect this position to change in the near term and will be well placed to benefit from this pent-up demand.

We significantly reduced land buying activity in response to the current market conditions. In addition, we made the decision to no longer pursue Gavieside in Livingston, a site of 2,500 plots without planning approval, that had previously been identified as a further Village development. Having explored various options, we concluded that, under current market conditions and with a difficult planning environment, it would be prudent to reduce cash outflows and that our resources will be better utilised by focusing on our sites that are more advanced. Accordingly, we no longer have the Gavieside site under option.

At 31 May 2023, we had 6,712 owned plots and strategic options over a further 3,255 acres representing c. 33,000 plots.

Of the owned land bank, 83% has planning permission (including detailed and outline planning), which provides an asset for cash generation. The gross development value of the owned land bank at 31 May 2023 was £1.9bn.

Approximately 22% of the land under strategic option is contracted and c. 14% has planning permission.

At year end, we were active on 50 developments (2022: 51) and during the year 16 developments were completed and 15 new active developments were added to the land bank (of which 7 were under Mactaggart & Mickel Homes).

STRATEGIC REPORT

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Private Housing

The number of private home completions increased by 21.6% to 866 (2022: 712), which primarily reflects the contributions from Tulloch Homes and Mactaggart & Mickel Homes.

The challenging market backdrop impacted reservation rates as increased mortgage rates combined with ongoing cost-of-living pressures reduced affordability and homebuyer confidence. In particular, there was a sharp reduction in sales levels following the UK Government's mini-budget in September 2022, which remained low for a three-month period. While there was recovery in January to May 2023, the forward order book at year end was below that of the previous year.

We saw a further softening in demand following the Bank of England increasing interest rates to 5% towards the end of June 2023. Sales levels remained low over the summer weeks, with a traditional seasonal dip during the school holidays. Since schools in Scotland reopened in the middle of August, reservation rates have continued to be significantly below the levels usually experienced at this time of year. As a result, and as described further above, we have taken the decision to significantly curtail our development activities and only build homes when a reservation is secured.

The average selling price ("ASP") for private housing during the year was £293k (2022: £245k). This reflects the contribution from Mactaggart & Mickel Homes, which has higher selling prices than the rest of the Group, as well as a general increase in sales prices across our brands. This served to mitigate some of the build cost inflation in private housing during the year. As previously stated, private house price growth is no longer anticipated in the short term, however we are pleased to note that selling prices have remained stable across our developments post year end, supported by the established reputation of high quality of our brands. This also reflects the strength of the market in Scotland, where house prices have outperformed the rest of the UK market as a result of the greater affordability in Scotland and undersupply of housing.

As at 31 May 2023, we were active on 32 private housing developments (2022: 31), with 9 active developments added during the year, of which 4 were from Mactaggart & Mickel Homes, and 8 developments completed. In total, as at 31 May 2023, the owned private housing land bank consisted of 5,075 plots (2022: 4,605), of which 86% had planning permission.

Village Developments

Springfield Villages are large, standalone developments that include infrastructure and neighbourhood amenities. Each Village is designed to deliver approximately 3,000 homes, primarily for private sale, but also include affordable, and at Bertha Park, PRS housing, with ample green space and community facilities.

We have three Villages that are well underway and already home to thriving communities: Dykes of Gray, Dundee; Bertha Park, Perth; and Elgin South (formally 'Linkwood Village'), Elgin. Post year end, in August 2023, a section 75 agreement was reached with Stirling Council for 3,042 homes at Durieshill. The Village was granted planning in 2019 and is believed to be the largest detailed planning consent to have been granted in Scotland to date. With the section 75 now in place, we have all consents required to commence work on site, which is expected in 2024. As noted above, during the year, we decided to no longer pursue Gavieside, a site in Livingston that had been identified as a further Village, in order to reduce cash outflows and focus resources on more advanced sites.

While not immune to the broader market trends, demand for Springfield's Villages remained high, driven by the desirability of larger family housing, with local amenities and commuting distance to major cities. In total (including homes delivered under contract), there were 145 private housing completions at the Villages during the year (2022: 143). At Elgin South, a new phase of homes has been released for sale since year end.

There was also a continued expansion of amenities and strengthening of community engagement at the Village developments, enabling the local communities to become more established. At Dykes of Gray, for example, a community woodland was created while at Bertha Park a new food takeaway opened and a resident of the village submitted planning permission for a café which was approved post period.

The success of our Villages has been recognised by several industry awards. This year, two of our Villages secured awards from WhatHouse?, a UK-wide platform. Bertha Park was named Best Sustainable Development (Gold) and Dykes of Gray secured the Best Public Realm (Silver) title. In Scotland, Bertha Park was also named Best Large Development by the Scottish Home Awards.

Affordable Housing

Our affordable housing business was significantly impacted during the year by the macro-economic conditions. Build cost inflation, which peaked at c.30%, substantially reduced gross margin due to the industry's model of fixed-price contracts. In particular, our margin suffered from the delivery of two large, long-term contracts that had been signed in early 2020 and were therefore based on expectations of lower material and labour costs. We were also impacted in the first half of the year by key subcontractors going out of business, which necessitated the finding of replacement subcontractors that led to some delays and higher costs. Alongside this, we were disappointed that the Scottish Government did not review its affordable housing investment benchmarks during the year to take account of the significant level of inflation.

As a result, during the year, we took the decision to pause entering new long-term affordable-only contracts. However, we were pleased to note that, post year end, in June 2023, the Scottish Government increased the affordable housing investment benchmarks by 16.9%. This, combined with a reduction in levels of cost price inflation, is expected to enable housing associations to increase the price of affordable housing contracts to progress the building programmes required to meet the Government's affordable housing targets. Accordingly, along with other housebuilders, we are now finding affordable housing more attractive. We have recommenced engaging with affordable housing providers, with a focus on short-term contracts with lower pricing risk, and we are pleased to have signed one contract on 31 May 2023 for £9.7m and another post year end for £8.1m for the delivery of 40 affordable homes at Bertha Park Village. We are currently in negotiations for a further 13 contracts representing 460 homes.

The contract signed on 31 May 2023 was with the Wheatley Group to deliver 55 homes (including 9 private homes) at Deans South in Livingston to regenerate a former residential Council development that was condemned in 2004 and earmarked for demolition. This reflects our longstanding commitment to the transformation of Deans South, and our support for the local community, as discussed further in Chairman's Statement.

The fundamentals of affordable housing delivery remain strong. The nature of affordable housing contracts provides high revenue visibility with low capital exposure and strong cash flow dynamics. We are well placed to benefit from a return in this market as we have significant experience and an excellent track record, having been delivering developments exclusively dedicated to affordable housing since 2002. Accordingly, we have established relationships with housing associations, local authorities and other public bodies throughout Scotland. We are encouraged by the interactions that we are having with affordable housing providers since the increasing of the affordable housing investment benchmarks and expect to sign further contracts in the coming months, which will support our cash generation. This also includes opportunities for bulk sales of private homes that are already under construction but unreserved.

During the year, we completed 328 affordable homes (2022: 405). Average selling price was £164k (2022: £159k). The number of active affordable housing developments was 15 at 31 May 2023 (2022: 18), with 5 active developments (under section 75 agreements) added during the year and 8 developments completed. This included delivering our first affordable housing development for Aberdeenshire Council and completing an additional phase of affordable housing at Elgin South Village for Moray Council. Post year end, we completed handovers of another affordable-only development under our local authority framework agreement with Moray Council, bringing the total number of projects completed in this framework to 6.

As at 31 May 2023, the total owned affordable housing land bank consisted of 1,637 plots (2022: 1,626), of which 79% had planning permission.

Contract Housing

In contract housing, we provide development services to third party private organisations and receive revenue based on costs incurred plus fixed mark up. To date, this has largely consisted of services provided to Bertha Park Limited, which, during the year, included homes across all tenures – private, affordable and PRS housing. During the year, contract housing also included a small number of PRS houses to complete historic contracts through Mactaggart & Mickel Homes.

At 31 May 2023, the contract housing land bank with planning consent consisted of 603 plots (2022: 675). The 107 homes completed during the year (2022: 125) comprised 57 private homes, 12 affordable homes and 38 PRS homes at Bertha Park Village as well as 10 homes through Mactaggart & Mickel Homes.

This handover of homes for PRS at Bertha Park Village marked the completion of our first PRS contract. They represent the first houses built specifically for private rent in Scotland and we have been pleased to note the popularity of the quality, energy-efficient homes amongst families looking to live in the area. While our strategy to expand PRS activity was put on hold following the introduction of rent control by the Scottish Government, we are hopeful that opportunities to build more PRS homes, particularly in our Village developments, will return when PRS providers adjust to the policy environment and invest in Scotland.

Acquisition

At the start of the year, in June 2022, we acquired the Scottish housebuilding business of Mactaggart & Mickel Group Ltd for a total consideration of £46.3m to be paid over five years, interest-free, with an option of a payment holiday for one year. Mactaggart & Mickel Homes is a premium brand housebuilder that has been delivering high-quality housing across the Central Belt of Scotland for almost 100 years.

Under the terms of the acquisition, we acquired 7 live private, affordable and contracting sites with work in progress, and acquired a brand licence to build homes as Mactaggart & Mickel Homes on a further 11 private and affordable sites, which would transfer to Springfield as homes are sold in line with the payments of the deferred consideration (with a minimum annual payment of £7.7m). In addition, we were given strategic options over a further c. 2,300 acres of land still owned by Mactaggart & Mickel Group Ltd across Scotland.

The acquisition also included Timber Systems, a timber frame factory near Glasgow. The addition of a second timber frame factory, to complement our pre-existing facility in Elgin, will secure kit supply and increase capacity for future growth while further reducing our carbon footprint. It also enables sales of kits to third parties. In addition, as part of the consolidation progress, we undertook some restructuring of the Mactaggart & Mickel Homes business to consolidate some of the operations with the existing Group, which has generated cost savings.

Customer Satisfaction

Springfield strives for excellence in customer service through all stages of the house buying process and the quality of the houses we build. We are exceptionally proud to offer customers a high level of specification as standard as well as significant choice. Feedback from mortgage lenders and surveyors suggests that they also recognise the high specification that is offered as standard and have strong confidence in our house prices.

In July 2022, we registered for the New Homes Quality Board Code of Practice ("NHQB Code"), well ahead of the December 2022 deadline. The NHQB Code aims to improve consumer protection covering important aspects of the new home construction, inspection and the sales process. In preparation for activation, a full review of processes was undertaken across the Group ensuring compliance and best practice was in place.

Across the Springfield Group, customers who reserved homes since 4 April 2023 have done so under the new NHQB Code. In addition, a new formal, online complaints process was launched to improve service levels and the monitoring of any complaints received. New processes being rolled out across operations complemented our Quality Management System and ISO 9001 was recertified within the year.

We have set an objective to work towards 100% customer satisfaction to encourage year-on-year improvements and ensure we are always doing what we can to provide the best product and service to our customers. This year we achieved an overall customer satisfaction rating of 94% (2022: 93%), showing a positive start against this aspiration.

Build Quality and Efficiencies

As we have acquired new brands within the Springfield Group, we have inherited a range of over 200 house types. Detailed planning consents and building warrants that came along with each acquisition made it efficient to build out the homes that were already planned. This year, however, we have undertaken a fundamental review of the house types that we offer across the Group and have rationalised this portfolio down to the most popular homes that are most efficient to plot, build and be capable of accommodating future building standards to maximise energy efficiency.

For all new planning applications, homes for each brand will now be selected from a portfolio of under 50 house types. Where planning is in place for larger sites, remix applications are also to be considered to bring forward the benefits. The rationalisation of house types will enable the standardisation of construction processes and will ensure we maximise capacity within our two timber kit factories. Standardisation in component parts have also been agreed, including for kitchens, bathrooms, window sizes and roof details, which will also enable us to capitalise on Group purchasing opportunities.

Environment and People

This year the Group published its first ESG Strategy, bringing together all the good practice from across the brands and regions and setting new, challenging objectives to ensure the Group continues to improve. The strategy included priorities identified across the ESG spectrum that were regarded as critical to the future success of the Group and valued by its varied stakeholders. Being the first year of a formal strategy, much of the objectives involved research and data collection, setting a baseline upon which to improve, measure and report performance.

STRATEGIC REPORT

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

A new governance structure was launched with the CEO leading a dedicated ESG Committee of the Board. Since its launch in August 2022, the ESG Committee has met a number of times to monitor progress of strategy delivery, with a report having been made to the Board. Alongside this annual report, the Group is pleased to be publishing an update to its ESG Strategy for investors. The publication, which can be found within the ESG pages of the Springfield Group website, reports on the performance within year one, summarises findings within today's economic and environmental climate and sets objectives for the year ahead.

Alongside strategy development and delivery, the Group became the first housebuilder to engage with NextGeneration Core. This initiative was recently launched by NextGeneration – which provides an external assessment of the largest 25 housebuilders in the UK – to encourage small to medium-sized businesses to benchmark performance. Through the voluntary scheme, the Group was assessed against 14 key criteria including policies for reducing energy use and waste, health and safety standards, commitment to placemaking and affordable housing, and educating its workforce. In the feedback, the Group's drive to reach net zero stood out, with its head start on the use of air source heat pumps being commended. In recognition of its efforts in placemaking, it was noted that the Group's role in community creation met aspirational standards and far exceeded practice elsewhere in the wider UK industry.

The Group's dedicated Community Engagement Co-ordinator has made a strong impact within the first full year in post, working closely with communities where the Group is building and engaging new residents within Village developments through community events. This year, steps were taken to strengthen the Group's approach to community engagement during the planning process. Despite the challenges in delivering affordable housing, the Group's commitment to regeneration was reinforced by the signing of the contract to deliver new homes at Deans South.

As noted above, the Group's abilities in placemaking and the creation of sustainable communities, particularly at its Village developments, were recognised with several awards during the year.

The Group's approach to charitable donations was refreshed during the year to ensure it maximised its impact, which included the creation of a dedicated webpage encouraging applications. This year, the Group donated £80,284, supporting 86 local causes as a result.

Outlook

The challenging and uncertain market conditions have been sustained into the new financial year, with reservations in private housing continuing to be significantly depressed due to reduced homebuyer confidence as interest rates have remained high.

The Board does not expect this to materially improve before Spring 2024. To limit exposure in the uncertain conditions, we are curtailing private housing development activity to only commence building a home once it is reserved. This will enable us to maximise cash generation from work-in-progress to reduce debt. We are also encouraged by the engagement we are having with affordable housing providers following the Scottish Government increasing the affordable housing investment benchmarks. We now expect affordable housing contracts signed this year to make a material contribution to Group revenue while also supporting our efforts to maximise cash generation due to the strong cash flow dynamics associated with affordable housing. We are also actively pursuing land sales to accelerate cash realisation from our large land bank, and will further reduce our cost base where necessary.

STRATEGIC REPORT

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Notwithstanding the short-term challenges, the fundamentals of our business and of the Scottish housing market remain strong. We offer high quality, energy efficient homes in popular locations across Scotland under multiple highly respected brands. We have one of the largest land banks in Scotland, with 6,712 owned plots – 83% of which have planning permission – and strategic options over a further 3,255 acres representing c. 33,000 plots. This can be developed – with a low cost per plot – for years to come as well as providing an asset for cash generation.

There remains an undersupply of housing across all tenures in Scotland, which is being exacerbated by current conditions and can only be rectified through the building of new homes. The Scottish Government's increase of the affordable housing investment benchmarks demonstrates its commitment to affordable housing. While in private housing, there is greater affordability in Scotland compared with the UK as a whole. Together, this provides an excellent platform to take advantage of the next upturn in the market cycle.

As a result, while the current period is not without its challenges, the Board remains confident in the Group's prospects and in our ability to generate shareholder value.

Innes Smith
Chief Executive Officer
20 September 2023

STRATEGIC REPORT

CHIEF FINANCIAL OFFICER'S REVIEW
FOR THE YEAR ENDED 31 MAY 2023

I am pleased to present my first annual report as Chief Financial Officer, following my appointment in July 2023 and having served in the interim position for four months prior to that.

The financial year ended 31 May 2023 was a year of record revenue delivery against a backdrop of significant turmoil in the housing industry.

In summary, for the year ended 31 May 2023, revenue increased by 29.2% to £332.1m (2022: £257.1m), adjusted profit before tax and exceptional items was £16.0m (2022: £20.8m) and statutory profit before tax was £15.3m (2022: £19.7m). Net debt at 31 May 2023 was £67.7m compared to £38.1m at 31 May 2022, with the increase in debt primarily reflecting acquisition payments.

The significant increase in revenue was driven by the acquisitions of Tulloch Homes in December 2021 and Mactaggart & Mickel Homes in June 2022, reflecting their first full 12-month contributions.

Revenue	**2023 £000**	**2022 £000**	**Change**
Private housing	253,362	174,442	+45.2%
Affordable housing	53,931	64,251	-16.1%
Contract housing	19,681	16,494	+19.3%
Other*	5,158	1,908	+170.3%
TOTAL	332,132	257,095	+29.2%

*Primarily land sales

Private housing remained the largest contributor to Group revenue, accounting for 76.3% (2022: 67.9%) of total sales, and grew by £79.0m to £253.4m. This was primarily due to the contributions from the acquisitions, but we also achieved increased sales in private housing of 13% on an organic basis.

The reduction in affordable housing revenue to £53.9m (2022: £64.3m) reflects lower activity, as discussed in the Chief Executive Officer's Review, as well as inflation in development costs based on the revenue recognition model in affordable housing (see Note 2.5 to the financial statements).

In contract housing, revenue grew as we completed delivery of our contract for PRS homes at Bertha Park; completed two PRS developments for Mactaggart & Mickel Homes; and generated increased revenue from private housing delivery at Bertha Park. There was also a significant increase in other revenue, driven by £3.7m received from a strategic land sale (2022: £0.2m in land sales).

Gross profit increased by 11.4% to £48.0m (2022: £43.1m) due to the significant growth in revenues. Gross margin was 14.5% (2022: 16.8%), which reflects a significant reduction in affordable housing margin as well as a reduction in private housing margin, primarily reflecting sales mix. In private housing, higher costs impacted the margin of a small number of sites that were reaching the end of development. However, in general, cost price inflation in private housing was softened by house sales price inflation. In affordable housing, margin was significantly impacted by the industry-wide inflation in materials and labour costs as a result of the fixed-price nature of contracts in this area of the business.

Administrative expenses, excluding exceptional items, were £28.0m (2022: £20.9m). This reflects the increase in overheads from the acquisitions of Tulloch Homes and Mactaggart & Mickel Homes. During the year, we focused on tight cost control and took a number of actions to address the uncertain market conditions and reduce our fixed cost base, such as restructuring the acquired Mactaggart & Mickel Homes business to consolidate some of the operations with the existing Group, and pausing recruitment and reducing staffing levels in areas most impacted by the downturn. As a result of these actions, the Group has delivered savings of approximately £4.0m on an annualised basis.

STRATEGIC REPORT

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Finance costs were £4.8m (2022: £1.9m), which represents greater bank interest payments due to the rise in interest rates and the increase in bank debt to fund the Mactaggart & Mickel Homes acquisition and the first deferred payment for the acquisition of Tulloch Homes.

Exceptional items were £0.7m (2022: £1.1m), which mainly relates to the Mactaggart & Mickel Homes acquisition. Prior year exceptional items mainly relate to the Tulloch Homes acquisition.

Operating profit was £20.0m (2022: £21.5m). Excluding exceptional items, operating profit was £20.7m (2022: £22.6m). Statutory profit before tax was £15.3m (2022: £19.7m) and adjusted profit before tax and exceptional items was £16.0m (2022: £20.8m). This reflects the lower gross margin and increased administrative expenses offsetting the growth in revenue. It also includes the impact of a c. £750k write-off as a result of the decision to no longer pursue Gavieside.

Basic earnings per share (excluding exceptional items) were 10.74 pence (2022: 15.63). Statutory basic earnings per share were 10.19 pence (2022: 14.74). Return on capital employed was 8.8% (2022: 13.6%), which primarily reflects the significant increase in total assets due to the land and work in progress gained through the Mactaggart & Mickel Homes acquisition.

In June 2022, we acquired Mactaggart & Mickel Homes for a total consideration of £46.3m, comprising £10.5m cash paid on completion and a deferred cash consideration of £35.8m to be paid proportionally as homes are sold over a five-year period, of which £5.1m was paid by year end. The acquisition is being funded from Springfield's internal resources and existing debt facilities with Bank of Scotland.

Net debt at 31 May 2023 was £67.7m compared to £38.1m at 31 May 2022. Net debt to EBITDA was 2.9 times (2022: 1.6). The net debt increase primarily reflects the Mactaggart & Mickel Homes acquisition; the first deferred payment of £6.1m for the acquisition of Tulloch Homes; and the significantly higher interest payments as described above.

We continue to have a strong relationship with the Bank of Scotland. The revolving credit facility of £87.5m is in place until January 2025. In December 2022, the Group's overdraft facility was increased from £2.5m to £12.5m with an expiry date of 31 August 2023, to provide extra short-term headroom. This has now been extended to 30 September 2024. In addition, a term loan of £18.0m has been put in place with a repayment date of 30 September 2024 to provide extra surety against the current market backdrop.

We are highly focused on reducing our debt position. As described above, we have taken decisive action in response to the market conditions and are significantly curtailing our activities to limit exposure and increase cash generation while also seeking land sales. As a result, we are planning to reduce net debt to c. £55m by 31 May 2024.

Alternative performance measures

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

Iain Logan
Chief Financial Officer
20 September 2023

STRATEGIC REPORT

COMPANY OVERVIEW AND RISKS
FOR THE YEAR ENDED 31 MAY 2023

Climate Change Risks

In September 2023 we published our first Environmental Social Governance (ESG) Strategy and committed to being net zero carbon ahead of the Scottish Government's target of 2045. A route map detailing our journey to net zero was developed during 2022/23 with milestones outlining steps to be taken up to 2045. During the period we achieved ISO14001 certification for our Environmental Management System.

The homes we deliver are designed to be energy efficient. We adopt measures to make them more environmentally sustainable, taking designs beyond the latest environmental standards to reduce the environmental impact of our homes. We develop sites taking account of natural resources, to protect biodiversity in the area for future generations. We have delivered over 60 developments without fossil fuels, using air source technology as a successful alterative. We also have a head start on modern methods of construction with two timber kit factories and all of our homes built off-site from sustainable timber.

This year we will publish our first Task Force on Climate-related Financial Disclosures covering the risks and opportunities we have identified against the four pillars of Governance, Strategy, Risk Management and Metrics and Targets.

Quality Management

We became ISO 14001:2015 certified during this financial year and we aim to be ISO 14001:2015 compliant by the end of the 2023/2024 financial year.

As the Group grows, we have taken the opportunity to undergo a full review of all business processes with an aim to align department procedures across the Group. The review is well underway with improvements to operational processes and systems to drive consistency and reduce business risk. The launch of a new Group intranet has helped improve communication of the Quality Management System and allows existing manual processes to become automated and more efficient, while retaining records for future audits.

Key Risks and Uncertainties

The principal risks and uncertainties identified and mitigated against include:

- market risk;
- credit risk;
- liquidity risk;
- changes in consumer demand;
- cash flow risk;
- resources risk;
- legal and regulatory risk;
- health and safety risk;
- land supply risk;
- planning risk;
- funding risk; and;
- interest rate risk.

Market, interest and liquidity risks are dealt with in Note 29 of the consolidated financial statements.

Further details on how risks are managed are set out in page 20-21.

STRATEGIC REPORT

COMPANY OVERVIEW AND RISKS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Changes in Consumer Demand

The risk of reducing prices or reduced sales rates due to a reduction in demand is mitigated by the following factors:

- regular reviews of market conditions, product range, pricing and geographic spread to make sure the right homes are delivered in the right places at a profitable price;
- customer service, quality of build and customer satisfaction are monitored to maintain reputation;
- monitoring of and representations in relation to changes in government housing policy, including by the CEO as an executive board member of Homes for Scotland, allows forward planning to mitigate risks identified as result of changes in policy; and
- our acquisition of Mactaggart & Mickel's Scottish housebuilding business has diversified the Group's geographical and product offering.

Future Cash Flow Risk

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

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

Resources Risk

The Scottish labour market is competitive and there continues to be an upward pressure on building material prices. Strategies in place to maintain Springfield's reputation as a good employer and ensure the appropriate supply of skills include:

- annual remuneration and reward review;
- annual training review for every employee;
- a Board led culture of empowerment;
- private health care for all staff;
- satellite television discount and gym membership; and
- during the period, the Group passed on in full to employees by way of a salary increase the savings created by the UK Government's reversal of a planned 1.25 per cent increase in National Insurance.

Upward pressure on materials prices is being managed by:

- actively seeking alternative suppliers and materials;
- standardising materials and products across the Group to add to buying power;
- negotiating deals directly with manufacturers; and
- the growth of the Group, and recent acquisition of competitors, has strengthened our purchasing power and access to materials.

Legal and Regulatory Risk

The Group has an in-house legal department consisting of three experienced solicitors which advises and supports the Group with legal compliance to ensure the Group reduces its legal and regulatory risks (e.g. disruption to trade, fines or other penalties) and helps ensure contracts are robust across the business.

STRATEGIC REPORT

COMPANY OVERVIEW AND RISKS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

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;
- introducing or updating applicable policies or procedures; and
- ensuing Health Surveillance is carried out across the Group.

Land Supply Risk

The risk of securing sufficient land is reduced by a healthy and growing supply of land owned or secured by contract in a growing spread of geographic locations which will appeal to our range of customers.

This ensures that the Group can bring forward land even if market conditions are unfavourable for immediate acquisitions. Prospective sites are brought forward from the land bank, through the planning system, in tranches considered by the Board to be sufficient to allow the Group to achieve its plans for growth. The purchase of the Scottish housebuilding business of Mactaggart & Mickel in June 2022 has also strengthened the Group’s access to land in different geographical 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.

Financial Risk Management Objectives and Funding Risk

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

Charitable Donations and Community Support

During the year the Group made payments of £80,284 (2022: £49,154) to charities.

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

Mentoring programmes also see young people join us for work placements and we support Developing the Young Workforce and staff act as mentors for Career Ready students. We sponsor youth sports teams and some individual young athletes, including amateur golfers, Summer Elliott and Calum Scott.

Springfield continued to be the headline sponsor of the Scottish Squash Open. The sponsorship is enabling Scottish Squash to develop the game in communities around Scotland and to support its elite players. Tulloch Homes commitment to Shinty, a predominantly Scottish highland sport, continued with the sponsorship of The Camanachd Cup.

STRATEGIC REPORT

COMPANY OVERVIEW AND RISKS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Section 172 Statement

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

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

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

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

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

Information about our stakeholders and how the Board has discharged its duties are included on pages 43 to 44.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE
FOR THE YEAR ENDED 31 MAY 2023

1. Governance pillar:

a. The Board's oversight of climate-related risks and opportunities

The ultimate responsibility for the long-term success of the company lies with the Board, who determines the strategy, purpose, governance, and risk management of the company. Non-executive director, Colin Rae, was tasked with looking at environmental, social and governance (ESG) matters in 2021. ESG is a standing item on the Board agenda for every board meeting. Climate-related risks and opportunities were discussed as a focus area within ESG in meetings in the financial year ending 2023. An example of topics covered in the Board meeting is our net zero commitment.

Given the specialist knowledge required to understand and respond to climate risk, selected members of the Board, ESG Committee and management undertook training on climate change led by RSM.
The terms of reference for the Board and Audit Committee have been amended to include responsibilities for climate change.

The Board delegates operational responsibility to the ESG Committee. The ESG Committee includes members from all key areas of your business:

- CEO
- Group Corporate Communication Director
- Group HR Director
- Group ESG Manager
- Senior Group Counsel (Secretariat of Committee)
- Non-exec Director with responsibility for ESG
- Group Safety, Health, Environment and Quality
- (SHEQ) Director

The ESG Committee is responsible for reviewing sustainability and climate change strategy and project implementation.

The governance structure is presented in the table on the next page to show the levels of governance, alongside the key roles and responsibilities for management and the Board. Information in the table should be read alongside the narrative text.

Board of directors

Meeting frequency in 2022 / 2023: 5 meetings
Key role: Oversees climate-related risks and opportunities.
The Board includes a non-executive director appointed as ESG lead and reports the progress of the ESG Committee to the Board.

The Board is responsible for the following:

- Reviewing strategic planning to ensure full integration of climate-related risks and opportunities
- Overseeing major capital expenditures, acquisitions, divestments with consideration of climate change
- Delegating specific climate matters to the relevant committee
- Ensuring the interests of all stakeholders are considered in decision making

Informing	Reporting

The Board delegates specific ESG matters to its Committees

ESG Committee	Audit Committee
Meeting frequency in 2022 / 2023: 5 meetings The ESG Committee is chaired by the CEO. The ESG Committee is responsible for: • Overseeing the implementation of the ESG strategy, including climate-related matters • Making recommendations to the Board concerning policies and practices required to improve ESG performance	Meeting frequency in 2022 / 2023: 3 meetings The Audit Committee is chaired by a non-executive director. The Audit Committee is responsible for: • Monitoring climate-related risks as part of the review over principal risks • Receiving and reviewing reports from management and the auditors relating to the annual report • Overseeing the internal controls system
Informing	Reporting

Executive Leadership Team

The CEO is ultimately responsible for ESG performance, including climate change. This is demonstrated through implementing and achieving the ESG strategy, including the management of climate-related risks and opportunities.

The Group Operational Directors are process owners against ESG objectives. They report to the CEO through the Group Director meetings. Examples of ESG responsibilities for the executive leadership team include:

- Glassgreen Hire is part of the Springfield Group and specialises in the provision of plant and transport services. The Glassgreen Managing Director is responsible for exploring alternatives to diesel fuel usage.
- Group Architectural Director is responsible for alternatives to fossil fuel use in new homes.

Informing	Reporting

Operational management

ESG Team		Operational Management
The Group ESG Manager is responsible for implementing the ESG strategy. The Group ESG Manager is responsible for: • Collecting operational performance data on carbon emissions and other environmental metrics. • Assessing and managing climate-related risks on the risk register .		The management team supports the Operational Directors in implementing their ESG objectives. The management team integrates climate change considerations into their roles in line with the group strategy. An example action includes designing homes that use alternative low carbon technologies to avoid fossil fuels.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

b. Management's role in assessing and managing climate-related risks and opportunities:

The members of the Group Operational Board are responsible for setting management's role in assessing and managing climate-related risks and opportunities. The Operational Directors are process owners of ESG objectives driven by the ESG strategy. The Operational Directors will delegate day to day management of the ESG objectives to their senior leadership teams. The Group Operational Board includes:

- CEO
- COO
- CFO
- General Counsel
- Group SHEQ Director
- Group HR Director
- Group Corporate Communications Director
- Group Engineering Director
- Group Commercial Director
- Group Architectural Director
- Springfield North Managing Director
- Glassgreen Hire Managing Director
- Tulloch Homes Managing Director
- Springfield Partnerships Managing Director

An example of climate change consideration in the year is inclusion of the environmental performance of machinery in Glassgreen when making capital expenditure decisions. The Managing Director of Glassgreen is ultimately responsible for the change in the current fleet and machinery that uses diesel currently to low or no emissions alternatives.

2. Strategy pillar:

a. Climate-related risks and opportunities the organisation has identified over the short, medium, and long term:
The time horizon for the risk and opportunities assessment have been defined as follows:

Timeframe	Years	Reason
Short term	1 – 3 years 2023 - 2026	Aligns to time horizon considered in the business strategy and reflects changes to known future legislation including the New Build Heat Standard.
Medium term	4 – 9 years 2027 - 2032	Aligns to planning and site development time horizon.
Long term	10 – 22 years 2033 - 2045	Aligns with the Group's net zero carbon target to reach net zero emissions by 2045. This target is consistent to Scottish government's own net zero target.

Physical risks relate to changing weather patterns as a result of climate change, both chronic changes which are longer term shift in climate patterns and an increasing frequency of extreme weather events. Transition risks relate to policy, legal, market and technology changes that will occur as part of the transition to a low carbon technology. Both types of climate risk have been identified by the Group through the workshop facilitated by RSM. Opportunities from the transition to a low carbon economy were also identified in the workshop.

The climate-related risks are included in a climate risk register. This is updated at least annually, and details the potential impact of the risk, the risk grading, any mitigating actions, and the risk owner. The risk grading is categorised as high, medium or low impact driven by knowledge of the business and informed by the scenario analysis.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Details of material climate-related risks and their corresponding impact over short, medium, and long term are summarised under recommendation b. of the strategy pillar. The risks and opportunities included in this report are deemed to be material as they have the greatest potential impact and greatest likelihood of materialising. We are working to extend our use of quantifiable risk gradings, including those that are financially defined. This work is a planned action for 2023/2024 to formalise this within the enterprise risk framework. The climate-related risks will align to the risk gradings and appetite.

b. The impact of climate-related risks and opportunities on the business, strategy, and financial planning:

The impact of climate risks has been assessed over the short, medium, and long term time horizons using qualitative and quantitative scenario analysis. The assessment has used data from a range of sources (detailed in Appendix A) – page 41.

We have not performed detailed scenario analysis for the short term (2026) because the impacts from both physical and transitional risks are consistent with information we have today. The medium term (2030) time horizon helps to identify business risks in relation to interim carbon reduction targets. The long term (2050) time horizon helps identify business risks in relation to future climate risks. There are limited data sets for 2045. Therefore, we have used the year 2050 as a proxy to understand climate-related risks and opportunities over the long term horizon.

The impact from the physical and transitional climate risks varies dependent on different future scenarios. Two scenarios have been utilised, in line with TCFD recommendations, which illustrate the contrasting possible future pathways of climate change, we have used a "below 2°C" and "above 4°C" temperature outlook. Two different sources are used for physical and transitional risks for medium and long term analysis. These are summarised in the table below:

Temperature rise post 2050	Scenario used	Risks observed	Example type of risks
Below 2°C	Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 2.6	Physical risks	Overheating Homes; Floods; Drought stress; Precipitation; Windstorms in the UK; Heat stress; Wildfire
Below 2°C	Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP) 2.6	Physical risks	Overheating Homes; Floods; Drought stress; Precipitation; Windstorms in the UK; Heat stress; Wildfire
3 – 4°C	IPCC RCP 6.0	Physical risks	Overheating Homes; Floods; Drought stress; Precipitation; Windstorms in the UK; Heat stress; Wildfire
1.8°C	Shared Socioeconomic Pathways (SSP) 1 - 2.6	Transition risks	Potential carbon prices and future energy mix
Above 4°C	SSP 5 - 6.0	Transition risks	Potential carbon prices and future energy mix

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Please note, SSP scenarios for global carbon price do not reflect the regional context of carbon price in EU and UK. Consideration on actual carbon price in the EU ETS and UK ETS were in place in the impact analysis.

2.1. Summary of material physical risks:

The table below details the material physical risks. The potential impact has been classified as low, medium or high risk over the three time horizons (short, medium and long term). The grading of the risks is subjective. However, the financially quantified grading will be finalised through our risk management review in 2023. The mitigation actions were identified by the Operational Directors response for the area of the business.

Risks	Details of risks	Short term	Medium term	Long term	Impact on Springfield	Mitigation and adaptation
Storms	Increased frequency of storms caused by windstorms and tropical storms will disrupt construction activities. Greater severity of storm-related damage is expected in an above 4 °C scenario. Storms can also affect the origin of raw materials, with greater uncertainty expected in the supply chain over the longer term.	Low	Medium	High	**Impact on construction sites in Scotland** Both RCP 2.6 (below 2°C) and RCP 6.0 (3 – 4°C) scenarios showed an increase in annual expected damages from tropical cyclones in the UK compared to 2015 reference year, specifically: • Short term: increase by 6% (for both RCP 2.6 and RCP 6.0) • Medium term: increase by 9% (for both RCP 2.6 and RCP 6.0) • Long term: increase by 14% (for RCP 2.6) and by 17% (for RCP 6 .0) The storms will impact the Group through: • Disruptions to construction activities. For example, strong winds could lead to delays on site and delays to materials arriving • Damage to infrastructure on site and in the local area. For example, damage to power supply or roads)	We comply with all current regulation regarding wind design to mitigate risk from damage on construction sites. It is expected that planning requirements will adapt to the future risk profile of storms. The impact of storms on the supply chain is mitigated by using several suppliers through offering alternatives in times of product shortage, delay, or price increase. This includes exploring options for Scottish timber production. The procurement team are in regular contact with suppliers to manage the supply of materials.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

2.1. Summary of material physical risks (continued):

Risks	Details of risks	Short term	Medium term	Long term	Impact on Springfield	Mitigation and adaptation
					Impact on Supply Chain Our supply chain is located worldwide, with most tier 1 suppliers based in the UK. • Tier 1 suppliers are importing raw materials into the UK from locations including North America and Scandinavia, where timber is sourced. These locations may also experience higher levels of disruption due to increased frequency of storms.	
Extreme weather events	Sudden changes in temperature and increased frequency of extreme weather events are expected in the UK. This can include extreme cold and changes in rainfall patterns.	Low	High	High	Extreme cold conditions or other extreme weather are expected to increase in frequency and severity under an RCP 6.0 scenario. This may lead to disruptions or emergency stops for construction work. This could affect working conditions on site and progress of projects. Our current sites are all based in Scotland. There are currently no sites exposed to a high risk of drought. However, this could be an emerging risk and we will continue to monitor drought risk.	We comply with health and safety regulation to ensure the safety of construction workers in extreme weather conditions. It is expected that health and safety regulation will adapt and provide guidance for emerging extreme weather events. In extreme heat events, shift patterns may need to be changed for construction workers to avoid the hottest parts of the day. However, this can only occur if local building regulations allow earlier start times.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

2.2. Summary of material transition risks:

Risks	Details of risks	Short term	Medium term	Long term	Impact on Springfield	Mitigation and adaptation
Carbon price	An increase in carbon price may increase material costs but lead to a reduction in embodied carbon in construction materials. Embodied carbon is the carbon dioxide emissions associated with the materials used in construction. In addition, there may be an introduction of carbon price across all materials. The risk may be amplified by an increased demand for lower carbon materials, for example, as all house builders move towards modern methods of construction.	Low	High	High	Our suppliers of certain construction materials are exposed to carbon prices through policy mechanisms like the UK Emissions Trading Scheme (UK ETS). Materials exposed to carbon price currently include bricks, concrete and other energy intensive materials. Other suppliers may offset emissions voluntarily to sell carbon neutral products. Suppliers may pass these costs on to the Group. Higher carbon prices are expected with scenario SSP 1 – 2.6 (1.8°C) compared to the SSP 5-6.0 (Above 4°C) especially over the medium and long term. Please see Appendix A. • Additionally, the actual carbon prices reflected in the UK ETS and EU ETS from late 2022 and early 2023 have already exceeded the projected prices in SSP scenarios. We therefore expect the price of carbon in the medium and long term to increase further than current projections.	Supplier and industry initiatives are reducing the embodied carbon in construction materials. This would reduce the exposure to the cost of carbon through UK ETS. Timber frame construction has a lower embodied carbon than materials used in traditional building methods, such as bricks and concrete. Modern methods of construction mean more timber is used than traditional building materials.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

2.2. Summary of material transition risks (continued):

Risks	Details of risks	Short term	Medium term	Long term	Impact on Springfield	Mitigation and adaptation
Supply chain	Transitional risks in the supply chain relate to the housing sectors objectives to reduce embodied carbon. Modern methods of construction, including the use of timber kits, is expected to increase.	Med.	High	Low	The increase in timber used by national house builders could increase demand and costs of materials. This is expected to increase over the short to medium term in line with building regulations and company targets to reduce embodied carbon. In the long term, the demand may remain consistent with the medium term.	The impact of increased demand for timber is mitigated by using several suppliers to provide alternate options in times of shortages or price increases. For example, exploring opportunities for Scottish timber. The procurement team are in regular contact with suppliers to manage the supply of materials.
Housing regulations	The Scottish Government has increased the stringency of building regulations to improve the energy efficiency of homes and reduce the reliance on a fossil fuel heating systems.	High	Medium	Low	The Future Home Standard, and other building regulations, increases the sustainability requirements of homes built. Failure to keep up with the regulation and standards could lead to financial damages. There may be increased costs for research and development, including trialling new technology to meet the building regulations. There may also be increased costs to comply with the regulations as additional or different materials are required to build a home. There may be supply shortages of in demand products, including solar panels. The risk is higher in the short term but is expected to become part of business as usual in the medium to long term.	Involvement in industry groups and with regulators can help understand expectations to comply with evolving regulations. Immediate changes in building regulations have been incorporated into home design and through updates to planning permission applications. Springfield has ongoing R&D projects lead by the in-house architectural team that look beyond regulatory requirements when designing and building homes.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

2.2. Summary of material transition risks (continued):

Risks	Details of risks	Short term	Medium term	Long term	Impact on Springfield	Mitigation and adaptation
New technology	New technology is required to decarbonise Springfield's own operations, as well as reducing the energy used in new homes. Failure to adopt new technology may lead to Springfield not meeting carbon reduction targets. The adoption of new technology could lead to higher capital costs.	Med.	High	Low	New technology includes alternatives to fossil fuel heating and construction machinery, such as air source heat pumps and solar batteries. A high capital investment is expected with new technologies. This includes trialling new technology to see how they work against more carbon intensive alternatives. The workforce may need to be upskilled to install new technology in homes. Competitors may adopt new technology earlier which would result in a poor sustainability profile compared to competitors. Failure to find and adopt alternatives to diesel generators will mean we do not meet carbon reduction targets.	We have been designing and building homes with low carbon technologies for several years and this work has gained momentum through one of our ESG projects, led by our in-house architectural team. This includes air source heat pumps, and hybrid or solar powered machinery.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

2.3. Summary of opportunities:

Opportunities	Details	Impact
Green finance	Increased offering of sustainability linked loans and other finance solutions can help provide the capital to accelerate the transition to a low carbon future. This may include reduced interest rates for meeting green lending criteria.	There may be a small reduction in interest payments from sustainability linked loans by meeting ESG targets. In preparation of the increased availability of green finance, we have been involved with Next Generation, a sustainability benchmarking programme for UK housebuilders. There may also be increased access to additional investors by demonstrating strong ESG performance.
Modern methods of construction	The UK housing market is moving towards using modern methods of construction approaches driven by industry initiatives and government regulation.	The Group has two timber kit factories as part of our operations which offers a competitive advantage over other housebuilders. We have already started a review to increase the percentage of the home that is built in the timber factory before reaching site. There is an opportunity to increase the output of the timber kit factories, including selling timber kits to other house builders who do not have their own infrastructure. There are opportunities for us to conduct pilot projects with locally sourced materials, including timber. This will assess the feasibility and quality of Scottish grown timber. Local supply chains can also reduce logistics costs, cutting both transport related expenses and reducing carbon emissions.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

2.3. Summary of opportunities (continued):

Opportunities	Details	Impact
Location of land bank	The location of the Group's current land bank has limited exposure to flood risk, and other physical climate risks.	Scenario analysis on physical risks faced by Scotland has identified areas, such as Fort William region, prone to flooding under both below 2°C scenario and above 4°C degree scenario. Strategic selection of land at our targeted areas not significantly affected by climate change. For instance, flood maps produced by Scottish Environmental Protection Agency (SEPA) have been incorporated in the existing land acquisition process. The consideration of physical risks of climate change on land acquisition creates a competitive advantage for the group to secure future value of land.
Green homes	Improved energy efficiency in new homes may create a competitive advantage for low carbon homes compared to older housing stock. Green mortgage products for customers may be available for those buying energy efficient homes.	The early adoption of low carbon products and low carbon technology can create competitive advantage over other house builders in the market. In 2023, a survey was sent to customers. 74% of consumers surveyed are willing to pay up to 5% more for an energy efficient home. Examples of consumer demand for low carbon technologies include solar panels and battery storage for solar energy. Green mortgage products are on the rise. Our homes are more energy efficient than older housing stock and therefore customers may be able to qualify for green mortgage products. This could increase customer demand for the new homes we build.
New technologies and resource efficiency	Improved technology for onsite machinery can reduce energy usage leading to cost savings. The decarbonisation of the UK energy supply will result in lower operational emissions.	Diesel machinery is used on site. There will be financial and environmental gains achieved by using more efficient machinery. Alternatives to diesel generators on site can include accessing the grid energy supply at an earlier stage of the development.

2.3. Summary of opportunities (continued):

Opportunities	Details	Impact
Attracting more talent	Employees are increasingly motivated to work with companies with strong ESG credentials.	Increasing the positive brand image for environmentally and socially friendly operations and the delivery of green homes can help attract more talents. Internal training programmes can also be planned to upskill the current workforce to incorporate sustainability in their current roles and responsibilities.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

c. The resilience of the Group's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario:

We have assessed the resilience of the strategy and business model through detailed scenario analysis and have a number of climate change mitigation strategies in place that increases the resilience to potential risks. For example, climate risks are assessed when performing land valuations and meeting planning requirements.

The main impacts across the below 2°C scenario and above 4°C have been identified.

The main impacts of a below 2°C scenario are:

Carbon price

There is a risk of increasing costs of raw materials used in the construction sector in a below 2°C scenario. A carbon price is assumed to be incorporated in high emitting sectors covering different construction materials, such as bricks, cement, and concrete. Under this scenario, our suppliers could pass on the impact of carbon pricing for high carbon building materials onto the Group. This would increase the costs of operations in the short and medium term. Prices may be consistent in the long term.

The assumptions in a below 2°C model is that regulations become more stringent to transition to a low carbon economy. The carbon price is modelled on several countries and sectors.

In a below 2°C scenario, the SSP 1 - 2.6 model projected a medium term carbon price of circa £27 per tonne of CO_2e by 2030, while the long term global carbon price for 2050 is projected to be £82 per tonne of CO_2e.

Based on the scope 3 assessment performed in 2023, see the metrics and targets pillar, approximately 12.21 tonnes of CO_2e are attributed to bricks per average house built and 10.41 tonnes of CO_2e from the concrete used in an average house built. By using the expected carbon costs for bricks and concrete as an example, the overall increase in construction materials would be £0.6m (1%) for 2030 and £1.8m (2%) for 2050 (assuming the level of construction activities stayed consistent as with FY2022).

It should be noted that, the average price for carbon in UK Emission Trading Scheme reached £97 per tonne of CO_2e in 2022, which has already exceeded the projected price by SSP 1 - 2.6 model.

Therefore, it is likely that we will be exposed to a higher cost of materials. We are starting to engage with our value chain to reduce greenhouse gas emissions of materials, including understanding suppliers own carbon reduction plans.

Regulatory requirements

The Housing to 2040 strategy from the Scottish Government includes a target for all residential properties in Scotland to have an Energy Performance Certificate (ECP) with a minimum of a 'C' rating. New homes in Scotland which are consented from 2024 onwards, must have zero direct emissions. It means no gas boilers or other fossil-fuel-based heat or power. Overall, the measures will see the equivalent to a 68% reduction in emissions from heat in buildings by 2030 based on 2020.

Scotland has a net zero target of 2045 and housing is expected to make-up a significant part of the emission reduction efforts. Technological solutions are required to phase out the current reliance on fossil fuel in homes which could affect the cost to build new homes. In addition to cost increases, there could be a shortage in supply of technology and expertise, leading to delays in the construction and maintenance of homes that are compliant with the regulations.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Impact on current and future sites

We have obtained a list of all current and future sites from the land team to understand the location of the land bank. We have assessed the land bank against several physical climate risks, using the data sources documented under recommendation b. of the strategy pillar and Climate Impact Explorer. The impact of physical climate risks on the land bank has been assessed over the medium and long term.

The results of this are shown in the table below:

	Overheating Homes	Flood	Heat stress	Precipitation	Wildfires
Medium term (% of sites exposed to increased risk)	0%	0%	0%	4%	4%
Long term (% of sites exposed to increased risk)	0%	0%	0%	14%	6%

As shown above, precipitation poses the largest risk based on the current land bank. Over the medium term, 4% of sites will experience annual increases in precipitation of more than 2%. Over the long term, this increases to 14% of sites. The expected increased rainfall could increase risk of flooding and require additional flood defences on the site and may delay construction work.

The risk of wildfires is low over the medium term, 4% of sites in 2030 have an increased risk of wildfires by 0.05%. Although, over the long term this increases to 6% of sites. The location of future homes may not be in close proximity to the woodland or forest. Therefore, the analysis only indicates that sites are closely located to woodland or forest areas with an increased wildfire risk so will feed into planning decisions.

The impact from precipitation and wildfires are relatively low risk. The other physical risks are not likely to impact our current sites under the below 2°C scenario. As the analysis is based on the current land bank, the risk profile of future sites is likely to change.

The main impact of above 4°C scenario includes:

Impact on operations

Physical risks under the above 4 °C scenario analysis manifest over a longer timeframe. There will likely be an increase of extreme weather in Scotland including flooding, and unusually high or low temperatures. The results of this scenario are shown in the table below:

	Overheating Homes	Flood	Heat stress	Precipitation	Wildfires
Medium term (% of sites exposed to increased risk)	0%	0%	0%	4%	4%
Long term (% of sites exposed to increased risk)	21%	0%	0%	94%	6%

STRATEGIC REPORT

**TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023**

The results of the analysis into the sites under the above 4°C scenario are consistent with the below 2°C scenario over the medium term. The physical risks under the above 4°C scenario may be more extreme but take longer to materialise in Scotland. The analysis is based on the current land bank, which is subject to change over the longer term.

Scotland will experience an increase in precipitation in all locations, apart from certain areas of Northern Scotland. Over the long term, 94% of sites have been identified as having an increase in precipitation by 2% annually.

Over the long term, 21% of sites have an increased risk of overheating homes. Homes in urban areas are more exposed to overheating due to the heat island effect. The overheating of homes has not been identified as material risk as mitigations for heat stress are expected to feature in future building regulations over the longer term.

While we did not identify any sites at risk of flooding, there is a high risk of flooding around the Fort William area and in Aberdeenshire. The Group does not currently have any land in these areas, however, the impact of these could push competitor housebuilders into other locations impacting land availability.

The impact from wildfires in consistent with the RCP 2.6 scenario.

Impact on supply chain

The physical risks of climate change will also impact the Group's suppliers differently, depending on their locations. An increased risk of extreme weather events could damage supplier facilities or access, quality, and availability of raw materials.

We use timber as a key material in the kit factories, sourced from Scandinavia and Canada. These locations are exposed to different physical risks. If these risks materialise, it could cause a reduction in the quality of the timber, shortages of supply due to increased demand or damaged stock leading to increased costs of material.

Demand for timber is expected to increase as more UK housebuilders opt for timber as a lower carbon alternative to traditional brick construction. Whilst this presents competition for supplies, it may present an opportunity to work with local Scottish suppliers to source quality Scottish timber. The quality must be assessed, but there are early discussions around the use of new technologies to strengthen the faster growing local timber to offset the need to import from colder climates which have traditionally grown a better product.

Overall assessment of resilience

The Group has started to take steps to understand the business impact from climate-related risks by analysing risks and opportunities through engaging with external consultants on climate issues.

The highest impact risk expected over the medium term is carbon price costs leading to an increased cost of raw materials under a below 2°C scenario. As part of the Scope 3 assessment, carbon intensive materials have been identified and supplier engagement will be conducted. There are several industry led initiatives to reduce the carbon intensity of construction materials. In addition, we have set a Net Zero target, including Scope 3 emissions, for 2045.

The highest impact risk expected over the long term are physical climate risks. Climate risks are assessed when purchasing land, and when developing the land through planning permission requirements. However, there may be challenges in the future where land in certain locations is in scarce supply or require significant climate mitigation costs. The impact of physical climate risks will be monitored at least annually.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

3. Risk management pillar:

a. The organisation's processes for identifying and assessing climate-related risks:

Climate change has been determined to be a principal risk and is assessed and managed in line with the Group's risk management framework, as detailed under recommendation c. of the risk management pillar below.

The process of identifying and assessing climate-related risks followed the below stages:

1. A broad range of climate-related risks were considered across both transitional and physical risks. Different sources were used to identify these risks, including industry briefing papers and emerging government policies.
2. The impacts of each climate-related risk were considered as part of a workshop with the executive team and function directors/heads of departments (for attendee information see the introduction to the report.) For each risk the potential impact on the Group's business model and future strategy was discussed using qualitative scenario analysis over the defined short, medium, and long term time horizons. This enabled the identification of material risks for our business.
3. For the material climate-related risks identified, additional quantitative scenario analysis was performed (see recommendation a. of the strategy pillar for more details).
4. Material climate risks were added to the risk register. Where appropriate, climate-related risks were also included in functional risk registers by business areas. Example business areas include health and safety, environment and people, construction, and land and planning.
5. The potential impact of each risk was coded as low, medium, or high (see recommendation b. under the risk management pillar for more details).
6. High impact risks identified were added to the principal risk register. For these risks, either the CEO or CFO will be the risk owner, and it will be reviewed by the Board and Audit Committee.

The climate risk register will be updated at least annually by assessing the relevance of the identified risks and conducting further scenario analysis supported by more granular data analysis.

b. Processes for managing climate-related risks:

This is updated at least annually, and details the potential impact of the risk, the risk grading, any mitigating actions, and the risk owner. The climate risk register includes details of the potential impact and risk grading for each risk, these are classified as low, medium, or high for both grade and impact. The grading system is based on the senior management team's professional judgement and a materiality assessment across different business functions. Different risks are managed differently depending on the grading:

- Risks categorised as low indicate that we recognise the risk, but it is not actively managed as the risk is unlikely to affect the organisational strategy.
- Medium risks require management and has an allocated senior manager as the risk owner.
- High impact risks are included on the principal risk register. The ultimate risk owners are the CEO, COO and/or CFO of the group. The principal risk register is reviewed by the Audit Committee and the Board as described under governance pillar.

Risk registers are maintained within each department and centralised risk reporting is in place to consolidate group level risks. As the main activity of the majority of subsidiaries are the construction of homes, most risks are consolidated at a group level. The timber kit factories are exposed to a different profile of risks.

Mitigation methods are identified and assessed against the risks outlined on functional risk registers. Risks are assigned with new grading scores after considering mitigation measures. Mitigation for climate-related risks is detailed under recommendation b. of the strategy pillar.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

c. How processes for identifying, assessing and managing climate-related risks are integrated into the Group's overall risk management:

Climate-related risks are identified considering a longer time frame than is typically considered in the enterprise risk process. Therefore, it is appropriate to maintain a climate risk register. Climate risks from this register may be included in the functional risk registers, where they are assessed and managed using the same principles of the established risk process in the short term. For example, climate risks within the functional risk register are subject to the same assessments of grade and impact as other risks.
The risk appetite and the financial categorised risk gradings have not yet been defined as part of the enterprise risk process. This is a planned action for 2023. The climate-related risks and opportunities will use the same criteria when this has been defined and approved by the Risk Committee.

4. Metrics and targets pillar:

a. Detailed below the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process:

We monitor emissions from our own emissions, in accordance with the GHG Protocol Corporate Standard. Other metrics have been identified to show progress towards climate-related risks or opportunities. Please see the table below.

Metric	**Linked risk or opportunity**	**Target**	**Performance in FY23**
Average Standard Assessment Procedure (SAP) rating across all homes built in the past year.	Future Homes Standard, including varying standards across the UK, requiring improved energy efficiency and reduced carbon footprint.	86	86
Percentage of homes completed in the past year with no fossil fuel access.	Improved energy efficiency in new homes and create competitive advantage in low carbon home offering to consumers.	We are assessing the feasibility of setting a target.	32%
Percentage of Ultra Low Emission Vehicles in company fleet.	Failure to adopt new technology may lead to Springfield not meeting carbon reduction targets.	We are assessing the feasibility of setting a target.	Company cars reached 99.25% electrification. Company vans reached 2.83% electrification. The number of electric vans has increased from 0 in 2020 to 3 in 2023. The overall percentage of company owned electric vehicles is 56.67%.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

b. Scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks:

Scope 1 and Scope 2 carbon emissions are disclosed as part of the Streamlined Carbon and Energy Reporting (SECR) in the annual report.

The Group has undertaken an initial assessment of Scope 3 emissions in 2022. The first assessment of Scope 3 has focused on upstream value chain emissions. The Scope 3 emissions have been calculated using guidance from the GHG Protocol and the approach taken to calculate each emission source is detailed in the table below.

Categories of scope 3 under consideration for FY2022	**Tonnes CO_2e**	**Percentage share of upstream scope 3 emissions**	**Approach taken**
Purchased goods and services	56,678.14	92%	It was expected that construction materials would contribute to a significant proportion of the emissions. To improve accuracy, the quantity of construction materials consumed in the year was used to calculate. Other purchased goods and services have been calculated based on financial spend.
Capital goods	3,241.27	5%	Calculated using financial spend.
Fuel- and energy-related activities	825.72	1%	Calculated based on Scope 1 and 2 emissions.
Upstream transportation and distribution	96.75	0%	Calculated using financial spend.
Waste generated in operations	248.44	0%	Calculated using volume data of waste produced in operations.
Business travel	429.36	1%	Business travel is included in the SECR disclosure.
Employee commuting	369.65	1%	Calculated using employee numbers and average commuting distances
Total scope 3 under consideration	**61,889.33**	**100%**	

We used emission factors produced by the Department for Energy Security and Net Zero, and the Department for Business, Energy, and Industrial Strategy.

c. The targets used by the Group to manage climate-related risks and opportunities and performance against targets:

A net zero target for Scope 1 and Scope 2 are set for 2045. An interim carbon reduction target has been set at 39% by 2030 for location-based scope 1 & 2 emissions and 47% for market-based emissions. The interim target ensures that actions to improve energy efficiency and reduce carbon emissions are prioritised in the short term.

An engagement target is used for Scope 3 emissions to reduce the emissions from our value chain, with a focus on purchased goods and services. Based on guidance from the science-based target initiative (SBTi), within an engagement target, the coverage of suppliers should reach at least 67% of Scope 3 emissions.

STRATEGIC REPORT

TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

The Group has started to monitor additional ESG data, including the metrics included under recommendation b. of the metrics and targets pillar. Performance across the metrics is monitored by the ESG Committee. However, no other external targets have been set.

Appendix A. Scenario Analysis Sources

The following sources were used to aid our scenario analysis:

Scenario element	Sources	Extra information
Site locations	Locations covered both current sites and future sites across the Group.	No extra information.
Physical risk scenarios	Climate Impact Explorer was used as the basis for 2030 and 2050 scenario analysis, comprising of RCP 2.6 and RCP 6.0 scenarios. The Climate Impact Explorer provides projections for future climate impacts at different warming levels and for several policy-relevant greenhouse gas emission scenarios. The Climate Impact Explorer was developed by Climate Analytics, together with Flavio Gortana, the Potsdam Institute for Climate Impact Research and ETH Zürich. Its development was supported by ClimateWorks Foundation and Bloomberg Philanthropies in the context of a collaboration with the Network for Greening the Financial System, as well as the German Ministry for Education and Research.	The physical risks reviewed include overheating homes, floods, drought stress, precipitation, windstorms in the UK, heat stress and wildfire.
Transition risk scenarios	Data Explorer: IPCC scenarios was used as the source for carbon price scenarios, comprising the Shared Socioeconomic Pathways scenarios. The Shared Socioeconomic Pathways are a set of scenarios which are central to the work of the UN climate reports produced by the Intergovernmental Panel on Climate Change (IPCC). The data presented on Data Explorer: IPCC scenarios was based on the work of Keywan Riahi et a. (2017), which brings together the results of independent researchers that have mapped out a range of socioeconomic scenarios for how the world could change in the coming decades. Reference: Riahi, K., Van Vuuren, D. P., Kriegler, E., Edmonds, J., O'neill, B. C., Fujimori, S., … & Tavoni, M. (2017). The shared socioeconomic pathways and their energy, land use, and greenhouse gas emissions implications: an overview. Global environmental change, 42, 153-168.	The actual carbon price as reflected from UK and EU emission trading schemes can be referenced from the carbon price tracker by Ember. Under the SSP 1-2.6 – global carbon price is expected to be $11.72 (£10) per tonne in 2030 and $99.97 (£82) per tonne in 2050. Under the SSP 5-6.0, the expected carbon price is $11.72 (£10) per tonne in 2030 and $26.28 (£22) per tonne in 2050.

STRATEGIC REPORT

The Group is required by the Companies Act 2006 to include a Strategic Report in its Annual Report and Financial Statements. The information that fulfils this requirement can be found from pages 4 to 42.

Signed by order of the Directors on behalf of the Board.

Sandy Adam
Executive Chairman

20 September 2023

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. Sandy led the Company during its change from a market garden business into a housebuilder in 1988. Sandy has been Chairman of the Company since 2004 and has been the driver behind many key commercial decisions including the focus on affordable housing, the geographic expansion out of Moray in 2010, the acquisition of Redrow's Scottish assets/operations in 2011, the listing of Springfield on AIM in 2017 and the acquisition of Dawn Homes in 2018, Walker Group in 2019, Tulloch Homes in 2021 and, most recently, Mactaggart & Mickel's Scottish housebuilding business in 2022. Sandy has over 35 years of experience in the Scottish housing and property markets, including his role as Chairman of Homes for Scotland between 2014 and 2015.

Innes Smith, Chief Executive Officer
(Chair of ESG Committee)

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. Innes was appointed to the Board of Homes for Scotland in 2016.

Iain Logan, Chief Financial Officer
(appointed interim CFO in March 2022 and appointed on a permanent basis after year end)

Iain has 13 years professional experience working in a PLC environment. Iain qualified as a Chartered Accountant in 2002 with PricewaterhouseCoopers in Edinburgh. He then spent eight years with Murray International Holdings Limited gaining extensive corporate finance experience working on all aspects of acquisitions, disposals and fund raising within its investment company. He also held the Financial Controller role for its residential and property development company.

Iain then spent nine years as Group Financial Controller of Omega Diagnostics PLC where he had full responsibility for all financial reporting and management of finance teams in the UK, Germany and India.

Iain joined Springfield in 2020 as Group Financial Controller and was promoted to Finance Director in 2021 leading all aspects of financial operations and establishing strong relationships with external stakeholders. He played a key role in the acquisitions of Tulloch Homes in 2021 and the Scottish housebuilding division of Mactaggart & Mickel in 2022 and was appointed as CFO in 2023.

Roger Eddie, Non-Executive Director
(Chair of Remuneration and Nomination Committees, sits on ESG Audit Committee)

Roger graduated in 1976 with an MA (Hons) Economics and joined the Bank of Scotland as a Graduate Trainee. He obtained his Chartered Banker professional qualification and was subsequently elected a Fellow of the Chartered Institute of Bankers in Scotland. Initially working throughout Scotland in Branch Banking, Roger became a Business and then Corporate Banking specialist, finally becoming the Director of Real Estate responsible for the North of Scotland property lending teams. In 2008 Roger joined Highlands and Islands Enterprise as a Senior Development Manager in the Operations Development and Investment team and returned to banking as a Senior Commercial Manager in 2010 shortly before retiring from full time employment in 2012. He was appointed as a Non-Executive Director to the Board of the Port of Cromarty Firth in January 2013 and was elected as Chairman of the Authority from 2019 until his board tenure ended in December 2021. Roger joined Springfield as a Non-Executive Director on 13 November 2008.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS (CONTINUED)

Matthew Benson, Non-Executive Director
(Chair of Audit Committee, sits on Remuneration, ESG and Nomination Committees)

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

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

Nick is a qualified solicitor with over 20 years board experience with UK-listed and private companies. Since 2020 Nick has been a member of the Group Leadership Team at Johnson Matthey plc, firstly as Group General Counsel and Company Secretary and now Head of Global Business Services. From 2010 to 2015, he was Corporate Services Director at Cable & Wireless Communications plc, which he joined from Cable & Wireless plc, where from 2006 to 2010 he was General Counsel and Company Secretary. His previous in-house legal and corporate experience includes roles at Energis Communications Ltd, JD Wetherspoon plc, The Sage Group plc and Asda Group plc. Nick joined Springfield as a Non-Executive Director in 2018.

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

Colin is a chartered Quantity Surveyor with significant 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. In addition to his role with Springfield, Colin now acts as senior advisor for a number of property businesses active in the residential sector. 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 former 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. Colin was appointed to the board in 2019 as a non-executive director and, among other positions, sits as a founding member of our environmental, social and governance (ESG) committee.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE AND SECTION 172 STATEMENT
FOR THE YEAR ENDED 31 MAY 2023

This report provides shareholders with an overview of the Group's corporate governance arrangements and their operation during the year and how we comply with the Quoted Companies Alliance's 2018 Corporate Governance Code for Small and Mid-Size Quoted Companies ("the QCA Code").

The QCA Code provides a robust framework for the Group to maintain high standards of corporate governance. It sets out ten principles. Each principle and the Group's actions are set out below. Sandy Adam, as Chairman, is responsible for ensuring the ten principles are followed across the Group.

Additionally, the Group complies with section 172 of the Companies Act 2006. This report along with pages 62 to 65 sets out how the Board has discharged its duties.

A copy of this statement will be available on our website through its inclusion in this annual report. A copy of the report including the statement is available from www.thespringfieldgroup.co.uk.

1. Strategy and Business Model

The Group operates within three housing markets – private, affordable and Private Rental Sector (PRS). The Group develops a mix of private, affordable and PRS housing in Scotland in developments of different sizes and locations. It believes this combination is key to sustained long term growth and ability to weather economic uncertainty.

Private:
The Group delivers private housing on developments of various sizes across key markets in Scotland under its Springfield, Dawn Homes, Walker Group, Tulloch Homes and Mactaggart & Mickel brands. The Group's private housing offering includes standalone Village developments, each with up to 3,000 plots and the infrastructure and amenities a village community needs to become established.

Sourcing land in areas with high growth potential is a priority for the Group with a view to then progress developments through the planning process. The Group's landbank has grown in quality and size with the acquisition of competitors and organically.

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

Affordable:
Our affordable housing division operates across Scotland and focuses on developing land into (i) standalone sites that consist entirely of affordable homes; and (ii) developing affordable housing on the Group's private developments as a condition of receiving planning permission.

With over 178,000 applicants to local authority housing lists in March 2021 (the most recent number available), there is a substantial need for affordable housing in Scotland. The Scottish Government has set a target of building 110,000 affordable homes by 2032. While a strategic decision has been taken to temporarily pause entering new long-term affordable housing contracts until market conditions improve, post period, the Scottish Government increased the affordable housing investment benchmarks by 16.9%. This is expected to enable housing associations to increase the price of affordable housing contracts to progress the building programmes required to meet the Government's affordable housing targets and we have already engaged in conversations with our partners and signed two short term contracts to deliver much needed affordable homes. The Group believes that the longer-term fundamentals of affordable housing remain strong, and it expects to recommence signing contracts when more normal market conditions resume. Further details on our strategy and business model are discussed in the Chairman's statement on pages 5 to 8.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE AND SECTION 172 STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Private Rental Sector (PRS):
The Group provides development services to third party private organisations (compared with affordable housing where the Group's services are delivered to local authorities, housing associations or other public bodies). To date, contract housing delivery has largely consisted of services provided to Bertha Park Limited, the developer of the Bertha Park Village, under a framework agreement. Springfield performs development services and receives revenue based on costs incurred plus a fixed mark up. During the period, it also included a small number of PRS houses through Mactaggart & Mickel Homes.

During the period, the Group completed the final handovers of homes under its first PRS contract. The uncertainty surrounding the Scottish Government rent caps, which had been put in place to support families with cost-of-living concerns, have deterred our PRS partner, Sigma, from entering new contracts in Scotland. While there is nothing yet to suggest a change to this policy environment, we are hopeful that proven demand for purpose-built, high quality, energy efficient PRS homes will drive investment into Scotland. The 75 PRS homes we delivered at Bertha Park have been extremely popular amongst families looking to move into the area.

2. Statement and Understanding Shareholder Needs and Expectations

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

Shareholders communicate with the Board by email, telephone and meetings throughout the year including bi-annual investor presentations organised by our nominated advisor, Singer Capital Markets. The Board believes the presentations provide it with vital information to understand the needs and expectations of Springfield's shareholders.

We maintain a corporate website (www.thespringfieldgroup.co.uk). 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 www.thespringfieldgroup.co.uk.

Details of this year's AGM will be available to download from our corporate website. The Board recognises the AGM as an important opportunity for shareholders to vote on resolutions, to meet the Board and to ask questions.

3. Wider Stakeholder and Social Responsibilities

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

Employees (current): The Group had 805 employees as at 31 May 2023. The Chairman and CEO meet employees' departmental groups on a bi-annual basis. The meetings provide an opportunity for employees to hear of future plans, to raise any concerns and to ask questions. Each office also has regular meetings where questions can be raised, and issues discussed. Springfield creates a climate where everyone can thrive and this year we published our first Equality, Diversity and Inclusion (EDI) policy.

Employees (training & education): As at May 31 2023 we supported 128 in further education, training, and apprenticeships. This includes 108 apprenticeships. With the ongoing skills shortage within the industry, the Springfield Group continue to commit to providing apprenticeship and training opportunities seriously.

Employees (future): The Group has a strong focus on education and training. We encourage student placement programmes and we have placed seven university students in a variety of work experience roles over the past two years.

CORPORATE GOVERNANCE

**QCA CODE COMPLIANCE AND SECTION 172 STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023**

Customers: Customer views are sought via In-house Research Limited who contact our customers around between four and six weeks after handover of their home and gather feedback. Each Managing Director actions any points required because of this feedback. As discussed above, of those customers responding, 94% would recommend one of the Group's homes to friends or family. In addition, our Customer Feedback Group, with representatives from across the business, meets regularly to consider the qualitative feedback received through the surveys and considers what improvements could be made. The Group registered as a developer under the New Homes Quality Code and activated the code for customers in period. As part of the implementation a review was undertaken across the Group to ensure we were consistently offering a high quality service to our customers throughout their buying journey and to ensure our approach was code compliant. A new formal complaints procedure was also introduced to further improve customer experience when things do go wrong.

Suppliers: The Group's commercial and purchasing teams communicate closely with suppliers. This is vitally important through 2022/23 as material supply issues were raised throughout our supply chain. We believe our close relationship with suppliers and strong communication has helped mitigate against disruption from shortages experienced across the construction industry. As the Group has grown, its purchasing power and access to materials has increased.

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 Members of Scottish Parliament (MSPs) is governed by the Lobbying (Scotland) Act 2016 and we comply with all requirements of that legislation.

Communities: For individual projects, we work with local communities as part of the planning process. Any new development that has more than 50 homes or covers two hectares requires us to hold two community consultations. These events allow members of the local community to gather information on the proposed development, ask questions and provide their feedback on the proposals. We can then reflect any comments within our applications. To strengthen this engagement, Springfield has committed to also hosting an online session to increase accessibility to interested households unable to attend in person, for example those with caring responsibilities. In addition, building upon our existing engagement with schools, for each major planning application we will offer a local primary school a visit to feed into the curriculum and raise awareness of sponsorship opportunities that may be available.

Environment: We developed and published our first Group-wide ESG strategy and developed a route map to net zero. We were the first housebuilder to participate in Next Generation Core Sustainability Benchmark following collaboration with JLL and Lloyds Banking Group. A Committee of the Board for ESG meets regularly to monitor progress against the ESG Strategy with the CEO as Chairman.

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.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE AND SECTION 172 STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

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

5. Maintaining a Well-Functioning Board

The skills and experience of the Board are set out in their biographical details on pages 43 to 44. 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. The non-executive directors time commitment is approximately 20 days a year to attend to board matters.

The Board consider Colin Rae and Nick Cooper to be independent Directors for the purpose of the QCA Code. From 13 November 2023, Roger Eddie will have completed 15 years' service as a Director. From 1 September 2023, Matthew Benson will have completed 12 years' service as a Director. Having considered both Roger and Matthew's independence in the context of the QCA Code, the Board is satisfied that Mr Roger Eddie and Mr Matthew Benson will remain independent notwithstanding their length of service.

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

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

During the period, Michelle Motion resigned as a Director and as Chief Financial Officer. Post period, Iain Logan was appointed as a Director and as Chief Financial Officer.

6. Director Skills and Capabilities

As mentioned under principle 5, all Directors and their professional experience, are set out on pages 43 to 44. 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 were given New Homes Quality Code training by our in-house legal department in the period.

All 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 will implement a formal review process in 2023/2024. The Chairman regular reviews individual Director performance and takes informal feedback from the Board on how it can improve its performance.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE AND SECTION 172 STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

8. Corporate Culture

The Board believes that everyone has the right to a decent home. There is a pressing need for good quality housing 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 affordable homes through its partnership arm which works with housing associations and local authorities. While Scottish Government changes to regulation on rent caps has resulted in a pause in our PRS activity with strategic partner Sigma, we are hopeful that we can build homes for families to rent privately again in the future.

Dedication to customers is at the heart of the Springfield culture. 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 was delighted to be recognised for our hard-work by winning prestigious UK wide awards for our Village developments with Dykes of Gray named Best Public Realm (Silver) and Bertha Park named Best Sustainable Development (Gold) at the WhatHouse? awards in November. Bertha Park also secured the Large Development of the Year title at the Scottish Home Awards in June 2022, where the Springfield Group was named Large Housebuilder of the Year. At the Herald Property awards in September, Walker's Gladstone house style won Best Family Home and the Leven show home built by Dawn, was award Best show home. Springfield, Dawn Homes and Tulloch Homes achieved the "In House Gold Award for Customer Satisfaction" over the last year, meaning that over 90% of our customers would recommend us to their friends and family.

9. Maintaining Good Governance

The Board recognises the importance of applying sound governance principles in the successful running of the Group. The Chairman and the Board takes responsibility for ensuring the Group maintains appropriate corporate governance practices. In addition, the Chairman and CEO take responsibility for obtaining feedback from key stakeholders.

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

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

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

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

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

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE AND SECTION 172 STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

The Environmental, Social and Governance (ESG) Committee oversees the implementation of the Group's overall ESG strategy. The Committee also monitors current and emerging issues which may impact the business, performance or image of the Company. Additionally, the Committee studies investor feedback and oversees the Company's reporting and disclosure with regard to ESG matters. The Committee makes recommendations to the Board concerning any policies, practices or disclosures which need adjusted in order to improve the performance with regard to ESG matters and adapt to an ever-evolving market.

Further information on the Audit and Remuneration Committees can be found in the Audit and Remuneration Committees' reports on pages 51 to 62.

10. Communicating Governance and Performance

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

In the period, we launched a new website for the Springfield Group (www.thespringfieldgroup.co.uk). This website provides all corporate information for the Group as well as an investor relations section and operational news of interest to shareholders, investors and the public.

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

Andrew Todd
Company Secretary
20 September 2023

CORPORATE GOVERNANCE

AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 31 MAY 2023

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 2023. This report provides shareholders with an overview of the activities carried out by the Committee during the year. The Committee ensures the financial performance of the Group is properly measured and reported.

Committee Members

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

Responsibilities

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

Meetings

In the year to 31 May 2023, the Committee met three times. The meetings cover the planning of the statutory audit and review of the Group's full year results prior to Board approval and to consider the external auditor's detailed reports. In the year to 31 May 2023 the Chief Financial Officer attended all Committee meetings.

Internal Audit

The Group does not currently have an internal audit function. The Committee has considered the size and nature of the Group and believes that given the recent acquisitions of Tulloch Homes and the housebuilding business of Mactaggart & Mickel the timing is right to implement a Business Assurance function to further support and derive assurance on the adequacy of the internal control and risk management systems of the Group. This year, the Group appointed a third party recruitment agency to identify a senior candidate to lead this function for the group. The group interviewed several candidates however, due to the Chief Financial Officer stepping down in March 2023, it was decided to pause recruitment until a new Chief Financial Officer was appointed. Following the appointment of a new Chief Financial Officer post period, the CFO and group will take steps to recruit and implement a Business Assurance function in this financial year.

Risk Management and internal controls

The Group has a range of internal controls, policies and procedures in place. There is a framework of risk management within the Group for risk management. The Committee works alongside the Board to review, and where necessary suggest changes to, the current systems in place.

The Committee has concluded that the systems need to be reviewed and strengthened to take account of the increased breadth and complexity of the business particularly in the context of two new acquisitions in a short period of time. Internal controls will be further strengthened with the implementation of the Business Assurance function as noted above.

CORPORATE GOVERNANCE

AUDIT COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

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

The Committee monitors the relationship with the external auditor to ensure independence and objectivity at all times. The Committee also reports to the Board on the independence, objectivity and effectiveness of the external auditor. Alastair Rae is the signing partner for BDO LLP (BDO).

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

External Audit process

BDO prepares an audit plan. This plan sets out the scope and timetable of the audit as well as the areas to be specifically targeted. The plan is provided to the Committee for approval in advance of the audit. On completion of the audit, the findings are presented to the Committee by the auditor for discussion. The matters discussed in relation to this year's audit are summarised below.

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.

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

CORPORATE GOVERNANCE

AUDIT COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Issue	How it was addressed by the Committee
Revenue recognition - Private Revenue from private housebuilding is recognised when the house is handed over although the timing may require management judgement in determining when ownership has transferred.	With a large number of homes handed over in the final month of the financial year, the Committee reviewed the revenue recognised throughout the year and around the year end. The Committee satisfied itself that there is no issue with revenue recognition.
Revenue recognition - Affordable Revenue from affordable housebuilding is recognised over time depending on the stage of completion with cashflows received in excess of revenue recognised included as payments on account.	Given the significant impact on margins from build cost inflation on fixed-price contracts in affordable housing the committee has kept a close watch through monthly management accounts and updates from the affordable Managing Director to ensure movements have been captured.
Profit recognition The Group enters into construction contracts the performance under 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.
Valuation of inventories and work in progress The largest asset on the Group balance sheet is inventory which includes land and work in progress. The Group values inventory at the lower of cost and net realisable value which is dependant on judgement and estimates of total build and land costs and future selling prices. The allocation of inventory to cost of sales also involves estimates which impact on the timing and amount of profit margin recognised.	The Committee reviews the work in progress balances through monthly finance reports and the cost value report process and is satisfied that the carrying value of inventories and work in progress remains appropriate.
Going concern It is the Directors' responsibility to make an assessment of the Group's ability to continue as a going concern to support the basis of preparation for the financial statements.	The Committee is satisfied, based on the going concern paper written and financial modelling undertaken, that the Group has adequate resources to continue in operation for the foreseeable future and will be able to operate within the extended bank facility limits which are in place.
Acquisition The Group acquired the Scottish housebuilding business of Mactaggart and Mickel Group. Under IFRS3 the assets and liabilities were measured at the fair values at the acquisition date	The Committee is satisfied based on the detailed papers and workings produced that the acquisition has been accounted for correctly.

Matthew Benson
Chairman of the Audit Committee
20 September 2023

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT
FOR THE YEAR ENDED 31 MAY 2023

Introduction

This report outlines the Group's remuneration policy for its Directors and shows how that policy was applied during the financial year ended on 31 May 2023.

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

Committee Members and Meetings

In the period of twelve months to 31 May 2023, the Committee comprised:

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

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

Under its terms of reference (which are summarised on the Group's website at (www.thespringfieldgroup.co.uk)), the Remuneration Committee is required to meet at least three times a year.

Committee Responsibilities

The main responsibilities of the Committee are:

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

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

Remuneration Policy for Executive Directors

The overarching aim of the Group's remuneration policy is to attract and retain the highest calibre individuals as Executive Directors and ensure they are appropriately and fairly rewarded for performance in a manner that is both as straightforward as possible and appropriate for Springfield's size and stage of development.
During the financial year to 31 May 2023, the overall remuneration package for Executive Directors consisted of the following elements:

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

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

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Basic Salaries

Increases effective from 1 June 2022

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 undertakes a standard review of the Executive Directors' salaries on an annual basis, with the Committee's current policy being that any increases awarded to Executive Directors as part of this process should normally reflect those applied to the wider workforce. Any such increases typically take effect on 1 June each year.

With effect from 1 June 2022, the annual rates of base salaries for the Executive Directors were set at:

- Sandy Adam - £151,050;
- Innes Smith - £302,100; and
- Michelle Motion - £227,900.

The above increases represented an uplift of 6% from the annual rates of salaries that were paid to the Executive Directors at the end of the financial year to 31 May 2022. This reflected the average annual increase that was awarded to the broader workforce at that time.

Increases effective from 1 November 2022

With effect from 1 November 2022, and in order to reflect the decrease in the rates of national insurance contributions that became effective on 6 November 2022, all employees of the Group, including the Executive Directors, benefited from a 1.25% increase in their annual salaries.

Following the above increases, the annual rate of base salaries for the Executive Directors were as follows:

- Sandy Adam - £152,938;
- Innes Smith - £305,876; and
- Michelle Motion - £230,749.

Annual Bonus

Under the Group's annual bonus scheme for Executive Directors (other than Sandy Adam who does not participate in this arrangement), individuals have the opportunity to receive a cash award that is linked to the achievement of specified targets that are aligned to the Group's corporate plan for the period in question. For each year of the scheme's operation, the Committee specifies a maximum opportunity (as a percentage of salary) for each participant.

For the financial year to 31 May 2023, the maximum bonus opportunities for Innes Smith and Michelle Motion were 125% of salary and 100% of salary respectively (with each individual's "salary" for these purposes being the annual rate payable to them on 1 June 2022). The following table identifies the measures used, their respective weightings and the bonus award derived from the level of achievement over the year:

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

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%	0%	0%
Return on capital employed	30%	30%	0%	0%
Gross margin	10%	20%	0%	0%
Customer satisfaction	10%	N/A	9.4%	N/A
	Total bonus (% of maximum opportunity) = (a)		9.4%	0%
	Maximum opportunity (% of salary) = (b)		125%	100%
	Total bonus earned (% of salary) = (a) x (b)		11.75%	0%
	Total bonus payable after individual waiver[2]		0%	N/A

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.

[2] Further information relating to the waiver of bonus entitlements in respect of the financial year to 31 May 2023 is set out below.

As shown in the above table, the assessment of the applicable performance measures under the bonus scheme resulted in Innes Smith earning a bonus for the year to 31 May 2023 equal to 11.75% of salary.

However, for a variety of reasons, including the overall performance of the Company during the period, Innes felt it would be inappropriate for him to receive any such award. As a result, he voluntarily waived the whole of his entitlement to a bonus for the year.

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 following the assessment of the applicable performance measures where it is appropriate having regard to the health and safety performance of the Company over the period in question. Given that no bonus awards were paid under the scheme in respect of the financial year to 31 May 2023, the Committee was not required to consider the exercise of this discretion.

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. (For the avoidance of doubt, the rate of pension contribution payable to Innes Smith and Michelle Motion is equal to the amount paid to the wider employee population.)

Long Term Incentive Plan

Introduction

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

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

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

The CSOP and the ESOP are relatively straightforward arrangements under which options over the Company's shares can be granted to selected employees of the Group (including Executive Directors). These options normally vest after three years and, on exercise, require participants to pay a price equal to the market value of a share on the date they were originally granted. Following the introduction of the new performance share plan in 2020 (see below) no further options have been granted to the Executive Directors under the CSOP or ESOP and there is no current intention to grant awards under either of those arrangements to Executive Directors in the future.

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

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

Vesting of awards held by Executive Directors during the year to 31 May 2023

On 31 May 2022, the three-year performance period applicable to the PSP awards granted to Innes Smith and Michelle Motion on 9 January 2020 came to end. As soon as reasonably practicable thereafter, the Committee carried out its formal assessment of the extent to which the relevant conditions (which related to the Company's adjusted basic earnings per share ("EPS") and its net debt / EBITDA ratio) had been met.

The following table contains further information relating to the relevant performance conditions and sets out details of the outturn from the Committee's above noted assessment:

Measure[1]	**Weighting (as a % of total shares under award)**		**Vesting achieved as a result of performance against specific measures over the performance period (as a % of total shares under award)**	
	Innes Smith	*Michelle Motion*	*Innes Smith*	*Michelle Motion*
EPS[2]	75%	75%	0%	0%
Net Debt / EBITDA[3]	25%	25%	16.66%	16.66%
	Aggregate vesting percentage = (a)		16.66%	16.66%
	Total number of shares under award = (b)		127,828	68,176
	No. of shares over which awards vested = (a) x (b)		21,296	11,358

Notes:
[1] For both the EPS and Net Debt / EBITDA measures, the Committee specified, for each of the financial years in the three-year performance period, a sliding scale of achievement (between threshold and maximum) which was used to determine the extent to which the relevant part of the awards vested.

[2] In terms of the EPS measure, the threshold level that had to be achieved before any portion of the award vested was 14.575p for the year to 31 May 2020; 16.075p for the year to 31 May 2021; and 17.55p for the year to 31 May 2022. Given that none of these targets were achieved, no part of the EPS elements of the awards vested.

[3] In terms of the Net Debt / EBITDA measure, the maximum level of performance for both the years ended 31 May 2021 and 31 May 2022 (being ratios of 1.62 and 1.50 respectively) were achieved. However, the threshold level for the year to 31 May 2020 (being a ratio of 1.89) was not met. As a result, two thirds of the Net Debt / EBITDA elements vested (being 16.66% of the total number of shares over which the awards subsisted).

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

The 9 January 2020 awards held by Innes Smith and Michelle Motion subsequently vested and became exercisable in respect of the above numbers of shares on 9 January 2023, being the third anniversary of their date of grant. For the avoidance of doubt, any part of these awards that did not vest on this date immediately lapsed.

Exercises by Executive Directors during the year to 31 May 2023

On 19 January 2023, Innes Smith and Michelle Motion part-exercised their January 2020 PSP options over 10,648 shares and 5,679 shares respectively. The exercise price payable under these options was 0.125p per share and the closing share price on the date of exercise was 92.5p. Both Innes Smith and Michelle Motion elected to retain all the shares acquired as a result of their exercises.

The above awards were granted with the benefit of "dividend equivalent" rights (being an entitlement to receive additional sums on their exercise equal to the amount of dividends declared on the acquired shares during the period commencing on the date of grant and ending on the vesting date). This resulted in a further cash payments of £1,485 and £792 being paid to Innes Smith and Michelle Motion respectively on their award exercises. Details of these amounts are included in the remuneration table on page 58.

Grants made to Executive Directors during the year to 31 May 2023

In last year's Remuneration Committee report, it was explained that the Committee had adopted a revised policy in terms of which PSP awards would be granted to Executive Directors once every three years, with the first such grant occurring on 22 December 2021. As a consequence, no PSP grants were made to the Executive Directors during the year to 31 May 2023.

The Remuneration Committee is, however, in the process of reviewing this policy due to a number of factors including, in particular:

- recent changes to the Company's senior management team (see below for details); and
- developments in the regulatory and macro economic environment in which the Company operates.

In the event that this review results in the next tranche of awards being granted to Executive Directors earlier than was previously anticipated, full details will be included in the relevant Remuneration Committee report.

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 Company'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.

During the financial year to 31 May 2023 (and as disclosed in the table set out on page 61), both Michelle Motion and Innes Smith continued to hold the options granted to them under the SAYE Scheme on 29 April 2021. No further options were granted under this arrangement during the year.

Board Changes

Departure of Michelle Motion

As previously announced, Michelle Motion stepped down from her role as the Company's Chief Financial Officer on 10 March 2023 and ceased to be a director on that same date. Thereafter, Michelle continued as an employee of the Company until 10 September 2023, being the date on which her contractual six months' notice period expired. During this notice period, she was placed on garden leave but continued to receive salary and benefits (including pension contributions) in the normal way.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Michelle has been treated as a “good leaver” for the purposes of the ESOP and PSP with the result that she is entitled to retain her outstanding awards under those arrangements (subject, in the case of entitlements that were “unvested” on the date she ceased employment, to appropriate time pro-rating reductions). However, her option under the SAYE Scheme (details of which are included in the table on page 61) lapsed in full on 10 September 2023. On or around that same date, Michelle was paid a sum of £20,000 in settlement of any claims arising in connection with the termination of her employment.

Appointment of Iain Logan

Iain Logan assumed the role of Interim CFO on 13 March 2023 and was appointed as Chief Financial Officer on 12 July 2023; he subsequently became a director of the Company on 26 July 2023.

On the basis that Iain was not a director of the Company at any time during the financial year to 31 May 2023, he has not been included in any of the tables set out below and on page 61. Appropriate details for him will, however, be included in next year’s Remuneration Committee report.

Remuneration in the Year

During the year to 31 May 2023, the directors received the following remuneration:

	Basic salary/fees [1]	Annual bonus[2]	Taxable benefits [3]	Pension contributions	Option gains[4]	Other payments[5]	2023 Total	2022 Total[6]
	£000	£000	£000	£000	£000	£000	£000	£000
Executive Directors								
Sandy Adam	152	0	8	8	0	0	168	143
Innes Smith	304	0	1	30	10	1	346	518
Michelle Motion[7]	230	0	3	23	5	1	262	376
Non-Executive Directors								
Matthew Benson	44	-	-	-	-	-	44	41
Roger Eddie	44	-	-	-	-	-	44	41
Nick Cooper	44	-	-	-	-	-	44	41
Colin Rae	44	-	-	-	-	-	44	41
	862	0	12	61	15	2	952	1,201

Notes:
[1]Additional information relating to the salaries paid to the Executive Directors during the financial year to 31 May 2023 is set out on page 55.

[2] Further details of the Company’s annual bonus scheme for the financial year to 31 May 2023 are set out on pages 55 and 56.

[3] The taxable benefits figure in the above table for each of the Executive Directors relates to a range of benefits provided by the Group including a car allowance and life and health assurance.

[4] For both Innes Smith and Michelle Motion, the gains made on the exercise of options have been calculated by deducting the applicable exercise price payable by the individual from the market value of a share on the date of exercise and then multiplying that amount by the number of shares acquired. Further information in relation to the exercises that occurred during the financial year to 31 May 2023 are set out on page 58.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

[5] The other payments made to Innes Smith and Michelle Motion during the financial year to 31 May 2023 relate to the “dividend equivalent” amounts they received in connection with the exercise of their PSP awards on 19 January 2023. Further details in relation to these payments are set out on page 57.

[6] The total figures for the financial year to 31 May 2022 have been updated to include the gains made on the exercise of share options by directors during that period. Further information in relation to these exercises are included in last year’s Remuneration Committee report.

[7] Although Michelle Motion ceased to be a director on 10 March 2023 she continued to be an employee throughout the remainder of the year to 31 May 2023. The above table includes details of all remuneration received by her from the Company during the financial year.

Further details relating to the share options held by the directors during the financial year to 31 May 2023 are set out below.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Share Options and PSP awards

Details of options over the Company's shares that have been granted to Executive Directors under the CSOP, ESOP, SAYE Scheme and PSP and which were outstanding during the year to 31 May 2023 are as follows:

Director	Scheme	No. of shares under option at 1 June 2022	Exercised[3]	Granted	Lapsed	No. of shares under option at 31 May 2023	Exercise price	Date of Grant	Date from which normally exercisable	Expiry date
Innes Smith	CSOP	28,301	-	-	-	28,301	106p	16/10/2017	16/10/2020	16/10/2027
	ESOP	208,019	-	-	-	208,019	106p	16/10/2017	16/10/2020	16/10/2027
	ESOP	257,142	-	-	-	257,142	122.5p	01/10/2018	01/10/2021	01/10/2028
	PSP	127,828	(10,648)	-	(106,532)	10,648	0.125p	09/01/2020	09/01/2023	09/01/2030
	PSP	202,000	-	-	-	202,000	0.125p	30/10/2020	30/10/2023	30/10/2030
	SAYE	13,793	-	-	-	13,793	130.05p	29/04/2021	01/06/2024	30/11/2024
	PSP	401,408	-	-	-	401,408	0.125p	22/12/2021	22/12/2024	22/12/2031
		1,238,491	(10,648)	-	(106,532)	1,121,311				
Michelle Motion[4]	ESOP	84,906	-	-	-	84,906	106p	16/10/2017	16/10/2020	16/10/2027
	ESOP	129,795	-	-	-	129,795	122.5p	01/10/2018	01/10/2021	01/10/2028
	PSP	68,176	(5,679)	-	(56,818)	5,679	0.125p	09/01/2020	09/01/2023	09/01/2030
	PSP	107,650	-	-	-	107,650	0.125p	30/10/2020	30/10/2023	30/10/2030
	SAYE	13,793	-	-	-	13,793	130.05p	29/04/2021	01/06/2024	30/11/2024
	PSP	227,112	-	-	-	227,112	0.125p	22/12/2021	22/12/2024	22/12/2031
		631,432	(5,679)	-	(56,818)	568,935				

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Notes:
[1] Details of the performance conditions that were assessed by the Remuneration Committee in connection with the vesting of the options granted under the PSP on 9 January 2020 are provided on page 57. For other PSP options outstanding during the year, high level details of the applicable performance conditions are set out in the Remuneration Committee's report for the year in which such awards were granted. Options granted under the CSOP, ESOP and SAYE Scheme are not subject to performance conditions.

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

[3] Further information in relation to the exercise of PSP options by Innes Smith and Michelle Motion during the financial year to 31 May 2023 are set out on page 58 above.

[4] Michelle Motion ceased to be an employee of the Company on 10 September 2023. Details of the impact that such cessation had on the options and awards contained in the above table are set out in page 59.

Directors' Interests in the Company's Shares
Directors' interests in the Company's shares are disclosed in the Directors' Report (page 66).

Roger Eddie
Chairman of the Remuneration Committee
20 September 2023

CORPORATE GOVERNANCE

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2023

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 May 2023.

Principal Activity and Business Review

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

Directors

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

Name	Position
Sandy Adam	Executive Chairman
Innes Smith	Chief Executive Officer
Iain Logan	Chief Financial Officer (appointed 26 July 2023)
Michelle Motion	Chief Financial Officer (until resignation on 13 March 2023)
Roger Eddie	Non-Executive Director
Matthew Benson	Non-Executive Director
Nick Cooper	Non-Executive Director
Colin Rae	Non-Executive Director

Results and Dividends

The results for the year are set out on page 81.

No interim dividend was declared during the period. The Board is not proposing a final dividend (2022: 5.8p 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.

Equality, Diversity and Inclusion

The Group published its first Equality, Diversity and Inclusion Policy during the period. We are committed to valuing and promoting diversity in all areas of recruitment, employment, training, and promotion. We recognise our legal obligations under the Equality Act 2010 and work towards an environment where all employees can develop their potential, regardless of: Age, Race, Disability, Religion, Gender reassignment, Sex, Marriage and civil partnership, Sexual orientation, Pregnancy and maternity. Nobody should receive less favourable treatment or be disadvantaged on any of the above grounds.

Going Concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Group can continue to meet its liabilities and other obligations for the foreseeable future.

The Group's business activities, together with factors that the Directors consider are likely to affect its development, financial performance and financial position, are set out in the Strategic Report on pages 4 to 42.

CORPORATE GOVERNANCE

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2023

Going concern (continued)

The material financial and operational risks and uncertainties that may affect the Group's performance and their mitigation are outlined on pages 19 to 22, and financial risks including liquidity, market, interest and capital risks are outlined in Note 29 to the Financial Statements.

In order to support the going concern period to 30 September 2024, the Board-approved budget to May 2024, with a further year added to May 2025, formed the initial basis to confirm the appropriateness of the going concern assessment.

Following the subsequent weakening in demand, the Board-approved budget has now been superseded by a reforecast scenario with the expected number of private home sales in the year to 31 May 2024 reduced by 12% from the original Board-approved budget with sales weighted to the second half of the year, but where the reduction is expected to be offset by additional affordable contract income currently under negotiation and through a reduction in payments from stopping speculative build.

In addition, the Group has prepared a worst-case sensitivity with the number of private home sales in the year to 31 May 2024 being 12% behind the Board-approved budget, with sales weighted to the second half of the year and with no additional affordable income included.

Under this worst-case sensitivity, the peak debt level would have been in excess of the Group's banking facilities of £100m.

To prepare for this worst-case scenario, should it occur, the bank has extended existing facilities and granted an additional term loan of £18.0m with a repayment date of 30 September 2024. The term loan will be repaid from the Group's regular trading activities. The Board has already taken the decision to not pay a dividend until the bank debt is materially reduced. In addition to this, the Group is targeting land sales to further reduce the longer-term debt.

Under this worst-case scenario, the peak borrowing, which occurs in December 2023, utilises 94% of the extended facilities. However, by the year end in May 2024, the facility utilisation is forecast to drop to around 37%. At all times the Group is able to operate within its bank facilities and covenants.

While the Board has confidence in the robustness of the asset base and considers this worst-case scenario to be cautious, were there to be a greater downturn in the market, there are a number of further mitigating actions that are within the control of the Group and could be pursued. These include additional land sales, greater slowing of development activity to preserve cash and further reductions in the cost base.

Accordingly, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The Directors are confident 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 the signing of the annual report and financial statements for the year ended 31 May 2023.

CORPORATE GOVERNANCE

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Disclosure of Information to the Auditor

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

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

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

Board of Directors

The Group supports the concept of an effective Board of Directors leading and controlling the Group. The Board of Directors is responsible for approving Group policy and strategy. It meets regularly and has a schedule of matters specifically reserved to it for decision. All Directors have access to advice from independent professionals at the Group's expense. Training is available for all Directors as necessary. Biographical details are set out on pages 43 to 44.

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.

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

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 59.

CORPORATE GOVERNANCE

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Directors' Interests in Shares

Name of Director	Number of Ordinary shares	% of ordinary share capital and voting rights
Sandy Adam		
- Direct	22,118,300	18.7%
- Indirect	17,210,750	14.5%
Innes Smith		
- Direct	831,697	0.7%
- Indirect	154,029	0.1%
Roger Eddie		
- Direct	22,152	0.0%
- Indirect	24,981	0.0%
Nick Cooper		
- Indirect	14,895	0.0%
Matthew Benson	40,802	0.0%
Colin Rae	20,000	0.0%
	41,110,190	**34.1%**

Financial Risk Management Objectives and Policies

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

Strategic Report

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

CORPORATE GOVERNANCE

STREAMLINED ENERGY AND CARBON REPORTING FOR THE YEAR ENDED 31 MAY 2023

As one of Scotland's largest housebuilders we recognise the leading role that we can play in reducing the carbon impact of our operations and in the delivery of energy efficient homes for our customers.

In September 2022 we published our first Environmental Social Governance (ESG) Strategy and committed to being net zero carbon ahead of the Scottish Government's target of 2045. A route map detailing our journey to net zero was developed during 2022/23 with milestones outlining steps to be taken up to 2045.

The environmental impact of our homes

Scottish Building Standards are amongst the highest in Europe and Springfield has gone beyond current regulations in our homes to ensure we are delivering the best for our customers now and into the future. In financial year 2022/23, 100% of Springfield homes were built from timber kits using timber from Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) sources.

The Scottish Government will not allow Local Authorities to issue building warrants for new build homes heated from fossil fuels from 2024, a year earlier than the rest of the UK. At Springfield we have been delivering homes heated from renewables for decades. To date we have over 60 developments that are complete or under construction with homes heated by full-air source. The Group's head start on use of air-source technology, with established supply chains in place, will ensure the mandatory transition to fossil-fuel alternatives will be managed with ease.

Research was undertaken this year to explore and determine the best fossil fuel alternatives. This research re-confirmed air-source as the best non-fossil fuel technology for new build houses. Our R&D will continue in the months and years ahead to ensure our customers benefit from energy efficient homes as new technology emerges.

The environmental impact of our operations

We recognise our responsibility to mitigate the impact of our operations on climate change and our ESG Strategy included objectives to reduce this wherever possible. During the period we achieved ISO14001 certification for our Environmental Management System. We also improved data collection around waste, going further than industry practice to include waste from demolition and excavation.

Springfield has been producing its own timber kits for over 20 years. This year we benefited from ownership of a second timber kit factory near Glasgow which complemented our existing timber kit factory in Elgin and allowed us to reduce transport distances and our carbon footprint.

In 2022/23 we increased the number of Electric Vehicles within our fleet and by the end of the financial year we had 123 EVs on the road. We also received two electric mini-buses that will transport employees to our out of town kit factory in Elgin.

Within the ESG strategy we recognise the importance of MMC in low carbon homes. This year we used government endorsed methodology to benchmark our use of Modern Methods of Construction (MMC) and Pre-Manufactured Values (PMV) and found that our existing approaches far exceed industry practice.

Site fuel is a predominant cause of carbon emissions across the housebuilding industry because of the work required on sites prior to connection to electricity mains. This year we undertook a project to fully explore low carbon fuel sources for sites. We established that innovation amongst machinery providers and manufacturers has been slow, with no viable electric models available. We have however identified a hybrid option post year-end and are pleased to have begun to pilot this new technology.

This year we engaged our supply chain on ESG through a survey. More detailed engagement with suppliers, who have a significant impact on our scope 3 emissions, is planned for the year ahead.

CORPORATE GOVERNANCE

STREAMLINED ENERGY AND CARBON REPORTING (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Energy use and greenhouse gas emissions

As of 31 May 2023, the Group's energy usage and associated carbon emissions for the financial year 1 June 2022 to 31 May 2023, as compared to the previous financial year, were as follow:

For the financial year ended 31 May 2023	**Energy Use kWh**	**Tonnes CO_2e**	**Energy Use kWh**	**Tonnes CO_2e**
	2023	**2023**	**2022**	**2022**
Scope 1 energy use & emissions from stationary combustion: gas and generator construction site fuel use	3,451,300	794.42	3,185,137	779.49
Scope 1 energy use & emissions from mobile combustion: transport and plant construction site fuel use	8,881,257	2,140.30	8,466,137	2,130.91
Scope 2 energy use & emissions from electricity use	3,881,343	750.57	2,582,939	548.44
Scope 3 energy use & emissions from grey fleets business mileage	1,344,709	333.77	1,716,539	429.36
Total energy use & greenhouse gas emissions	17,558,609	4,019.06	15,950,752	3,888.20
Greenhouse gas emissions per home sold		3.11		3.13

The overall energy use has increased by roughly 10% with approximately 3% increase in carbon emissions. This is primarily due to increased operations within the group. For instance, new acquisitions since the end of FY22 have been fully accounted for in the calculation. Despite the increased absolute carbon emissions, the intensity ratio has stayed consistent compared to FY22 with a slight decrease of 1%.

The basis of carbon intensity ratios is disclosed below, with comparisons to previous financial year.

Homes sold	**Total**	**Private**	**Affordable**	**Contracting**
FY 2022	1,242	712	405	125
FY 2023	1,301	866	328	107

Methodology

Our Scope 1, Scope 2 and Scope 3 energy use and greenhouse gas emissions data for FY2023 has been independently produced from information provided by the Group to an external consultancy with expertise in this area.

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

CORPORATE GOVERNANCE

STREAMLINED ENERGY AND CARBON REPORTING (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Where actual energy consumption data was unavailable, average energy consumption was used as a proxy for estimation. Spend data was also adopted as a source of estimation for Mactaggart & Mickel due to unavailability of activity level data. We do not consider refrigerant losses on our air conditioning units to be material and as such these are not reported in our emissions data.

For vehicle emissions, the Group analysed fuel card usage, mileage information, expense claims and fuel invoices and applied the relevant conversion factors published by the UK Government for 2022.

For emissions from fuel used on sites, the quantity of diesel based on litres delivered to site within the financial period was used as the activity level data. 30% of overall diesel usage is assumed to be used for generators and the remaining 70% is assumed to be used for plant. This assumption is consistent with previous financial year.

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

Greenhouse gas (GHG) emissions were calculated in line with GHG Reporting Protocol – Corporate standard and reported in line with the UK Government's Guidance on Streamlined Energy and Carbon Reporting and mandatory GHG reporting guidance. Conversion factors were taken from the UK Government's conversion factors 2022.

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

CORPORATE GOVERNANCE

STATEMENT OF DIRECTORS’ RESPONSIBILITIES
FOR THE YEAR ENDED 31 MAY 2023

Directors’ responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group and company financial statements in accordance with UK adopted international accounting standards. Under company law 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 company and of the 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 judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards 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 the company will continue in business.

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

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Sandy Adam
Executive Chairman
20 September 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC FOR THE YEAR ENDED 31 MAY 2023

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Springfield Properties plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2023 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flow and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Conclusions relating to going concern

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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview

Coverage	*95% (2022: 98%) of Group profit before tax* *96% (2022: 98%) of Group revenue* *94% (2022: 96%) of Group total assets*		
Key audit matters		**2023**	**2022**
	Revenue recognition – construction contracts	□	□
	Valuation and impairment of work in progress	□	□
	Accounting for acquisitions		□
	Accounting for acquisitions is no longer considered to be a key audit matter due to the reduced level of complexity of the current year acquisition requiring less audit focus that the much larger acquisition in the prior year. .		
Materiality	*Group financial statements as a whole* £810,000 (2022: £1,100,000) based on 5% (2021: 5%) of profit before tax.		

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

An overview of the scope of our audit

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

Significant components were identified with reference to either their contribution to key Group metrics including profit before tax, revenue and total assets, or the existence of a material balance that is impacted by key audit matters defined in the Group. Six significant components were identified based on their relative size and one significant component had specific balances identified as being significant based on risk.

The six significant components identified were, Springfield Properties Plc, Walker Group (Scotland) Limited, Dawn Homes Limited, Springfield M&M Homes Limited, Tulloch Homes Limited and Argyll Developments (Scotland) Limited. In addition, land and work in progress balances within Walker Group Springfield Holdings Limited were identified as being significant. A full scope audit was undertaken on these components by the Group audit team, who also carried out analytical review procedures on the non-significant components.

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition – construction contracts *Refer Accounting policies Note 2.5 (page 87) and Note 4 of the consolidated financial statements (page 94).*	Revenue from construction contracts (affordable housing developments) is recognised based on stage of completion measured in reference to the costs incurred as a proportion of total costs ('input method'). Measured stage of completion is based on actual costs incurred to date on each project and requires management to forecast the estimated total costs required to complete the development. The estimation process is inherently complex and significant management judgement is required. The judgement required is higher the longer the contract has remaining. There is a potential risk of fraud as revenue could be manipulated through management bias in estimating costs to complete, through incorrect allocation of costs to each development to skew the margins on individual developments and through the posting of manual journals. Revenue recognition on construction contracts is an area of focus for our audit in considering possible areas of management bias and fraud and therefore we determined this to be a key audit matter.	For all construction revenue, we recalculated the revenue to be recognised based on the stage of completion using the input method. We tested the design and operating effectiveness of controls around sub-contractor procurement, approval of purchases and allocation of costs to developments and performed testing over validity and accuracy of costs incurred to date. We performed procedures over a sample of cost to complete estimates included as part of the cost value reconciliation ('CVR') process. This included gaining an understanding of movements against original appraisals, testing a sample of estimated costs to complete to corroboratory evidence and assessing the forecasting accuracy of prior year CVRs against projects completed during the year and since year end. We performed a review of the most recent CVR's available after year end for any indication of margin decline and movement in cost estimates and, where a margin decline was noted, challenged whether the reasons for the decline in margin relate to conditions that exists at year end and should be factored into the stage of completion calculation used in determining the revenue to be recognised in the year. We performed journal entry testing, applying a particular focus to individually unusual and/or material manual journals posted to the revenue account throughout the year. We agreed journals meeting predetermined criteria to supporting evidence to confirm that the revenue recognised was appropriate, had an appropriate business rationale and was in line with the Group's accounting policy. We considered the application of the accounting standards to the Group's revenue recognition policies and practices. **Key observations:** Based on the procedures performed we consider that the judgements made in estimating the construction contract stage of completion are appropriate and that revenue from construction contracts has been recognised appropriately.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Key audit matter		**How the scope of our audit addressed the key audit matter**
Valuation and impairment of work in progress *Refer, Accounting policies Note 2.16 (page 90) and Note 17 of the consolidated financial statements (page 103).*	The value of work in progress is the most significant asset on the balance sheet (page 82). Inventory and work in progress comprises land and work in progress in relation to private housing. The relevant proportion of land and work in progress is recognised in cost of sales upon sale of a unit. There is inherent complexity and significant judgement in the valuation of work in progress as the correct valuation of each development project is dependent on accurate cost allocation, projected profitability of the overall development, including forecast revenue and costs to complete, and where the work in progress is for undeveloped land, an assessment of whether planning permission will be achieved. Each of these factors affects the valuation of work in progress and whether there are any indicators of impairment. The valuation of work in progress, the risk of impairment and the costs recognised in cost of sales are therefore areas of audit focus and was determined to be a key audit matter.	We tested the design and operating effectiveness of controls around sub-contractor procurement, approval of purchases and allocation of costs to developments and performed testing over validity and accuracy of costs capitalised to work in progress. We recalculated the release to cost of sales for a sample of sites with reference to the total project margin as referenced in the cost value reconciliation (CVR). We performed procedures over the cost to complete estimates included as part of the CVR process. This included gaining an understanding of movements against original appraisals and assessing the forecasting accuracy of prior year CVRs against projects completed during the year and since year end. We reviewed management's impairment assessment against estimated costs to complete and projected margins to assess whether there was any indication of impairment, and, where any impairment indicators had been noted, these had been correctly treated. Our review of projected margins included benchmarking of forecast selling prices against current trends and recent selling prices. For a sample of work in progress balances relating to undeveloped land we obtained evidence that planning permission had been achieved and that the prospective development is estimated to be profitable. **Key observations:** Based on the procedures performed we consider the judgements made by management in valuing work in progress are appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Our application of materiality

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

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

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

	Group financial statements		**Parent company financial statements**	
	2023 £m	2022 £m	2023 £m	2022 £m
Materiality	810,000	1,100,000	455,000	520,000
Basis for determining materiality	5% of Profit before tax at planning stage reassessed based on final figures to confirm still appropriate		56% of group materiality	9% of Profit before tax
Rationale for the benchmark applied	Principal consideration in assessing financial performance of the business	Principal consideration in assessing financial performance of the business	Materiality was set at 56% of Group materiality taking into consideration component aggregation risk. Change from prior year approach is due to the parent company being loss-making in the current year.	Principal consideration in assessing financial performance of the business
Performance materiality	480,000	660,000	273,000	312,000
Basis and rationale for determining performance materiality	Performance materiality is set at 60% of materiality to reflect our assessment of the risk that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.		Performance materiality is set at 60% of materiality to reflect our assessment of the risk that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, based on a percentage of between 21% and 65% (2022: 23% and 55%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £170,000 to £530,000 (2022: £258,000 to £604,000). In the audit of each component, we further applied performance materiality levels of 60% (2021: 60%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £32,000 (2021: £44,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • 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. • In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management, the Audit Committee and other members of those charged with governance; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations.

we considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation and the AIM Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be Companies Act 2006, Corporate and VAT legislations, Employment Taxes, Health and Safety and the Bribery Act 2020.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreement to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Fraud
We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management, the Audit Committee and other members of those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue recognition on construction contracts and valuation and impairment of work in progress.

Our procedures in respect of the above included:

- assessing whether the accounting policies, treatments and presentation adopted in the financial statements is in accordance with applicable law and accounting standards and whether there are instances of potential bias in areas with significant degrees of judgement.
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- carrying out tests of management controls in certain areas or functions, such as the authorisation of project costs and allocation of costs incurred to the correct development;
- vouching balances and reconciling items in management's key control account reconciliations to supporting documentation as at 31 May 2023; and
- carrying out detailed testing, on a sample basis, of material transactions, financial statement categories and balances to appropriate documentary evidence to verify the completeness, occurrence and accuracy of the reported financial statements.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and we remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Use of our report

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

DocuSigned by:
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Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Edinburgh, UK
20 September 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Company Registration No. SC031286 (Scotland)

FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2023

	Note	2023 £000	2022 £000
Revenue	4	332,132	257,095
Cost of sales	6	(284,177)	(213,960)
Gross profit		**47,955**	**43,135**
Administrative expenses before exceptional items		(27,955)	(20,950)
Exceptional items	10	(720)	(1,100)
Total administrative expenses		(28,675)	(22,050)
Other operating income		688	396
Operating profit	6	**19,968**	**21,481**
Finance income	5	133	134
Finance costs	8	(4,812)	(1,889)
Profit before taxation		**15,289**	**19,726**
Taxation	9	(3,216)	(3,652)
Profit for the year and total comprehensive income		**12,073**	**16,074**
Profit for the year and total comprehensive income is attributable to:			
Owners of the parent company		12,073	16,074
		12,073	**16,074**
Earnings per share			
Basic earnings on profit for the year	12	10.19p	14.74p
Diluted earnings on profit for the year	12	9.90p	14.37p
Adjusted earnings per share			
Basic earnings on profit for the year	12	10.74p	15.63p
Diluted earnings on profit for the year	12	10.43p	15.24p

Adjusted earnings per share is a non-GAAP measure and is presented as an additional performance measure and is stated before exceptional items.

The Group has no items of other comprehensive income.

The accompanying notes on pages 85 to 117 form an integral part of these financial statements.

FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 MAY 2023

	Note	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	13	7,816	5,799
Intangible assets	14	5,953	5,758
Investments	16	-	520
Deferred taxation	23	1,783	2,133
Trade and other receivables	18	5,000	5,641
		20,552	**19,851**
Current assets			
Inventories	17	277,633	230,095
Trade and other receivables	18	22,588	21,363
Cash and cash equivalents	27	8,909	16,390
		309,130	**267,848**
Total assets		**329,682**	**287,699**
Current liabilities			
Trade and other payables	19	55,788	68,513
Deferred consideration	24	11,785	6,119
Short-term obligations under lease liabilities	22	1,884	1,284
Provisions	25	1,710	821
Corporation tax		362	273
		71,529	**77,010**
Non-current liabilities			
Long-term bank borrowings	21	70,673	50,486
Long-term obligations under lease liabilities	22	4,016	2,670
Deferred taxation	23	3,615	3,726
Deferred consideration	24	24,332	6,455
Contingent consideration	25	2,000	2,000
Provisions	25	2,884	1,825
		107,520	**67,162**
Total liabilities		**179,049**	**144,172**
Net assets		**150,633**	**143,527**
Equity			
Share capital	26	148	148
Share premium	26	78,744	78,744
Retained earnings		71,741	64,635
Equity attributable to owners of the parent company		**150,633**	**143,527**

These financial statements were approved and authorised for issue by the Board of Directors on 20 September 2023 signed on behalf of the Board by:

Company number: SC031286

Sandy Adam - Executive Chairman

The accompanying notes on pages 85 to 117 form an integral part of these financial statements.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2023

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Total £000
1 June 2021		128	56,761	54,341	111,230
Share issue		20	21,983	-	22,003
Total comprehensive income for the year		-	-	16,074	16,074
Share-based payments	**26**	-	-	554	554
Dividends	**11**	-	-	(6,334)	(6,334)
31 May 2022		**148**	**78,744**	**64,635**	**143,527**
Total comprehensive income for the year		-	-	12,073	12,073
Share-based payments	**26**	-	-	601	601
Dividends	**11**	-	-	(5,568)	(5,568)
31 May 2023		**148**	**78,744**	**71,741**	**150,633**

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 issued, less share issue costs.

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

The accompanying notes on pages 85 to 117 form an integral part of these financial statements.

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR TO 31 MAY 2023

Cash flows generated from operations	**Note**	**2023 £000**	**2022 £000**
Profit for the year – Adjusted for:		12,073	16,074
Exceptional items	**10**	720	1,100
Taxation charged	**9**	3,216	3,652
Finance costs	**8**	4,812	1,889
Finance income	**5**	(133)	(134)
Adjusted operating profit before working capital movement		**20,688**	**22,581**
Exceptional items	**10**	(720)	(1,100)
Gain on disposal of tangible fixed assets	**6**	(312)	(187)
Gain on disposal of investment		(158)	-
Share based payments	**26**	601	554
Non-cash movement		-	100
Amortisation of intangible fixed assets	**6**	255	161
Depreciation and impairment of tangible fixed assets		2,257	1,724
Operating cash flows before movements in working capital		**22,611**	**23,833**
Increase in inventory		(3,251)	(16,505)
(Increase)/decrease in accounts and other receivables		(404)	4,253
(Decrease)/increase in accounts and other payables		(10,818)	7,503
Net cash from operations		**8,138**	**19,084**
Taxation paid		(2,900)	(3,522)
Net cash inflow from operating activities		**5,238**	**15,562**
Investing activities			
Purchase of property, plant and equipment		(478)	(376)
Proceeds on disposal of property, plant and equipment		427	247
Proceeds on disposal of investment		678	-
Deferred consideration paid on acquisition of subsidiary		(6,138)	(2,362)
Acquisition of subsidiary, net of cash acquired		(15,867)	(41,525)
Purchase of intangible assets		(30)	(84)
Net cash used in investing activities		**(21,408)**	**(44,100)**
Financing activities			
Proceeds from issue of shares		-	22,728
Costs relating to share raise		-	(724)
Proceeds from bank loans	**33**	20,187	16,486
Payment of lease liabilities	**33**	(2,147)	(1,437)
Dividends paid	**11**	(5,568)	(6,334)
Interest paid		(3,783)	(1,617)
Net cash inflow from financing activities		**8,689**	**29,102**
Net (decrease)/increase in cash and cash equivalents		**(7,481)**	**564**
Cash and cash equivalents at beginning of year		16,390	15,826
Cash and cash equivalents at end of year	**27**	**8,909**	**16,390**

The accompanying notes on pages 85 to 117 form an integral part of these financial statements.

FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2023

1. Organisation and trading activities

Springfield Properties PLC is incorporated and domiciled in Scotland as a public limited Company and operates from its registered office in Alexander Fleming House, 8 Southfield Drive, Elgin, Morayshire, IV30 6GR. See company note 3 for details of the subsidiary companies.

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 UK adopted international accounting standards. The Group has adopted all the standards and amendments to existing standards that are mandatory for accounting periods beginning on 1 June 2022.

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

The following standards have been issued but have not been applied by the Group in these financial statements. These amendments to standards and interpretations had no significant impact on the financial statements:

- Annual improvements to IFRS 2018-2020
- Amendments to IAS 37 ‘Onerous contracts – Cost of fulfilling a contract’
- Amendments to IAS 16 ‘Property, plant and equipment – Proceeds before intended use’
- Amendments to IFRS 3 ‘Reference to the conceptual framework’

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 June 2022 and have not been early adopted:

- IFRS17 Insurance contracts (including amendments to IFRS17)
- Amendments to IAS 12 ‘Deferred tax related to assets and liabilities arising from a single transaction’
- Amendments to IAS 1 and IFRS PS2 ‘Disclosure of accounting policies’
- Amendments to IAS1 and IFRS PS2 ‘Definition of accounting estimates’
- Amendments to IAS 12 ‘International tax reform’
- Amendments to IAS 1 ‘Classification of liabilities as current or non-current’
- Amendments to IFRS16 ‘Lease liability in a sale and leaseback

The new standards and amendments to the standards noted above are expected to have no significant impact on the financial statements.

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation

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

All financial statements are made up to 31 May 2023. 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

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Group can continue to meet its liabilities and other obligations for the foreseeable future.

The Group's business activities, together with factors that the Directors consider are likely to affect its development, financial performance and financial position, are set out in the Strategic Report on pages 4 to 42.

The material financial and operational risks and uncertainties that may affect the Group's performance and their mitigation are outlined on pages 19 to 22, and financial risks including liquidity, market, interest and capital risks are outlined in Note 29 to the Financial Statements.

In order to support the going concern period to 30 September 2024, the Board-approved budget to May 2024, with a further year added to May 2025, formed the initial basis to confirm the appropriateness of the going concern assessment.

Following the subsequent weakening in demand, the Board-approved budget has now been superseded by a reforecast scenario with the expected number of private home sales in the year to 31 May 2024 reduced by 12% from the original Board-approved budget with sales weighted to the second half of the year, but where the reduction is expected to be offset by additional affordable contract income currently under negotiation and through a reduction in payments from stopping speculative build.

In addition, the Group has prepared a worst-case sensitivity with the number of private home sales in the year to 31 May 2024 being 12% behind the Board-approved budget, with sales weighted to the second half of the year and with no additional affordable income included.

Under this worst-case sensitivity, the peak debt level would have been in excess of the Group's banking facilities of £100m.

To prepare for this worst-case scenario, should it occur, the bank has extended existing facilities and granted an additional term loan of £18.0m with a repayment date of 30 September 2024. The term loan will be repaid from the Group's regular trading activities. The Board has already taken the decision to not pay a dividend until the bank debt is materially reduced. In addition to this, the Group is targeting land sales to further reduce the longer-term debt.

2. Summary of significant accounting policies (continued)

2.4. Going concern (continued)

Under this worst-case scenario, the peak borrowing, which occurs in December 2023, utilises 94% of the extended facilities. However, by the year end in May 2024, the facility utilisation is forecast to drop to around 37%. At all times the Group is able to operate within its bank facilities and covenants.

While the Board has confidence in the robustness of the asset base and considers this worst-case scenario to be cautious, were there to be a greater downturn in the market, there are a number of further mitigating actions that are within the control of the Group and could be pursued. These include additional land sales, greater slowing of development activity to preserve cash and further reductions in the cost base.

Accordingly, the Directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The Directors are confident 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 the signing of the annual report and financial statements for the year ended 31 May 2023.

2.5. Revenue and profit recognition

Sale of private homes

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

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

Revenue on contracts recognised over time

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

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

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

Revenues derived from variations on contracts are recognised only when they can be reliably measured. Where the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable. When it is probable that total contract costs will exceed contract turnover, the expected loss is recognised as an expense immediately.

Land sales

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

2. Summary of significant accounting policies (continued)

2.5. Revenue and profit recognition (continued)

Plant hire revenue

Plant hire revenue represents amounts receivable for the short-term hire of plant and equipment. Revenue is recognised when the hire period commences and the customer benefits from the use of the plant and equipment and is recognised evenly throughout the hire period.

2.6. Grants

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

2.7. Employee benefits

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

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

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

2.8. Retirement benefits

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

2.9. Net finance costs

Finance costs comprise interest payable on bank loans and the unwinding of the discount from nominal to present day value of provisions, deferred consideration and lease liabilities. Finance costs are capitalised when they are directly attributable to the acquisition, contribution or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Finance income comprises the unwinding of the discount from nominal to present day value of shared equity. Interest income and interest payable is recognised in the income statement on an accruals basis.

2.10. Taxation

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

Current tax

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

Deferred tax

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

2. Summary of significant accounting policies (continued)

2.10. Taxation (continued)

Deferred tax (continued)

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

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

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

2.11. Exceptional items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the profit and loss account to enable a full understanding of the Group's financial performance. Transactions that may give rise to exceptional items include transactions relating to acquisitions and costs relating to changes in share capital structure as well as redundancy and restructuring costs.

2.12. Property, plant and equipment

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

Buildings	- 2% and 5% straight line
Plant and machinery	- 2-10 years straight line
Fixtures, fittings & equipment	- 2-5 years straight line
Motor vehicles	- 4-5 years straight line
Right-of-use leased assets	- over the lease term, straight line with no residual value
Land is not depreciated	

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

2.13. Intangible fixed assets

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

Market related assets

Trademark assets in relation to Springfield Properties PLC are expected to have an indefinite useful life; however, impairment reviews are performed annually. Any impairment losses or reversals of impairment losses are recognised immediately in the profit and loss account.

The brand asset in relation to Tulloch Homes has a 15 year useful life and amortisation is charged on a straight line basis.

2. Summary of significant accounting policies (continued)

2.13. Intangible fixed assets (continued)

Goodwill on acquisition

Goodwill on acquisitions of subsidiaries or businesses 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.

Impairment reviews are performed annually with any impairment losses being recognised immediately in the profit and loss account.

2.14. Fixed asset investments

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

2.15. Impairment of fixed assets

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

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

2.16. Inventories and work in progress

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

Cost comprises the invoiced value of the goods purchased and includes attributable direct costs, labour and overheads and where possible and directly attributable to a site finance costs will be included.

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

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

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

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

2. Summary of significant accounting policies (continued)

2.17. Financial instruments

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

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

Financial assets at amortised cost

Financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets are recognised initially at cost. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses.
Loans outside the Group are valued at the recoverable amount and a market rate of interest is charged.

Financial assets at amortised cost

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

Loans outside the Group are valued at the recoverable amount and a market rate of interest is charged.

Impairment of financial assets

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

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

Derecognition of financial assets

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

Financial liabilities

All of the Group’s financial liabilities are measured at amortised cost.

Other financial liabilities

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

2. Summary of significant accounting policies (continued)

2.17. Financial instruments (continued)

Other financial liabilities (continued)

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

Derecognition of other financial liabilities

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

2.18. Deferred consideration

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

2.19. Cash and cash equivalents

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

2.20. Dividends

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

2.21. Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets (less than £5,000) and leases with a duration of 12 months or less.

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

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received. Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease. Right-of-use assets comprise the Group's existing premises in Elgin, Larbert, Inverness and Glasgow along with certain items of office equipment and motor vehicles.

2. Summary of significant accounting policies (continued)

2.22. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received net of share issue costs. Share capital represents the amount subscribed for shares at nominal value.

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

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

2.23. Share-based payments

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

2.24. Provisions

Provisions include dilapidations to cover the Group's leased properties with an upfront liability recognised. Maintenance provisions relate to the costs to come on developments where the final homes have been handed over. Provisions are liabilities of uncertain timing and amount. Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3. Critical accounting estimates and judgements in applying accounting policies

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

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

3.1. Carrying value of inventories

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

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

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

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

3.2. Contract revenue

Contract revenue relates to where the Group is providing construction services to third parties, resulting in a completed developed property, on land that is not controlled by the Group during the development phase. Revenue is recognised over time, with reference to the stage of completion of the contract. The stage of completion is determined using an input method that reflects the development cost incurred as a proportion of the total expected development cost, as it is considered proportionate to the satisfaction of the underlying performance obligation. These contracts are typically for a fixed cash consideration received on a monthly cycle over the course of the construction services contract.

There is an element of uncertainty when estimating the final cost of a site and the Group ensures there is a strong level of internal control around the reporting of these assessments to ensure an accurate assessment is made. This ensures revenue is accurately calculated on a stage of completion basis (input method).

3.3. Cost allocation

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

3.4. Fair value assessment

As defined in IFRS 3, the Group uses the acquisition method of accounting with all of the acquired subsidiaries identifiable assets and liabilities, existing at the date of acquisition being recorded at their fair values. Judgement is applied in determining acquisition date fair values, including forecasting of future cash flows, discount rates applied and future development profitability.

4. Revenue

Analysis of the Group's revenue is as follows:

Revenue	2023 £000	2022 £000
Private residential housing	253,362	174,442
Affordable housing	53,931	64,251
Contracting housing	19,681	16,494
Other revenue	5,158	1,908
Revenue from the sale of goods and services as reported in the profit and loss account	**332,132**	**257,095**

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

	2023 £000	2022 £000
Amounts included in trade receivables	8,135	13,179
Amounts included within other payables	(4,219)	(10,781)

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

Amounts included within payables represents customer deposits on private homes sales and deferred land sales as well as payments on account.

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.

	2023	2022
Revenue	**£000**	**£000**
Private residential housing	253,362	174,442
Affordable housing	53,931	64,251
Contract housing	19,681	16,494
Other	5,158	1,908
Total revenue	**332,132**	**257,095**
Gross profit	**47,955**	**43,135**
Administrative expenses	(27,955)	(20,950)
Exceptional items	(720)	(1,100)
Other operating income	688	396
Finance income	133	134
Finance expenses	(4,812)	(1,889)
Profit before tax	**15,289**	**19,726**
Taxation	(3,216)	(3,652)
Profit for the period	**12,073**	**16,074**

6. Operating profit

Operating profit is stated after charging / (crediting):

	Notes	2023 £000	2022 £000
Depreciation of tangible fixed assets	**13**	910	1,129
Depreciation of right-of-use assets	**13**	1,342	595
Amortisation of intangible assets	**14**	255	161
Gain on disposal of tangible fixed assets		(312)	(187)
Gain on disposal of investment		(158)	-
Cost of inventories recognised as an expense		284,177	213,960
Exceptional items	**10**	720	1,100
Expenses relating to short term and low value leases		5	110

6. Operating Profit (continued)

Auditor's remuneration

	2023 £000	2022 £000
Fees payable to the Group's auditor for the audit of the Group and Company annual financial statements	81	74
Fees payable to the Group's auditor for the audit of the Company's subsidiaries	155	119
Fees payable to the Group's auditor and their associates for other services to the Group and Company – other non-audit services	6	5
	242	198

7. Staff costs

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

	2023	2022
Building staff	614	532
Administrative staff	262	232
	876	764

	2023 £000	2022 £000
Wages and salaries	39,266	29,267
Share based payments	601	555
Social security costs	3,870	3,135
Pension costs	1,634	1,176
	45,371	34,133

Full details of the Directors' remuneration is provided in the Remuneration Committee Report on page 54. The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The charge to the profit and loss account in respect of defined contribution schemes was £1,634k (2022: £1,176k). Contributions totalling £216k (2022: £265k) were payable to the fund at the year-end and are included in creditors.

8. Finance costs

	2023 £000	2022 £000
Interest on bank overdrafts and loans	4,297	1,579
Interest on lease liabilities	457	272
Other interest	58	38
	4,812	1,889

9. Taxation

	2023 £000	2022 £000
Current tax		
UK corporation tax on profits for the current period	3,069	3,358
Adjustments in respect of prior periods	(92)	(311)
	2,977	3,047
Deferred tax		
Origination and reversal of timing differences	239	486
Adjustments in respect of prior periods	-	119
	239	605
	3,216	3,652

9. Taxation (continued)

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

	2023 £000	2022 £000
Profit before tax	15,289	19,726
Tax at the UK corporation tax rate of 20% (2022: 19%)	3,058	3,748
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	257	181
Adjustments in respect of prior years	(92)	(311)
Depreciation on assets not qualifying for tax allowances	(40)	(48)
Amortisation	-	(26)
Deferred tax adjustments in respect of prior years	-	119
Land remediation relief	(1)	(1)
Income not taxable	11	-
Temporary difference not recognised	291	-
Other timing differences	(3)	23
Adjust deferred tax to closing average rate	(265)	(33)
Tax charge for period	3,216	3,652

10. Exceptional items

	2023 £000	2022 £000
Redundancy costs	349	141
Acquisition and other transaction – related costs (1)	371	859
Other acquisition and other transaction – related costs (2)	-	100
	720	1,100

(1) Acquisition and other transactions – related costs for the acquisition of the housebuilding business of Mactaggart & Mickel Group Ltd.
(2) 2022 -Other acquisition and other transactions – related costs relate to the planning being achieved at Carlaverock, which had previously been assessed as 95% likely.

11. Dividends

On 16 December 2022, a final dividend of 4.7p (2022: 4.5p) per share was paid to shareholders, amounting to £5,568,061 (2022: £4,558,486).

In respect of the current year, there was no interim dividend paid to shareholders. In 2022, an interim dividend of 1.4p per share was paid to shareholders, amounting to £1,775,716.

While recognising the importance of the dividend to shareholders, the Board has resolved not to propose a dividend for FY 2023 as a measure to preserve liquidity in response to market conditions. The Group's focus is on managing cash flow and reducing its debt to ensure that it is in the optimal position for when market conditions improve.

12. Earnings per share

The basic earnings per share is based on the profit for the year divided by the weighted average number of shares in issue during the year. The weighted average number of ordinary shares for the year ended 31 May 2023 assumes that all shares have been included in the computation based on the weighted average number of days since issue.

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

	2023 £000	2022 £000
Profit for the year attributable to owners of the Company	12,073	16,074
Adjusted for the impact of tax adjusted exceptional costs in the year	652	970
Adjusted earnings	12,725	17,044
Weighted average number of ordinary shares for the purpose of basic earnings per share	118,478,254	109,022,146
Effect of dilutive potential shares: share options	3,507,257	2,797,323
Weighted average number of ordinary shares for the purpose of diluted earnings per share	121,985,511	111,819,469
Earnings per ordinary share		
Basic earnings on profit for the year	10.19p	14.74p
Diluted earnings on profit for the year	9.90p	14.37p
Adjusted earnings per ordinary share (1)		
Basic earnings on profit for the year	10.74p	15.63p
Diluted earnings on profit for the year	10.43p	15.24p

(1) Adjusted earnings is presented as an additional performance measure and is stated before exceptional items and is used in adjusted EPS calculation.

13. Property, plant and equipment

	2023 £000	2022 £000
Property, plant and equipment	2,577	2,760
Right-of-use assets	5,239	3,039
Property, plant and equipment	**7,816**	**5,799**

	Land & buildings £000	Plant & machinery £000	Fixtures, fittings & equipment £000	Motor vehicle £000	Total £000
Cost					
At 1 June 2021	986	6,711	2,162	387	10,246
Additions	-	609	288	-	897
Acquisition of subsidiary	-	43	19	20	82
Disposals	-	(405)	(776)	(165)	(1,346)
At 31 May 2022	986	6,958	1,693	242	9,879
Additions	-	511	278	71	860
Disposals	(142)	(234)	(13)	(144)	(533)
At 31 May 2023	844	7,235	1,958	169	10,206
Accumulated depreciation					
At 1 June 2021	120	5,009	1,805	360	7,294
Depreciation charge	27	887	197	18	1,129
Disposals	-	(374)	(765)	(165)	(1,304)
At 31 May 2022	147	5,522	1,237	213	7,119
Depreciation charge	25	616	233	36	910
Disposals	(26)	(225)	(6)	(143)	(400)
At 31 May 2023	146	5,913	1,464	106	7,629
Net book value					
At 31 May 2023	698	1,322	494	63	2,577
At 31 May 2022	839	1,436	456	29	2,760
At 31 May 2021	866	1,702	357	27	2,952

FINANCIAL STATEMENTS

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2023**

13. Property, plant and equipment (continued)

Right-of-use assets	Land & buildings £000	Fixtures, fittings & equipment £000	Motor vehicle £000	Total £000
Cost				
At 1 June 2021	2,128	65	248	2,441
Additions	420	-	1,454	1,874
Acquisition of subsidiary	258	-	61	319
Disposals	(235)	(34)	(110)	(379)
At 31 May 2022	2,571	31	1,653	4,255
Additions	1,522	37	1,992	3,551
Disposals	-	-	(27)	(27)
At 31 May 2023	4,093	68	3,618	7,779
Accumulated depreciation				
At 1 June 2021	679	15	160	854
Depreciation charge	352	6	237	595
Disposals	(122)	(1)	(110)	(233)
At 31 May 2022	909	20	287	1,216
Depreciation charge	519	20	803	1,342
Disposals	-	-	(18)	(18)
At 31 May 2023	1,428	40	1,072	2,540
Net book value				
At 31 May 2023	2,665	28	2,546	5,239
At 31 May 2022	1,662	11	1,366	3,039
At 31 May 2021	1,449	50	88	1,587

Fixed assets with the carrying value of £5,239k (2022: £3,903k) are pledged as security.

14. Intangible fixed assets

	Goodwill	Website	Marketing-related assets	Total
	£000	£000	£000	£000
Cost				
At 1 June 2021	1,118	-	600	1,718
Additions	-	84	-	84
Disposals	-	(144)	-	(144)
Acquisition of subsidiary	513	79	3,700	4,292
At 31 May 2022	1,631	19	4,300	5,950
Additions	420	30	-	450
At 31 May 2023	2,051	49	4,300	6,400
Amortisation				
At 1 June 2021	69	-	-	69
Amortisation charge in year	-	38	123	161
Amortisation on disposals	-	(38)	-	(38)
At 31 May 2022	69	-	123	192
Amortisation charge in year	-	8	247	255
At 31 May 2023	69	8	370	447
Net book value				
At 31 May 2023	1,982	41	3,930	5,953
At 31 May 2022	1,562	19	4,177	5,758
At 31 May 2021	1,049	-	600	1,649

Goodwill relates to the prior acquisition of Walker Holdings (Scotland) Limited £1,562k (2022: £1,562k), Tulloch Homes Holdings Limited £562k (2022: £513k) and the current year acquisition of the housebuilding business of Mactaggart & Mickel Group Ltd (Springfield M&M Homes). £420k (2022: £nil) and is subject to annual impairment reviews. The recoverable amount of Walker Holdings (Scotland) Limited goodwill has been determined based on a value in use calculation using cash flow projections based on the actual results for Walker Holdings (Scotland) Limited for the year ended 31 May 2023 and the financial budget approved by the Board covering the period to 31 May 2024, with projected cash flows for the years ending 31 May 2025 to 31 May 2027 based on a growth rate of 0% per annum. The recoverable amount of the Tulloch Homes Holdings Limited goodwill has been determined based on a value in use calculation using cash flow projections based on the actual results for the Tulloch Group for the year ended 31 May 2023 and the financial budget approved by the Board covering the period to 31 May 2024, with projected cash flows for the years ending 31 May 2025 to 31 May 2027 based on a growth rate of 5% per annum. The recoverable amount of the Springfield M&M Homes goodwill has been determined based on a value in use calculation using cash flow projections based on the actual results for the Springfield M&M Homes for the year ended 31 May 2023 and the financial budget approved by the Board covering the period to 31 May 2024, with projected cash flows for the years ending 31 May 2025 to 31 May 2027 based on a growth rate of 5% per annum.

Marketing-related assets of £3,971k (2022: £4,177k) comprise of Springfield Properties PLC trademark asset £600k (2022: £600k) which has been measured at cost and the Tulloch Homes brand £3,371k (2022: £3,577k). The trademark asset is expected to have an indefinite useful life. The brand intangible £3,371k (2022: £3,577k) relates to the brand name of Tulloch Homes Holdings Limited and is being amortised over its economic useful life (15 years). The recoverable amount of the Springfield trademark intangible has been determined based on a value in use calculation using cash flow projections based on the actual results for Springfield Properties PLC company only for the year ended 31 May 2023 and the financial budget approved by the Board covering the period to 31 May 2024, with projected cash flows for the years ending 31 May 2025 to 31 May 2027 based on a growth rate of 5% per annum.

14. Intangible fixed assets (continued)

Website costs are stated at cost less amortised cost. The economic useful life of website costs is 3 years. The discount rate applied to cash flows is 12% based on an estimated market rate of interest applied. As a result of the impairment review, there has been no impairment to the carrying value of the intangible assets. The Directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

15. Acquisition of the housebuilding business of Mactaggart & Mickel Group Limited and Timber Kit factory

	Book Value	Revaluation adjustment	Fair Value to Group
	£000	**£000**	**£000**
Property, plant and equipment	-	220	220
Inventories	46,195	(2,312)	43,883
	46,195	(2,092)	44,103

Consideration paid on acquisition – cash	10,000
Consideration paid on first year – land creditor	5,414
Deferred consideration	29,109
	44,523
Less: Goodwill (note 14)	(420)
Total	**44,103**

A fair value assessment has been performed resulting in an adjustment of (£2,312,150) to inventories and £219,710 to property, plant and equipment. The deferred consideration has been discounted, based on the Government Bond 5 year rate, in the financial statements.

The housebuilding business of Mactaggart & Mickel 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. The acquisition has contributed revenue of £36,350,445 and profit before tax of £2,053,399 from the acquisition date of 1 June 2022 to 31 May 2023.

During the year, the Group purchased a timber kit factory for a consideration of £453,000. The assets and trade are included within Springfield Timber Kit Systems Limited.

16. Fixed assets investments

	2023	2022
	£000	**£000**
Cost		
Other investments	-	520
	-	**520**

On 25 June 2022, Springfield Properties PLC sold an investment in Castle Stuart for a consideration of £678k, resulting in a gain on disposal of £158k.

16. Fixed assets investments (continued)

Movement in fixed asset investments

	Investment in joint venture	Other	Total
	£000	£000	£000
Cost			
At 1 June 2021	-	-	-
Additions	-	520	520
At 31 May 2022	-	520	520
Disposals	-	(520)	(520)
At 31 May 2023	**-**	**-**	**-**

17. Inventories

	2023	2022
	£000	£000
Work in progress	277,633	230,095
	277,633	**230,095**

Finance costs capitalised during the year amounted to 1,672k (2022: £nil).

18. Trade and other receivables

Amounts falling due within one year

	2023	2022
	£000	£000
Trade receivables	9,102	10,036
Other receivables	7,270	5,771
Contract assets	5,006	4,497
Prepayments and accrued income	1,210	1,059
	22,588	**21,363**

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, affordable housing revenues, contracting housing 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 (included within other receivables great than one year) have also been assessed as low credit risk based on the expected profitability of their future contracts. The Group has low concentration of credit risk, with exposure spread over a large number of customers and developments. The maximum exposure to credit risk at 31 May 2023 is represented by the carrying amount of each financial asset.

Amounts falling due after one year

	2023	2022
	£000	£000
Shared equity receivables	-	641
Other receivables	5,000	5,000
	5,000	**5,641**

18. Trade and other receivables (continued)

Shared equity receivables

	2023 £000	2022 £000
At 1 June 2022	641	365
Acquisition of subsidiary	-	715
Repaid during the year	(325)	(447)
Finance income	13	8
At 31 May 2023	**329**	**641**
Less: amounts receivable within one year	(329)	-
Amounts receivable after one year	**-**	**641**

Shared equity loan receivables comprise loans which were granted as part of sales transactions. They are secured by way of a second ranking legal charge over the related property. The assets are recorded at fair value, being the estimated future amount receivable by the Group, discounted to present day values.

The Directors review the future anticipated receipts from the assets at the end of each financial year. Credit risk, which the Directors currently consider to be mitigated through holding a second legal charge over the assets, is accounted for in determining fair values and appropriate discount factors are applied. The Directors review the financial assets for impairment at each balance sheet date. The Directors expect an average maturity profile of between 2 and 5 years from the balance sheet date.

19. Trade and other payables

	2023 £000	2022 £000
Trade creditors	35,377	39,262
Other taxation and social security	1,328	1,308
Other creditors	765	2,207
Contract liabilities	2,860	8,117
Accruals and deferred income	15,458	17,619
	55,788	**68,513**

Revenue recognised in the year ended 31 May 2023 included £5,641k (2022: £3,206k) that was included in the contract liability balance at 31 May 2022. The Directors consider the carrying amount of the accounts payable approximates to their fair value.

20. Financial assets and liabilities

Assets	2023 £000	2022 £000
Financial assets at amortised cost	27,443	36,589
Total	**27,443**	**36,589**

Liabilities	2023 £000	2022 £000
Measured at amortised cost	162,165	121,230
Total	**162,165**	**121,230**

Included within Financial assets at amortised cost is trade receivables, retentions and cash and cash equivalents.

Included within Financial liabilities at amortised cost is short and long term bank borrowings, trade creditors, short term obligations under lease liabilities, long term obligations under lease liabilities, deferred consideration and accruals.

21. Bank borrowings

	2023	2022
Secured borrowings:	**£000**	**£000**
Bank loans	70,673	50,486
Payable after one year	**70,673**	**50,486**

The bank loan comprises of a revolving credit facility of £87.5m with an expiry date of January 2025. The facility attracts an interest rate of 2.15% per annum above Bank of England SONIA (Sterling overnight index average response rate) and is secured over certain of the Company's properties, with a 31 May 2023 work in progress value of £59.8m.

Post year end, a term loan of £18.0m has been put in place with a repayment date of 30 September 2024. The facility attracts an interest rate of 2.75% per annum above Bank of England SONIA (Sterling overnight index average response rate).

At 31 May 2023, the Group had available £16.5m (2022: £36.5k) of undrawn committed borrowing facilities.

The Group's lender has a floating charge over the assets of the Company and of its subsidiaries.

22. Obligations under leases

Lease payments represent rentals payable by the Group for certain items of plant and machinery and are secured by the assets under lease in question. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. Leases are stated at the present value of the contractual payments due to the lessor over the lease term.

	2023	2022
Future minimum payments due:	**£000**	**£000**
Not later than one year	2,236	1,506
After one year but not more than five years	3,232	2,540
After five years	1,546	542
	7,014	4,588
Less finance charges allocated to future periods	(1,114)	(634)
	5,900	**3,954**
Present value of minimum lease payments:		
Not later than one year	1,884	1,284
After one year but not more than five years	3,273	2,192
After five years	743	478
	5,900	**3,954**

23. Deferred taxation

	2023	2022
	£000	**£000**
The movement in the deferred taxation provision during the year was:		
Provision brought forward	1,593	2,381
On acquisition	-	(1,393)
Charge in the year	239	486
Prior year adjustment	-	119
Provision carried forward	**1,832**	**1,593**

23. Deferred taxation (continued)

	2023	2022
	£000	£000
Deferred tax liability	3,615	3,726
Deferred tax assets	(1,783)	(2,133)
	1,832	**1,593**

	2023	2022
	£000	£000
The elements of deferred taxation are as follows:		
Fixed asset timing differences	122	76
Available losses	(554)	(801)
Other timing differences	2,264	2,318
	1,832	**1,593**

24. Deferred consideration

As part of the purchase agreement of Tulloch Homes Holdings Limited, there was a further £13,000,000 of deferred consideration payable. This can be broken down into: (i) £362,330 paid on 24 April 2022 (ii) £6,137,670 paid on 1 November 2022 and (iii) £6,500,000 payable on 1 July 2023. The outstanding discounted amount payable at the period end is £6,493,552 (2022: £12,574,228), which has subsequently been paid.

As part of acquiring the housebuilding business of Mactaggart & Mickel Group Limited, there was a further £30,781,108 of deferred consideration payable. This is payable quarterly in arrears as homes are sold starting from August 2023. There is a minimum annual payment of £7,695,277. The outstanding discounted amount payable at the period end was £29,623,127 (2022: £nil).

	2023	2022
	£000	£000
Acquisition of Tulloch Homes Holdings Limited	6,494	12,574
Acquisition of the housebuilding business of Mactaggart & Mickel Group Limited	29,623	-
	36,117	**12,574**

	2023	2022
	£000	£000
Deferred consideration < 1 year	11,785	6,119
Deferred consideration > 1 year	24,332	6,455
	36,117	**12,574**

25. (a) Contingent consideration

As part of the purchase agreement of Dawn Homes Holdings Limited there was a further £2,500,000 payable for an area of land if (i) the Group make a planning application when it reasonably believes 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 liability of £2,000,000 based on 80% probability. The outstanding amount payable at the period end included within liabilities is £2,000,000 (2022: £2,000,000). The remaining £500,000 (20% on the £2,500,000 still to be paid) has been treated as a contingent liability due to the uncertainty over the future payment.

	2023	2022
	£000	£000
Acquisition of Dawn Homes Holdings Limited	2,000	2,000
	2,000	**2,000**

25. (b) Provisions

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

	2023	2022
	£000	£000
Dilapidation provision	169	150
Provisions for onerous contracts	353	-
Maintenance provision	4,072	2,496
	4,594	**2,646**

The movement in the provision accounts are as follows:

	Dilapidation	Onerous contracts	Maintenance	Total
	£000	£000	£000	£000
Balance as at 1 June 2022	150	-	2,496	2,646
Additional provision	34	-	2,785	2,819
Amount utilised	(15)	-	(1,516)	(1,531)
Profit and Loss	-	353	307	660
Balance as at 31 May 2023	169	353	4,072	4,594

	2023	2022
	£000	£000
Provisions < 1 year	1,710	821
Provisions > 1 year	2,884	1,825
	4,594	**2,646**

26. Share capital

The Company has one class of ordinary share which carry full voting rights but no right to fixed income or repayment of capital. The share capital account records the nominal value of shares issued. The share premium account records the amount above the nominal value received for shares sold, less share issue costs.

Ordinary shares of 0.125p - allotted, called up and fully paid	Number of shares	Share capital £000	Share premium £000
At 1 June 2022	118,469,399	148	78,744
Share issue	26,602	-	-
At 31 May 2023	**118,496,001**	**148**	**78,744**

During the year, 26,602 shares (2022: 677,587) were issued in satisfaction of share options exercised for a consideration of £33.

Share based payments

During the year the Group operated four share-based schemes.

Share related share options scheme

The Group operates a Savings related Share Option Scheme which is open to all employees. Grant options were made in May 2021 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 10% discount of the share price at the date of grant and lapse if not exercised within six months of maturity. Special provisions apply to employees who leave their employment for ill health, redundancy or retirement.

Long-Term Incentive Plan (LTIP)

The Company operates a LTIP for senior management to retain and align their interests with shareholders. The LTIP is split into a CSOP, ESOP and Performance Share Plan ("PSP") scheme. The PSP was introduced during the prior year and under which key executives could be granted conditional "whole share" awards (i.e. rights to acquire shares where the individual is required to pay a zero or negligible exercise price) the vesting of which is normally conditional on both continued employment and the satisfaction of specified performance measures.

Fair value of share options

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

CSOP

	2023		2022	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at the beginning of the year	627,558	115.33	801,745	114.89
Lapsed during the year	(21,145)	116.71	(17,741)	108.50
Exercised during the year	-	-	(156,446)	113.84
Options at the year end	606,413	115.28	627,558	115.33

26. Share capital (continued)

Share based payments (continued)

Share option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting period (years)
CSOP – 16th October 2017	106.00	307,821	106.00	3
CSOP – 8th December 2017	111.00	27,027	111.00	3
CSOP – 3rd May 2018	134.00	22,388	134.00	3
CSOP – 16th May 2018	134.00	110,008	134.00	3
CSOP – 1st October 2018	122.50	102,678	122.50	3
CSOP – 4th June 2019	108.50	36,491	108.50	3

	2023		2022	
ESOP	**Number of shares**	**Weighted average exercise price (pence)**	**Number of shares**	**Weighted average exercise price (pence)**
Options at the start of the year	1,746,570	118.84	2,024,836	119.38
Lapsed during the year	(18,981)	122.50	(187)	122.50
Exercised during the year	-	-	(278,079)	119.31
Options at the year end	1,727,589	118.80	1,746,570	118.84

Share option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting period (years)
ESOP – 16th October 2017	106.00	446,402	106.00	3
ESOP – 3rd May 2018	134.00	72,761	134.00	3
ESOP – 16th May 2018	134.00	11,157	134.00	3
ESOP – 1st October 2018	122.50	1,197,269	122.50	3

	2023		2022	
SAYE	**Number of shares**	**Weighted average exercise price (pence)**	**Number of shares**	**Weighted average exercise price (pence)**
Options at the start of the year	1,837,747	130.50	2,192,995	128.45
Lapsed during the year	(752,775)	130.50	(112,186)	130.50
Exercised during the year	-	-	(243,062)	86.79
Options at the year end	1,084,972	130.50	1,837,747	130.50

Share option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting period (years)
SAYE – 29th April 2021	145.00	1,084,972	130.50	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2023

26. Share capital (continued)

Share based payments (continued)

PSP	2023 Number of shares	2023 Weighted average exercise price (pence)	2022 Number of shares	2022 Weighted average exercise price (pence)
Options at start of the year	2,368,181	0.13	1,006,633	0.13
Granted during the year	776,800	0.13	1,396,481	0.13
Lapsed during the year	(265,105)	0.13	(34,933)	0.13
Exercised during the year	(26,602)	0.13	-	-
Options at the year end	2,853,274	0.13	2,368,181	0.13

Share option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period (years)
PSP – 9th January 2020	0.13	56,929	0.13	3
PSP – 30th October 2020	0.13	623,064	0.13	3
PSP – 21st December 2021	0.13	1,396,481	0.13	3
PSP – 28th March 2023	0.13	776,800	0.13	3

Inputs used to determine fair value of options

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

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

CSOP – nil (2022: 156,466) of options were exercised during the year and 606,413 (2022: 582,323) shares were exercisable.

ESOP – nil (2022: 278,079) of options were exercised during the year and 1,727,589 (2022: 1,746,570) shares were exercisable.

SAYE – nil (2022: 243,062) of options were exercised during the year and nil (2022: nil) shares were exercisable.

PSP – 26,602 (2022: nil) of options were exercised during the year and 56,929 (2022: nil) shares were exercisable.

Charge for share based incentive schemes

The total charge for the year relating to employee share-based plans were £601k (2022: £554k), all of which related to equity-settled share-based payment transactions.

27. Cash and cash equivalents

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

	2023 £000	2022 £000
Cash at bank and in hand	8,909	16,390
	8,909	**16,390**

At 31 May 2023, the Group had an available overdraft facility of £12.5m (2022: £2.5m).

28. Capital risk management

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

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

29. Financial risk management

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

29.1. Market risk

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

29.2. Interest risk

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

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

	2023 £000	2022 £000
Financial liabilities at fixed rate	42,017	16,528
Financial liabilities at floating rate	70,673	50,486
Non-interest-bearing financial liabilities	49,475	54,216
	162,165	**121,230**

29. Financial risk management (continued)

29.2. Interest risk (continued)

Interest rate sensitivity analysis

The table below details the Group's sensitivity to increase or decrease of floating interest rates by 0.5%, which the Directors consider to be a reasonably 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 SONIA rate 31 May 2023		Bank of England SONIA rate 31 May 2022	
	Interest rate +0.5% £000	**Interest rate –0.5% £000**	**Interest rate +0.5% £000**	**Interest rate –0.5% £000**
(Loss) / profit	(353)	353	(252)	252

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 2023.

29.3. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities as they fall due. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, medium to long term borrowings and leases. The Directors continually assess the balance of capital and debt of the Group.

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

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

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

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2023

29. Financial risk management (continued)

29.3. Liquidity risk (continued)

31 May 2023

	Carrying amount £000	Total minimum future payment £000	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000	Greater than 5 years £000
Accounts payable	49,475	49,475	49,475	-	-	-
Bank borrowings	70,673	71,000	-	71,000	-	-
Deferred consideration	36,117	37,281	12,271	7,695	17,315	-
Leases	5,900	7,014	2,236	1,645	2,314	819
	162,165	**164,770**	**63,982**	**80,340**	**19,629**	**819**

31 May 2022	Carrying amount £000	Total minimum future payment £000	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000	Greater than 5 years £000
Accounts payable	54,216	54,216	54,216	-	-	-
Bank borrowings	50,486	51,000	-	51,000	-	-
Deferred consideration	12,574	12,638	6,138	6,500	-	-
Leases	3,954	4,588	1,506	1,272	1,268	542
	121,230	**122,442**	**61,860**	**58,772**	**1,268**	**542**

29.4 Credit risk

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

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

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

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

	31 May 2023		31 May 2022	
	Total book value £000	Allowance for impairment £000	Total book value £000	Allowance for impairment £000
Current	8,827	-	10,441	-
Overdue 90 days	275	-	236	-
	9,102	**-**	**10,677**	**-**

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

29.4 Credit risk (continued)

The ageing profile of other receivables was:

	31 May 2023		31 May 2022	
	Total book value £000	**Allowance for impairment £000**	**Total book value £000**	**Allowance for impairment £000**
Current	7,270	-	5,771	-
Non-current	5,000	-	5,000	-
	12,270	**-**	**10,771**	**-**

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

30. Transactions with related parties

Other related parties include transactions with retirement schemes in which Directors and close family members of key management personnel are beneficiaries. During the year, dividends totalling £1,854k (2022: £2,343k) 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	**2023 £000**	**2022 £000**
Mr Sandy Adam	1,776	2,249
Mr Innes Smith	43	55
Ms Michelle Motion	5	6
Mr Matthew Benson	1	2
Mr Roger Eddie	2	3
Mr Colin Rae	1	1
Mr Nick Cooper	1	1
	1,829	**2,317**

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

	2023 £000	**2022 £000**
Short-term employee benefits	2,696	3,537
Share-based payments	555	404
Post-employment benefits	208	169
	3,459	**4,110**

30. Transactions with related parties (continued)

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

	Sale of goods		Purchase of goods	
	2023 £000	2022 £000	2023 £000	2022 £000
Bertha Park Limited (1)	13,751	18,691	-	371
Other entities that key management personnel have control, significant influence or hold a material interest in	76	83	325	45
Key management personnel	244	176	-	11
Other related parties	1	29	1,616	332
	14,072	**18,979**	**1,941**	**759**

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

	Rent paid	
	2023 £000	2022 £000
Entities that key management personnel have control, significant influence or hold a material interest in	162	170
Key management personnel	3	-
Other related parties	100	107
	265	**277**

	2023 £000	2022 £000
Interest received:		
Entities that key management personnel have control, significant influence or hold a material interest in (short-term)	125	125
	125	**125**

The following amounts were outstanding at the reporting end date:

	2023 £000	2022 £000
Amounts receivable:		
Bertha Park Limited (1)	8,524	9,167
Other entities that key management personnel have control, significant influence or hold a material interest in (short-term)	5	54
Key management personnel	-	39
Other related parties	-	1
	8,529	**9,261**

30. Transactions with related parties (continued)

	2023	2022
	£000	£000
Accounts payable:		
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	62	-
Other related parties	678	52
	740	**52**

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 £13,751k (2022: £18,226k) in relation to a build contract. At the year-end £3,399k (2022: £3,983k) is included in trade debtors and included within other debtors is a loan of £5,125k (2022: £5,125k). During the year the Group had purchases from Bertha Park Limited of £nil (2022: £371k) in relation to a build contract.

31. Commitments and guarantees

In the ordinary course of the Group's business the Group is required to enter into performance bond arrangements. At 31 May 2023, the Group had bonds of £36,473k (2022: £35,358k) provided by financial institutions.

31.1. Capital commitments

	2023	2022
	£000	£000
Call and put options for the purchase of plots for development	27,275	33,204

32. Analysis of net debt

The Analysis of net debt is as follows:

	2023	2022
	£000	£000
Cash in hand and bank	8,909	16,390
Bank borrowings	(70,673)	(50,486)
	(61,764)	(34,096)
Lease liability	(5,900)	(3,954)
Net debt	**(67,664)**	**(38,050)**
Deferred consideration	(36,117)	(12,574)
	(103,781)	**(50,624)**

32. Analysis of net debt (continued)

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

	At 1 June 2022	New leases	On acquisition	Cashflow	Fair value	At 31 May 2023
	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	16,390	-	-	(7,481)	-	8,909
Bank borrowings	(50,486)	-	-	(20,187)	-	(70,673)
Lease	(3,954)	(3,694)	-	2,147	(399)	(5,900)
Net debt	**(38,050)**	**(3,694)**	**-**	**(25,521)**	**(399)**	**(67,664)**
Deferred consideration	(12,574)	-	(30,781)	6,137	1,101	(36,117)
	(50,624)	**(3,694)**	**(30,781)**	**(19,384)**	**702**	**(103,781)**

	At 1 June 2021	New leases	On acquisition	Cashflow	Fair value	At 31 May 2022
	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	15,826	-	23,485	(22,921)	-	16,390
Bank borrowings	(34,000)	-	-	(16,486)	-	(50,486)
Lease	(2,613)	(2,396)	(301)	1,437	(81)	(3,954)
Net (debt)/cash	**(20,787)**	**(2,396)**	**23,184**	**(37,970)**	**(81)**	**(38,050)**
Deferred consideration	(2,107)	-	(13,000)	2,362	171	(12,574)
	(22,894)	**(2,396)**	**10,184**	**(35,608)**	**90**	**(50,624)**

33. Subsequent events

Post year end, a term loan of £18.0m has been put in place and the Company’s overdraft facility was extended by a period of 12 months, with repayment and expiry date respectively of 30 September 2024. The term loan facility attracts an interest rate of 2.75% per annum above Bank of England SONIA (Sterling overnight index average response rate). The overdraft facility attracts an interest rate of 3.0% per annum above Bank of England base rate.

FINANCIAL STATEMENTS

COMPANY BALANCE SHEET
AS AT 31 MAY 2023

	Note	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	**2**	2,162	2,727
Intangible assets	**3**	641	619
Investments	**4**	132,697	132,697
Deferred taxation	**11**	99	162
Trade and other receivables	**6**	5,000	5,000
		140,599	**141,205**
Current assets			
Inventories	**5**	114,533	104,916
Trade and other receivables	**6**	32,011	31,446
Cash and cash equivalents	**15**	2,470	1,073
		149,014	**137,435**
Total assets		**289,613**	**278,640**
Current liabilities			
Trade and other payables	**7**	112,136	106,334
Deferred consideration	**12**	6,494	6,119
Short-term obligations under lease liabilities	**10**	236	222
Provision	**13**	886	364
Corporation tax		-	343
		119,752	**113,382**
Non-current liabilities			
Long-term bank borrowings	**9**	70,673	50,486
Long-term obligations under lease liabilities	**10**	1,034	1,262
Deferred consideration	**12**	-	6,455
Contingent consideration	**13**	2,000	2,000
Provisions	**13**	1,191	852
		74,898	**61,055**
Total liabilities		**194,650**	**174,437**
Net assets		**94,963**	**104,203**
Equity			
Share capital	**14**	148	148
Share premium	**14**	78,744	78,744
Retained earnings		16,071	25,311
Total equity		**94,963**	**104,203**

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was £4,273,216 (2022: profit of £3,014,280).

These financial statements were approved by the Board of Directors on 20 September 2023.
Signed on behalf of the Board by:

Sandy Adam
Executive Chairman **Company number: SC031286**

Company accounting policies are in line with Group – See Group Note 2. The accompanying notes on pages 121 to 139 form an integral part of these financial statements.

FINANCIAL STATEMENTS

COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MAY 2023

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
1 June 2021	**128**	**56,761**	**28,077**	**84,966**
Issue of share capital	20	21,983	-	22,003
Total comprehensive income for the year	-	-	3,014	3,014
Dividends	-	-	(6,334)	(6,334)
Share-based payments	-	-	554	554
31 May 2022	**148**	**78,744**	**25,311**	**104,203**
Total comprehensive expenditure for the year	-	-	(4,273)	(4,273)
Dividends	-	-	(5,568)	(5,568)
Share-based payments			601	601
31 May 2023	**148**	**78,744**	**16,071**	**94,963**

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 issued, less share issue costs.

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

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

The accompanying notes on pages 121 to 139 form an integral part of these financial statements.

FINANCIAL STATEMENTS

COMPANY STATEMENT OF CASH FLOWS
YEAR TO 31 MAY 2023

	Note	2023 £000	2022 £000
Cash flows generated from operations			
(Loss)/profit for the year		(4,273)	2,691
Adjusted for:			
Exceptional items		8	564
Taxation (credit)/charged		(237)	806
Finance costs		4,446	1,719
Finance income		(125)	(125)
Adjusted operating profit before working capital movement		**(181)**	**5,655**
Gain on disposal of tangible fixed assets		(164)	(32)
Exceptional items – cash movement		(8)	(564)
Depreciation and impairment of tangible fixed assets	**2**	559	783
Amortisation and impairment of intangible fixed assets	**3**	8	-
Share based payments	**14**	601	554
Non-cash movement		-	100
Operating cash flows before movements in working capital		**815**	**6,496**
Increase in inventory		(9,617)	(13,610)
Increase in accounts and other receivables		(218)	(8,086)
Increase in accounts and other payables		8,095	52,237
Net cash (used)/generated from operations		**(925)**	**37,037**
Taxation paid		(1,900)	(3,220)
Net cash (outflow)/inflow from operating activities		**(2,825)**	**33,817**
Investing activities			
Purchase of property, plant and equipment	**2**	(100)	(284)
Proceeds on disposal of property, plant and equipment		324	50
Purchase of intangible fixed assets		(30)	(19)
Deferred payment of subsidiary acquisition		(6,138)	-
Interest received		125	-
Purchase of subsidiary company		-	(67,372)
Net cash used in investing activities		**(5,819)**	**(67,625)**
Financing activities			
Proceeds from issue of shares	**14**	-	22,728
Costs relating to share raise		-	(724)
Proceeds from bank loans	**19**	20,187	16,486
Payment of lease liabilities	**19**	(323)	(318)
Dividends paid		(5,568)	(6,334)
Interest paid		(4,255)	(1,572)
Net cash inflow from financing activities		**10,041**	**30,266**
Net increase/(decrease) in cash and cash equivalents		**1,397**	**(3,542)**
Cash and cash equivalents at beginning of year		1,073	4,615
Cash and cash equivalents at end of year	**15**	**2,470**	**1,073**

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

The accompanying notes on pages 121 to 139 form an integral part of these financial statements.

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 2023

1. Staff costs

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

	2023	2022
Building staff	341	350
Administrative staff	170	169
	511	519

	2023 £000	2022 £000
Wages and salaries	22,312	22,064
Share based payments	601	555
Social security costs	2,434	2,285
Pension costs	930	862
	26,277	25,766

The charge to the profit and loss account in respect of defined contribution schemes was £930k (2022: £862k). Contributions totalling £150k (2022: £152k) were payable to the fund at the year-end and are included in creditors.

2. Property, plant and equipment

	2023 £000	2022 £000
Property, plant and equipment	1,041	1,380
Right-of-use assets	1,121	1,347
Total property, plant and equipment	**2,162**	**2,727**

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 2023

2. Property, plant and equipment (continued)

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings & equipment £000	Total £000
Cost				
At 1 June 2021	986	2,221	1,790	4,997
Additions	-	6	278	284
Disposals	-	-	(435)	(435)
At 31 May 2022	986	2,227	1,633	4,846
Additions	-	32	68	100
Disposals	(142)	-	(13)	(155)
At 31 May 2023	**844**	**2,259**	**1,688**	**4,791**
Accumulated depreciation				
At 1 June 2021	121	1,783	1,450	3,354
Depreciation charge	27	335	184	546
Disposals	-	-	(434)	(434)
At 31 May 2022	148	2,118	1,200	3,466
Depreciation charge	25	106	185	316
Disposals	(26)	-	(6)	(32)
At 31 May 2023	**147**	**2,224**	**1,379**	**3,750**
Net book value				
At 31 May 2023	**697**	**35**	**309**	**1,041**
At 31 May 2022	**838**	**109**	**433**	**1,380**
At 31 May 2021	**865**	**438**	**340**	**1,643**

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 2023

2. Property, plant and equipment (continued)

Right-of-use assets

	Land and buildings £000	Fixtures, fittings & equipment £000	Total £000
Cost			
At 1 June 2021	1,644	53	1,697
Additions	420	-	420
Disposals	(16)	(22)	(38)
At 31 May 2022	2,048	31	2,079
Additions	-	17	17
At 31 May 2023	**2,048**	**48**	**2,096**
Accumulated depreciation			
At 1 June 2021	482	15	497
Depreciation charge	231	6	237
Disposals	(1)	(1)	(2)
At 31 May 2022	712	20	732
Depreciation charge	230	13	243
At 31 May 2023	**942**	**33**	**975**
Net book value			
At 31 May 2023	**1,106**	**15**	**1,121**
At 31 May 2022	**1,336**	**11**	**1,347**
At 31 May 2021	**1,162**	**38**	**1,200**

3. Intangible fixed assets

	Marketing-related assets £000
Cost	
1 June 2021	600
Additions	19
At 31 May 2022	619
Additions	30
At 31 May 2023	649
Amortisation	
At 1 June 2021 and 31 May 2022	-
Amortisation	8
At 31 May 2023	8
Net book value	
At 31 May 2023	**641**
At 31 May 2022	**619**
At31 May 2021	**600**

3. Intangible fixed assets (continued)

Marketing-related assets comprises of the Springfield trademark asset which has been measured at cost. Market-related assets are expected to have an indefinite useful life. The recoverable amount of the marketing intangible has been determined based on a value in use calculation using cash flow projections based on the actual results for Springfield company only for the year ended 31 May 2023 and the financial budget approved by the Board covering the period to 31 May 2024, with projected cash flows for the years ending 31 May 2025 to 31 May 2027 based on a growth rate of 5% per annum.

The discount rate applied to cash flows is 12% based on an estimated market rate of interest applied. As a result of the impairment review, there has been no impairment to the carrying value of the intangible assets. The Directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

4. Fixed asset investments

	2023 £000	2022 £000
Cost		
Investment in subsidiaries	169,697	169,697
Provision for impairment		
Impairment	(37,000)	(37,000)
Net book value	**132,697**	**132,697**

Movement in fixed asset investments

	Share in Group undertakings £000	Total £000
Cost		
At 1 June 2021	91,467	91,467
Additions	78,230	78,230
At 31 May 2022 and 31 May 2023	169,697	169,697
Provisions for impairment		
At 1 June 2021	(37,000)	(37,000)
Impairment	-	-
At 31 May 2022 and 31 May 2023	(37,000)	(37,000)
Net book value		
At 31 May 2023	**132,697**	**132,697**
At 31 May 2022	132,697	132,697
At 31 May 2021	54,467	54,467

Impairment is as a result of a £37,000k dividend from Walker Holdings (Scotland) Limited in the month after acquisition in January 2019.

4. Fixed asset investments (continued)

Details of the Company's subsidiaries and jointly owned entities at 31 May 2023 are as follows:

Name of undertaking	Nature of business	Class of shares held	% Held
Glassgreen Hire Limited	Hire of plant and machinery	Ordinary	100%
Dawn Homes Holdings Limited	Holding Company	Ordinary	100%
Dawn Homes Limited *	Housebuilder/Construction	Ordinary	100%
Dawn Homes (Residential) Limited *	Buying and selling of own real estate	Ordinary	100%
Dawn Homes (Cambuslang) Limited *	Housebuilder/Construction	Ordinary	100%
Walker Group Springfield (Holdings) Limited	Housebuilders/ property development/ management services	Ordinary	100%
Walker Group (Scotland) Limited) *	Housebuilders/Construction	Ordinary	100%
Walker Contracts (Scotland) Limited *	Dormant	Ordinary	100%
Walker Residential (Scotland) Limited*	Dormant	Ordinary	100%
Walker Group Developments Limited *	Dormant	Ordinary	100%
Tulloch Homes Holdings Limited	Holding Company	Ordinary	100%
Tulloch Homes Group Limited *	Housebuilder/Construction	Ordinary	100%
Tulloch Homes Express Limited *	Housebuilder/Construction	Ordinary	100%
Tulloch Homes Limited *	Housebuilder/Construction	Ordinary	100%
Tulloch Limited *	Housebuilder/Construction	Ordinary	100%
Argyll Developments (Scotland) Limited*	Housebuilder/Construction	Ordinary	100%
Tulloch Homes (Drumossie) Limited*	Housebuilder/Construction	Ordinary	100%
Argyll Homes (Hamilton) Limited *	Housebuilder/Construction	Ordinary	100%
Springfield Timber Kit Systems Limited	Timber Kit Manufacturing	Ordinary	100%
Springfield M&M Homes Limited	Housebuilder/Construction	Ordinary	100%

All of the above have a registered office address of:
Alexander Fleming House 8 Southfield Drive Elgin, Morayshire IV30 6GR

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 2023

5. Inventories

	2023 £000	2022 £000
Work in progress	114,533	104,916
	114,533	**104,916**

6. Trade and other receivables

Amounts falling due within one year

	2023 £000	2022 £000
Trade receivables	8,152	8,992
Other receivables	6,477	5,423
Contract assets	4,383	4,497
Amounts due from Group undertakings	12,717	12,031
Prepayments and accrued income	282	503
	32,011	**31,446**

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 credit ratings of these various debtors are strong and therefore credit risk is low. Loans to related parties have also been assessed as low credit risk based on the expected profitability of their future contracts. The Company has low concentration of credit risk, with exposure spread over a large number of customers and developments. The maximum exposure to credit risk at 31 May 2023 is represented by the carrying amount of each financial asset.

Amounts falling due after one year

	2023 £000	2022 £000
Other receivables	5,000	5,000
	5,000	5,000

7. Trade and other payables

	2023 £000	2022 £000
Trade creditors	18,768	20,578
Other taxation and social security	749	940
Other creditors	153	163
Amounts due to Group undertakings	78,894	66,676
Contract liabilities	2,860	8,117
Accruals and deferred income	10,712	9,860
	112,136	**106,334**

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

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 2023

8. Financial assets and liabilities

Assets	**2023**	**2022**
	£000	**£000**
Financial assets at amortised cost	31,822	30,975
Total	**31,822**	**30,975**

Liabilities	**2023**	**2022**
	£000	**£000**
Measured at amortised cost	185,888	159,671
Total	**185,888**	**159,671**

Included within Financial assets at amortised cost is trade receivables, intercompany receivables, retentions and cash and cash equivalents.

Included within Financial liabilities at amortised cost is long term bank borrowings, trade creditors, intercompany payables, short term obligations under lease liabilities, long term obligations under lease liabilities, deferred consideration and accruals.

9. Bank borrowings

	2023	**2022**
	£000	**£000**
Secured borrowings:		
Bank loans	70,673	50,486
Payable after one year	**70,673**	**50,486**

The bank loan comprises of a revolving credit facility of £87.5m with an expiry date of January 2025. The facility attracts an interest rate of 2.15% per annum above Bank of England SONIA (Sterling overnight index average response rate) and is secured over certain of the Company's properties with a 31 May 2023 work-in-progress value of £34.0m.

Post year end, a term loan of £18.0m has been put in place with a repayment date of 30 September 2024. The facility attracts an interest rate of 2.75% per annum above Bank of England SONIA (Sterling overnight index average response rate).

At 31 May 2023, the Group had available £16.5m (2022: £36.5k) of undrawn committed borrowing facilities.

10. Obligations under leases

Lease payments represent rentals payable by the Company for certain items of plant and machinery and buildings and are secured by the assets under lease in question. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. Leases are stated at the present value of the contractual payments due to the lessor over the lease term.

	2023	2022
Future minimum payments due:	£000	£000
Not later than one year	312	311
After one year but not more than five years	867	1,008
After five years	377	542
	1,556	1,861
Less finance charges allocated to future periods	(286)	(377)
	1,270	1,484
Present value of minimum lease payments is:		
Not later than one year	236	222
After one year but not more than five years	690	784
After five years	344	478
	1,270	1,484

11. Deferred taxation

	2021	Profit & loss account	2022	Profit & loss account	2023
	£000	£000	£000	£000	£000
Fixed assets – temporary differences	(94)	6	(88)	7	(81)
Other – temporary differences	(365)	291	(74)	56	(18)
	(459)	**297**	**(162)**	**63**	**(99)**

	2023	2022
	£000	£000
Deferred tax assets	99	162
	99	**162**

12. Deferred consideration

As part of the purchase agreement of Tulloch Homes Holdings Limited, there was a further £13,000,000 of deferred consideration payable. This can be broken down into: (i) £362,330 paid on 24 April 2022 (ii) £6,137,670 paid on 1 November 2022 and (iii) £6,500,000 payable on 1 July 2023. The outstanding discounted amount payable at the period end is £6,493,552 (2022: £12,574,228), which has subsequently been paid.

	2023	2022
	£000	£000
Deferred consideration < 1 year	6,494	6,119
Deferred consideration > 1 year	-	6,455
	6,494	**12,574**

13. (a) Contingent consideration

As part of the purchase agreement of Dawn Homes Holdings Limited there was a further £2,500,000 payable for an area of land if (i) the Company makes a planning application when it reasonably believes 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 liability of £2,000,000 based on 80% probability.

The outstanding amount payable at the period end included within liabilities is £2,000,000 (2022: £2,000,000). The remaining £500,000 (20% on the £2,500,000 still to be paid) has been treated as a contingent liability due to the uncertainty over the future payment.

	2023 £000	2022 £000
Acquisition of Dawn Homes Holdings Limited	2,000	2,000
	2,000	**2,000**

13. (b) Provisions

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

	2023 £000	2022 £000
Dilapidation provision	125	125
Provisions for onerous contracts	353	-
Maintenance provision	1,599	1,091
	2,077	**1,216**

The movement in the provision accounts are as follows:

	Dilapidation	Onerous contracts	Maintenance	Total
	£000	£000	£000	£000
Balance as at 1 June 2022	125	-	1,091	1,216
Additional provision	-	-	993	993
Amount utilised	-	-	(510)	(510)
Profit and Loss	-	353	25	378
Balance as at 31 May 2023	125	353	1,599	2,077

	2023 £000	2022 £000
Provisions < 1 year	886	364
Provisions > 1 year	1,191	852
	2,077	**1,216**

14. Share capital

The Company has one class of ordinary share which carry full voting rights but no right to fixed income or repayment of capital. The share capital account records the nominal value of shares issued.
The share premium account records the amount above the nominal value received for shares sold, less share issue costs.

Ordinary shares of 0.125p - allotted, called up and fully paid	**Number of shares**	**Share capital £000**	**Share premium £000**
At 1 June 2022	118,469,399	148	78,744
Share issue	26,602	-	-
At 31 May 2023	**118,496,001**	**148**	**78,744**

During the year, 26,602 shares (2022: 677,587) were issued in satisfaction of share options exercised for a consideration of £33.

Share based payments

During the year the Company operated four share based schemes.

Share related share options scheme

The Company operates a Savings related Share Option Scheme which is open to all employees. Grant options were made in May 2021 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 10% discount of the share price at the date of grant and lapse if not exercised within six months of maturity. Special provisions apply to employees who leave their employment for ill health, redundancy or retirement.

Long-Term Incentive Plan (LTIP)

The Company operates a LTIP for senior management to retain and align their interests with shareholders. The LTIP is split into a CSOP, ESOP and Performance Share Plan (“PSP”) scheme. The PSP was introduced during the prior year and under it, key executives could be granted conditional “whole share” awards (i.e. rights to acquire shares where the individual is required to pay a zero or negligible exercise price) the vesting of which is normally conditional on both continued employment and the satisfaction of specified performance measures.

14. Share capital (continued)

Fair value of share options

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

CSOP

	2023		2022	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at the beginning of the year	627,558	115.33	801,745	114.89
Lapsed during the year	(21,145)	116.71	(17,741)	108.50
Exercised during the year	-	-	(156,446)	113.84
Options at the year end	606,413	115.28	627,558	115.33

Share option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting period (years)
CSOP – 16th October 2017	106.00	307,821	106.00	3
CSOP – 8th December 2017	111.00	27,027	111.00	3
CSOP – 3rd May 2018	134.00	22,388	134.00	3
CSOP – 16th May 2018	134.00	110,008	134.00	3
CSOP – 1st October 2018	122.50	102,678	122.50	3
CSOP – 4th June 2019	108.50	36,491	108.50	3

ESOP

	2023		2022	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at the beginning of the year	1,746,570	118.84	2,024,836	119.38
Lapsed during the year	(18,981)	122.50	(187)	122.50
Exercised during the year	-	-	(278,079)	119.31
Options at the year end	1,727,589	118.80	1,746,570	118.84

Share option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting period (years)
ESOP – 16th October 2017	106.00	446,402	106.00	5
ESOP – 3rd May 2018	134.00	72,761	134.00	5
ESOP – 16th May 2018	134.00	11,157	134.00	5
ESOP – 1st October 2018	122.50	1,197,269	122.50	5

FINANCIAL STATEMENTS

NOTES TO THE COMPANY FINANCIAL STATEMENTS
YEAR ENDED 31 MAY 2023

14. Share capital (continued)

SAYE

	2023		2022	
	Number of shares	**Weighted average exercise price (pence)**	**Number of shares**	**Weighted average exercise price (pence)**
Options at the beginning of the year	1,837,747	130.50	2,192,995	128.45
Lapsed during the year	(752,775)	130.50	(112,186)	130.50
Exercised during the year	-	-	(243,062)	86.79
Options at the year end	1,084,972	130.50	1,837,747	130.50

Share option	**Grant Price (p)**	**Number of shares at year end**	**Exercise price (p)**	**Vesting period (years)**
SAYE – 29th April 2021	145.00	1,084,972	130.50	3

PSP

	2023		2022	
	Number of shares	**Weighted average exercise price (pence)**	**Number of shares**	**Weighted average exercise price (pence)**
Options at the beginning of the year	2,368,181	0.13	1,006,633	0.13
Granted during the year	776,800	0.13	1,396,481	0.13
Lapsed during the year	(265,105)	0.13	(34,933)	0.13
Exercised during the year	(26,602)	0.13	-	-
Options at the year end	2,853,274	0.13	2,368,181	0.13

Share option	**Grant Price (p)**	**Number of shares at year end**	**Exercise price (p)**	**Vesting Period (years)**
PSP – 9th January 2020	0.13	56,929	0.13	3
PSP – 30th October 2020	0.13	623,064	0.13	3
PSP – 21st December 2021	0.13	1,396,481	0.13	3
PSP – 28th March 2023	0.13	776,800	0.13	3

14. Share capital (continued)

Share based payments (continued)

Inputs used to determine fair value of options

	CSOP	ESOP	SAYE	PSP
Expected volatility	29.00%	29.00%	29.00%	28.56%
Risk free interest rate	0.49%	0.49%	0.49%	-0.10%
Expected dividends	-	-	-	5.00%
Fair value of options	34.00p	39.00p	37.00p	131.13p
Charge per option	32.00p	37.00p	35.00p	131.13p

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

CSOP – nil (2022 – 156,446) of options were exercised during the year and 606,413 (2022: 582,323) shares were exercisable.

ESOP – nil (2022 – 278,079) of options were exercised during the year and 1,727,589 (2022: 1,746,570) shares were exercisable.

SAYE – nil (2022 – 243,062) of options were exercised during the year and nil (2022: nil) shares were exercisable.

PSP – 26,602 (2022 – nil) of options were exercised during the year and 56,929 (2022: nil) shares were exercisable.

Charge for share based incentive schemes

The total charge for the year relating to employee share-based plans were £601k (2022: £554k), all of which related to equity-settled share-based payment transactions.

15. Cash and cash equivalents

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

	2023 £000	2022 £000
Cash at bank and in hand	2,470	1,073
	2,470	**1,073**

At 31 May 2023, the Group had an available overdraft facility of £12.5m (2022: £2.5m).

16. Capital risk management

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

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

17. 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.

17.1 Market risk

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

Interest rate risk

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

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

	2023	**2022**
	£000	**£000**
Financial liabilities at fixed rate	7,764	14,058
Financial liabilities at floating rate	70,673	50,486
Non-interest-bearing financial liabilities	107,451	95,127
	185,888	**159,671**

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 reasonably 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 SONIA rate 31 May 2023		**Bank of England SONIA rate 31 May 2022**	
	Interest rate +0.5%	Interest rate -0.5%	Interest rate +0.5%	Interest rate -0.5%
	£000	£000	£000	£000
(Loss) / profit	(353)	353	(252)	252

17. Financial risk management (continued)

17.1 Market risk (continued)

Limitations of sensitivity analysis

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

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

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

Management believe that fair value of the loans, borrowings and finance lease obligations approximates their carrying amounts as the majority of obligations bear interest rates approximating market rates at 31 May 2022.

17.2 Liquidity risk

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

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

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

31 May 2023	**Carrying amount £000**	**Total minimum future payment £000**	**Within 1 year £000**	**Within 1-2 years £000**	**Within 2-5 years £000**	**Greater than 5 years £000**
Accounts payable	107,451	107,451	107,451	-	-	-
Bank borrowings	70,673	71,000	-	71,000	-	-
Deferred consideration	6,494	6,500	6,500	-	-	-
Leases	1,270	1,556	312	267	600	377
	185,888	**186,507**	**114,263**	**71,267**	**600**	**377**

17. Financial risk management (continued)

17.2 Liquidity risk (continued)

31 May 2022	Carrying amount £000	Total minimum future payment £000	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000	Greater than 5 years £000
Accounts payable	95,127	95,127	95,127	-	-	-
Bank borrowings	50,486	51,000	-	51,000	-	-
Deferred consideration	12,574	12,638	6,138	6,500	-	-
Leases	1,484	1,861	311	289	719	542
	159,671	**160,626**	**101,576**	**57,789**	**719**	**542**

17.3 Credit risk

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

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

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

The ageing profile of trade receivables was:

	31 May 2023		31 May 2022	
	Total book value £000	Allowance for impairment £000	Total book value £000	Allowance for impairment £000
Current	7,920	-	8,858	-
Overdue 90 days	232	-	134	-
	8,152	**-**	**8,992**	**-**

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

The ageing profile of other receivables was:

	31 May 2023		31 May 2022	
	Total book value £000	Allowance for impairment £000	Total book value £000	Allowance for impairment £000
Current	6,477	-	5,423	-
Non-current	5,000	-	5,000	-
	11,477	**-**	**10,423**	**-**

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

18. Transactions with related parties

Other related parties include transactions with retirement schemes in which Directors and close family members of key management personnel are beneficiaries. During the year, dividends totalling £1,854k (2022: £2,343k) 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	2023 £000	2022 £000
Mr Sandy Adam	1,776	2,249
Mr Innes Smith	43	55
Ms Michelle Motion	5	6
Mr Matthew Benson	1	2
Mr Roger Eddie	2	3
Mr Colin Rae	1	1
Mr Nick Cooper	1	1
	1,829	**2,317**

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

	2023 £000	2022 £000
Short-term employee benefits	2,696	3,537
Share-based payments	555	404
Post-employment benefits	208	169
	3,459	**4,110**

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

	Sale of goods		Purchase of goods	
	2023 £000	**2022 £000**	**2023 £000**	**2022 £000**
Bertha Park Limited (1)	13,390	18,226	-	371
Other entities that key management personnel have control, significant influence or hold a material interest in	37	74	325	45
Key management personnel	227	154	-	11
Other related parties	1	20	1,616	332
	13,655	**18,474**	**1,941**	**759**

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

	Rent paid	
	2023 £000	**2022 £000**
Entities that key management personnel have control, significant influence or hold a material interest in	162	170
Key management personnel	3	-
Other related parties	100	107
	265	**277**

18. Transactions with related parties (continued)

	2023 £000	2022 £000
Interest received:		
Entities that key management personnel have control, significant influence or hold a material interest in (short-term)	125	125
	125	**125**

The following amounts were outstanding at the reporting end date:

	2023 £000	2022 £000
Amounts receivable:		
Amounts due from Group undertakings	15,876	12,031
Bertha Park Limited (1)	8,495	9,108
Other entities that key management personnel have control, significant influence or hold a material interest in (short-term)	1	52
Key management personnel	-	34
	24,372	**21,225**

	2023 £000	2022 £000
Amounts payable:		
Amounts due from Group undertakings	82,054	66,676
Entities that key management personnel have control, significant influence or hold a material interest in (short-term)	32	-
Other related parties	678	52
	82,764	**66,728**

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.

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 £13,390k (2022: £18,226k) in relation to a build contract. At the year-end £3,370k (2022: £3,983k) is included in trade debtors and included within other debtors is a loan of £5,125k (2022: £5,125k). During the year the Group had purchases from Bertha Park Limited of £nil (2022: £371k) in relation to a build contract.

Other related party transactions

During the year there were transactions between the Company and its subsidiaries as follows:

	2023 £000	2022 £000
Balance at 1 June 2022	(54,645)	(20,960)
Charges to/(from) subsidiary companies	1,064	(4,239)
Transfers of cash from subsidiary companies	(12,596)	(29,446)
Balance at 31 May 2023	(66,177)	(54,645)

During the period the company made purchases from related parties of £5,900k (2022: £5,743k) and sales to related parties of £3,331k (2022: £1,198k). Management charges of £3,653k (2022: £nil) were charged to subsidiary companies during the year.

£10,000k (2022: £nil) was transferred to Springfield M&M Homes Limited (subsidiary company) to fund the initial cash consideration for the acquisition of the housebuilding business of Mactaggart & Mickel Group Limited – see group note 15.

19. Analysis of net debt

The analysis of net debt is as follows:

	2023 £000	2022 £000
Cash in hand and bank	2,470	1,073
Bank borrowings	(70,673)	(50,486)
	(68,203)	(49,413)
Lease liability	(1,270)	(1,484)
Net debt	**(69,473)**	**(50,897)**

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

	At 1 June 2022	New Leases	Cashflow	Fair Value	At 31 May 2023
	£000	£000	£000	£000	£000
Cash and cash equivalents	1,073	-	1,397	-	2,470
Bank borrowings	(50,486)	-	(20,187)	-	(70,673)
Lease	(1,484)	(17)	323	(92)	(1,270)
Net debt	**(50,897)**	**(17)**	**(18,467)**	**(92)**	**(69,473)**
Deferred consideration	(12,574)	-	6,137	(57)	(6,494)
	(63,471)	**(17)**	**(12,330)**	**(149)**	**(75,967)**

	At 1 June 2021	New Leases	On Acquisition	Cashflow	Fair Value	At 31 May 2022
	£000	£000	£000	£000	£000	£000
Cash and cash equivalents	4,615	-	-	(3,542)	-	1,073
Bank borrowings	(34,000)	-	-	(16,486)	-	(50,486)
Lease	(1,315)	(420)	-	318	(67)	(1,484)
Net debt	**(30,700)**	**(420)**	**-**	**(19,710)**	**(67)**	**(50,897)**
Deferred consideration	(2,107)	-	(13,000)	2,362	171	(12,574)
	(32,807)	**(420)**	**(13,000)**	**(17,348)**	**104**	**(63,471)**