

**THIS ADMISSION DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Admission Document, or the action you should take, you are recommended immediately to seek your own financial advice from an independent financial adviser, for example: your stockbroker, bank manager, solicitor, accountant or other financial adviser who specialises in advising on the acquisition of shares and securities and is authorised under the Financial Services and Markets Act 2000, as amended (“FSMA”) (or, if you are a person outside the UK, a person otherwise similarly qualified in your jurisdiction). This Admission Document, which comprises an AIM admission document, has been prepared in connection with the proposed application for admission of the issued and to be issued share capital of the Company to trading on AIM, a market of London Stock Exchange plc. This Admission Document is an admission document drawn up in accordance with the AIM Rules for Companies.**

This Admission Document does not constitute a prospectus within the meaning of section 85 of FSMA, and has not been drawn up in accordance with the Prospectus Rules published by the Financial Conduct Authority (“FCA”) and a copy has not been, and will not be, approved by or filed with the FCA. This Admission Document does not constitute, and the Company is not making, an offer of transferable securities to the public within the meaning of section 102B of FSMA or otherwise.

The Company and each of the Directors, whose names, business addresses and functions appear on page 5 of this Admission Document, individually and collectively accept responsibility for the information contained in this Admission Document, including for its compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Admission Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Application will be made for the whole of the Company’s ordinary share capital in issue immediately following the Placing to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority (the “Official List”). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this Admission Document. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. The Ordinary Shares are not traded on any recognised investment exchange and no such applications have been made.**

Investment in the Company is speculative and involves a high degree of risk. For a discussion of the risks and other factors which should be considered in connection with an investment in the Company, particular attention is drawn to the section entitled “Risk Factors” set out in Part II of this Admission Document. Prospective investors should read the whole of this Admission Document.

It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares on AIM at 8.00 a.m. on 16 October 2017. The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

---

## SPRINGFIELD PROPERTIES PLC

*(incorporated and registered in Scotland with registered no. SC031286)*

**Proposed Placing of 23,584,906 new Ordinary Shares at 106 pence per share  
and admission to trading on AIM**

***Nominated Adviser and Broker***

**N+1 SINGER**

---

N+1 Singer, which is authorised and regulated in the UK by the FCA, is acting as nominated adviser and broker to the Company. It will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of any part of this Admission Document. The responsibilities of N+1 Singer as the Company’s nominated adviser and broker under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or any Director or Shareholder or to any other person, in respect of any decision to acquire Ordinary Shares in reliance on any part of this Admission Document or otherwise. N+1 Singer is not making any representation or warranty, express or implied, as to the contents of this Admission Document.

**The whole text of this Admission Document should be read. Investment in the Company is speculative and involves a high degree of risk. Your attention is also drawn to the section headed “Risk Factors” in Part II of this Admission Document which sets out certain risk factors relating to an investment in the Ordinary Shares. All statements regarding the Group’s business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this Admission Document.**

For the purpose of section 21 of FSMA, this Admission Document constitutes a financial promotion which has been issued by the Company, but the content of which is exempt by virtue of article 67 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”). Use of this Admission Document other than in accordance with this restriction is not permitted and may contravene FSMA. No representation or warranty, express or implied, is made by the Company or N+1 Singer to prospective subscribers for or purchasers of Ordinary Shares as to the contents of this Admission Document (without limiting the statutory rights of any person to whom this Admission Document is issued). The information contained in this Admission Document is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly, to the extent permitted by law, no duty of care is accepted by the Company or N+1 Singer in relation to any of them.

## IMPORTANT INFORMATION

No legal, business, tax or other advice is provided in this Admission Document. Prospective investors should consult their professional advisers as needed on the potential consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence. This Admission Document does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, this Admission Document is not for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The distribution of this Admission Document in other jurisdictions may be restricted by law. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan and, subject to certain exceptions, may not be offered, sold, re-sold, renounced, taken up or delivered, directly or indirectly, in, into or from the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to any national of the United States of America, Canada, Australia, the Republic of Ireland, the Republic of South Africa or Japan. This Admission Document should not be distributed, published, reproduced or otherwise made available in whole or in part, or disclosed by recipients to any other person, in, and in particular should not be distributed to persons with addresses in, the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. No action has been taken by the Company or N+1 Singer that would permit an offer of Ordinary Shares or possession or distribution of this Admission Document where action for that purpose is required. Persons into whose possession this Admission Document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law or other laws of any such jurisdictions.

In making any investment decision in respect of Admission, the Placing or a subscription for or purchase of Ordinary Shares, no information or representation should be relied upon in relation to Admission, the Placing or in relation to the Ordinary Shares other than as contained in this Admission Document. No person has been authorised to give any information or make any representation other than that contained in this Admission Document and, if given or made, such information or representation must not be relied upon as having been authorised.

**It should be remembered that the price of securities and the income from them can go down as well as up and this Admission Document contains references to past performance of the Company and its subsidiaries. Past performance is not a reliable indication of future results.**

## FORWARD LOOKING STATEMENTS

This Admission Document includes statements that are, or may be deemed to be, "forward-looking statements". These statements relate to, among other things, analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to the Group's future prospects, developments and business strategies.

These forward-looking statements can be identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" or the negative of those variations, or comparable expressions, including references to assumptions. These statements are primarily contained in Part I of this Admission Document.

The forward-looking statements in this Admission Document, including statements concerning projections of the Group's future results, operations, profits and earnings, are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

Certain risks to and uncertainties for the Group are specifically described in Part II of this Admission Document headed "Risk Factors". If one or more of these risks or uncertainties materialises, or if underlying assumptions prove incorrect, the Group's actual results may vary materially from those expected, estimated or projected. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Admission Document are based on certain factors and assumptions, including the Directors' current views with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available to them, they may prove to be incorrect. Accordingly, prospective investors are cautioned not to place undue reliance on any forward-looking statements and should specifically consider the risk factors contained in Part II of this Admission Document that could cause actual results to differ before making an investment decision. Save as required by law or by the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this Admission Document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this Admission Document.

## BASIS ON WHICH FINANCIAL INFORMATION IS PRESENTED

Unless otherwise indicated, financial information in this Admission Document, including the historical financial information on the Group for the years ended 31 May 2015, 2016 and 2017, has been prepared in accordance with IFRS.

Various figures and percentages in tables in this Admission Document, including financial information, have been rounded and accordingly may not total. As a result of this rounding, the totals of data presented in this Admission Document may vary slightly from the actual arithmetical totals of such data. In this Admission Document, references to "pounds sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom.

## MARKET, ECONOMIC AND INDUSTRY DATA

This Admission Document contains information regarding the Group's business and the industry in which it operates and competes, which the Company has obtained from various third party sources. Where information contained in this Admission Document originates from a third party source, it is identified where it appears together with the name of its source. Such third party information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company has obtained the third party data in this document from industry studies, forecasts, reports, surveys and other publications.

## TABLE OF CONTENTS

ADMISSION AND PLACING STATISTICS AND EXPECTED TIMETABLE OF PRINCIPAL EVENTS	4
DIRECTORS, SECRETARY AND ADVISERS	5
DEFINITIONS	6
GLOSSARY OF TECHNICAL TERMS	9
PART I – INFORMATION ON THE COMPANY	10
PART II – RISK FACTORS	29
PART III – FINANCIAL INFORMATION	
SECTION A: ACCOUNTANT’S REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE COMPANY FOR THE THREE YEARS ENDED 31 MAY 2017	41
SECTION B: HISTORICAL FINANCIAL INFORMATION OF THE COMPANY	43
PART IV – ADDITIONAL INFORMATION	73

## **ADMISSION AND PLACING STATISTICS AND EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

### **Admission and Placing statistics**

Placing Price	106 pence
Number of Existing Ordinary Shares in issue at the date of this Admission Document	58,498,736
Number of New Ordinary Shares being issued pursuant to the Placing	23,584,906
Number of Ordinary Shares in issue immediately following Admission	82,083,642
Placing Shares as a percentage of the Enlarged Share Capital	28.7 per cent.
Market capitalisation of the Company at the Placing Price on Admission	£87.0 million
Gross proceeds of the Placing	£25.0 million
Estimated net proceeds of the placing of New Ordinary Shares for the Company	£23.3 million
Number of options over Ordinary Shares to be issued immediately following Admission pursuant to the CSOP and ESOP	1,332,325
ISIN	GB00BF1QPG26
SEDOL	BF1QPG2
TIDM	SPR

### **Expected timetable of principal events**

Admission Document publication date	10 October 2017
Admission effective and commencement of dealings in the Ordinary Shares on AIM	8.00 a.m. on 16 October 2017
CREST accounts to be credited (where applicable)	8.00 a.m. on 16 October 2017
Dispatch of definitive share certificates (where applicable)	by 2 November 2017

All future times and/or dates referred to in this Admission Document are subject to change at the discretion of the Company and N+1 Singer and if any of the above times or dates should change the revised times and/or dates will be notified by an announcement on a regulatory information service. All times are UK times unless otherwise specified.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Alexander ( <u>Sandy</u> ) William Adam ( <i>Executive Chairman</i> ) <u>Innes</u> Smith ( <i>Chief Executive Officer</i> ) <u>Michelle</u> Hunter Holm ( <i>Finance Director</i> ) <u>Roger</u> James Eddie ( <i>Senior Non-executive</i> ) <u>Matthew</u> James Benson ( <i>Non-executive Director</i> )
<b>Company Secretary</b>	Andrew Ross Todd
<b>Registered office</b>	Alexander Fleming House 8 Southfield Drive Elgin Morayshire IV30 6GR
<b>Website</b>	<a href="http://www.springfield.co.uk">www.springfield.co.uk</a>
<b>Nominated Adviser and Broker</b>	Nplus1 Singer Advisory LLP One Bartholomew Lane London EC2N 2AX
<b>Legal advisers to the Company</b>	Pinsent Masons LLP 141 Bothwell Street Glasgow G2 7EQ
<b>Legal advisers to the Nominated Adviser and Broker</b>	Burness Paull LLP 50 Lothian Road Festival Square Edinburgh EH3 9WJ
<b>Reporting Accountants to the Company</b>	PKF Littlejohn LLP 1 Westferry Circus London E14 4HD
<b>Auditors to the Company</b>	Johnston Carmichael LLP Commerce House South Street Elgin IV30 1JE
<b>Public relations adviser to the Company</b>	Luther Pendragon Limited 48 Gracechurch Street London EC3V 0EJ
<b>Registrars</b>	Capita Asset Services The Registry 34 Beckenham Road, Beckenham, Kent BR3 4TU

## DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Admission Document:

<b>“Act”</b>	the UK Companies Act 2006, as amended from time to time;
<b>“Admission”</b>	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules;
<b>“Admission Document”</b>	this Admission Document;
<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange;
<b>“AIM Rules” or “AIM Rules for Companies”</b>	the AIM Rules for Companies issued by the London Stock Exchange and those of its other rules which govern the admission to trading of, and the operation of companies on, AIM;
<b>“Articles”</b>	the articles of association of the Company as at the date of Admission, a summary of which is set out in paragraph 4 of Part IV of this Admission Document;
<b>“Audit Committee”</b>	the audit committee of the Board, the function and composition of which are set out in paragraph 19 of Part I of this Admission Document;
<b>“Board”</b>	the board of directors of the Company, whose names are set out on page 5 of this Admission Document;
<b>“Business Day”</b>	a day (other than Saturdays or Sundays or public holidays) when clearing banks are open for business in London;
<b>“certificated” or “in certificated form”</b>	the description of a share or other security that is not in uncertificated form (that is, not in CREST);
<b>“Companies Acts”</b>	where the context requires, means the Act, the Companies Act 1985 (as amended) and the Companies Act 1948 (as amended);
<b>“Company” or “Springfield”</b>	Springfield Properties plc, a company incorporated in Scotland with registered number SC031286;
<b>“Concert Party”</b>	has the meaning given to it in paragraph 27 of Part I of this Admission Document;
<b>“Corporate Governance Code”</b>	the UK Corporate Governance Code published by the Financial Reporting Council, as the same may be varied or amended;
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as also defined in the CREST Regulations);
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended from time to time);
<b>“Directors”</b>	the directors of the Company as at the date of this Admission Document whose names appear on page 5 against the heading “Directors”, and “Director” means any one of them;
<b>“Enlarged Share Capital”</b>	the issued share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares and the New Ordinary Shares;
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, the operator of CREST;

<b>“Existing Ordinary Shares”</b>	the 58,498,736 Ordinary Shares in issue prior to the Placing;
<b>“Existing Share Capital”</b>	the issued share capital of the Company immediately preceding Admission, comprising the Existing Ordinary Shares;
<b>“Financial Conduct Authority”</b> or <b>“FCA”</b>	the United Kingdom Financial Conduct Authority, the statutory regulator under FSMA responsible for the regulation of the United Kingdom financial services industry;
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended;
<b>“Group”</b>	Springfield Properties plc and its subsidiaries as at the date of this Admission Document;
<b>“HMRC”</b>	Her Majesty’s Revenue and Customs;
<b>“IFRS”</b>	International Financial Reporting Standards;
<b>“ISIN”</b>	international security identification number;
<b>“Lock-In Agreements”</b>	the lock-in and orderly marketing agreements dated 10 October 2017 entered into between each of Sandy Adam, Innes Smith, Michelle Motion, James Adam, Anne Adam and The Adam Settlement Trust and the Company and N+1 Singer, details of which are set out in paragraph 11.2 of Part IV of this Admission Document;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Market Value”</b>	the open market value of a property representing the price payable for the land in question if sold on the open market by a willing seller to a willing purchaser as at the date of entry in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion as determined in accordance with RICS Valuation Professional Standards January 2014 (Red Book) or any update to it current as at the date of calculation of the purchase price;
<b>“New Ordinary Shares”</b>	the 23,584,906 new Ordinary Shares to be issued by the Company pursuant to the Placing;
<b>“N+1 Singer”</b>	Nplus1 Singer Advisory LLP and its affiliates, nominated adviser and broker to the Company;
<b>“Nomination Committee”</b>	the nomination committee of the Board, the function and composition of which are set out in paragraph 19 of Part I of this Admission Document;
<b>“Operator”</b>	has the meaning in the CREST Regulations;
<b>“Options”</b>	options to acquire Ordinary Shares pursuant to the terms of the Share Plans;
<b>“Ordinary Shares”</b>	ordinary shares of 0.125 pence each in the capital of the Company;
<b>“Placee”</b>	a person subscribing for New Ordinary Shares under the Placing at the Placing Price;
<b>“Placing”</b>	the conditional placing by N+1 Singer of the Placing Shares at the Placing Price pursuant to and on the terms and conditions set out in the Placing Agreement;

<b>“Placing Agreement”</b>	the conditional agreement dated 10 October 2017 relating to the Placing between the Company, the Directors and N+1 Singer, further details of which are set out in paragraph 11.1 of Part IV of this Admission Document;
<b>“Placing Price”</b>	106 pence per Placing Share;
<b>“Placing Shares”</b>	means the New Ordinary Shares;
<b>“QCA”</b>	the Quoted Companies Alliance;
<b>“QCA Guidelines”</b>	the code for small and mid-size quoted companies 2013 (published by the QCA in May 2013);
<b>“Registrars”</b>	Capital Asset Services, the Company’s Registrars;
<b>“Relationship Agreement”</b>	means the relationship agreement dated 10 October 2017 between the Company, N+1 Singer and Sandy Adam, further details of which are set out in paragraph 11.4 of Part IV of this Admission Document;
<b>“Remuneration Committee”</b>	the remuneration committee of the Board, the function and composition of which are set out in paragraph 19 of Part I of this Admission Document;
<b>“SEDOL”</b>	Stock Exchange Daily Official List;
<b>“Share Plans”</b>	the Springfield Properties PLC Company Share Option Plan (the <b>“CSOP”</b> ), the Springfield Properties PLC Employee Share Option Plan (the <b>“ESOP”</b> ) and the Springfield Properties PLC SAYE Option Plan (the <b>“SAYE Plan”</b> ) adopted by the Company, conditional upon Admission, on or around 10 October 2017, further details of which are set out in paragraph 7 of Part IV of this Admission Document;
<b>“Shareholders”</b>	holders of Ordinary Shares;
<b>“Takeover Code”</b>	the UK City Code on Takeovers and Mergers;
<b>“Takeover Panel”</b>	the Panel on Takeovers and Mergers;
<b>“TIDM”</b>	Tradeable Instrument Display Mnemonic;
<b>“UK Listing Authority” or “UKLA”</b>	the United Kingdom Listing Authority of the Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
<b>“uncertificated” or “in uncertificated form”</b>	Ordinary Shares held in uncertificated form in CREST, title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“US”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia; and
<b>“VAT”</b>	Value Added Tax.

Note: Any reference to any provision of any legislation includes any amendment, modification, re-enactment or extension of it. Words importing the singular include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.

## GLOSSARY OF TECHNICAL TERMS

Affordable division	the Group's affordable housing division
affordable housing	housing of a reasonable quality that is affordable to people on modest income. Affordable housing may be provided in the form of social rented accommodation, mid-market housing, shared equity housing, housing sold at a discount (including plots for self-build) and low cost housing without subsidy ( <i>Source: Paragraph 126 of the Scottish Planning Policy, published by the Scottish Government in June 2014</i> )
ASP	average selling price (of a home)
controlled land	land not owned by the Group, but under the Group's control by way of a build licence, an option agreement, a conditional contract or a DA
DA	a development agreement under which the Group undertakes to carry out development either on its own behalf or on behalf of itself and others, including joint ventures
Elgin	the Elgin South Village referred to as Elgin for the purposes of clarification throughout this Admission Document
GDV	estimated gross development value
HSE	health, safety and environment
land bank	land available to the Group for development (both controlled land and owned land)
ONS	Office for National Statistics
Private Housing division or Private division	the Group's private housing division for which the allocation between private or affordable homes has been finalised
Section 75 agreements	agreements entered into pursuant to section 75 of the Town and Country Planning (Scotland) Act 1997, pursuant to which, for example, a developer will agree to certain obligations (such as financial contributions or obligations in respect of schools, roads, transport, public realm and affordable housing) as part of the planning process
unallocated land bank	land available to the Group for development (both controlled land and owned land) for which the Group's allocation between private or affordable homes has not yet been finalised
unzoned land	land which has not been identified by the relevant local authority as being appropriate for residential development
Villages	large sites which have been identified by Springfield as being suitable for development based on planning policy and discussions with local authorities, and often form part of a larger plan to materially increase housing stock in a local area
zoned land	land which has been identified by the relevant local authority as being appropriate for residential development

## **PART I**

### **INFORMATION ON THE COMPANY**

#### **1. Introduction**

Springfield Properties plc is an award winning housebuilder focused on developing a mix of private and affordable housing in Scotland. The Company was founded by Wilfred Adam, the grandfather of Sandy Adam, in 1956 when he established the Company then named Springfield Market Gardens (Elgin) Limited, operating a market garden business. Sandy Adam began running the business in the late 1980s and, in 1988, Sandy focused the Group's business activities on developing private housing. Since 1988 the Group has developed over 4,000 homes and now operates through two divisions: Private Housing and Affordable. Based in Scotland, the Directors believe the Group is well positioned for future growth having secured a land bank of approximately 10,500 plots as of 31 August 2017, of which 41.4 per cent. have planning permission, equating to approximately 17 years of development at current levels of activity. The total land bank increases to over 12,000 plots with a GDV of over £2 billion when including the Group's unallocated land bank. The Group currently operates on 29 active sites and has 33 planned future sites in its land bank.

The Group has a proven track record of profitability throughout the Scottish housing market cycle, including having remained profitable throughout the 2007 to 2009 recession, and of effecting strategic acquisitions of land as and when opportunities arise. The Company has conditionally raised approximately £25 million (before expenses) through the Placing, the net proceeds of which will be used principally to fund the development of the Group's land bank, provide funds for further land purchases and for additional working capital.

#### **2. Key strengths**

The Directors believe that the key strengths of the Group include:

- a highly experienced Board and senior management team;
- a track record of profitability throughout the Scottish housing market cycle;
- its two distinct revenue streams (from its Affordable and Private Housing divisions), reducing its exposure to the performance of the economy and the private housing market;
- its strong reputation and relationships among those with whom the Group does business;
- its award winning, high quality differentiated product;
- the high level of revenue visibility provided by the housing legal framework in Scotland and the contracted nature of revenues within the Affordable division;
- its expertise in assessing and carrying out land remediation and the implementation of infrastructure to large sites; and
- its ability to take advantage of growth in the development of Scottish affordable housing which is underpinned by a Scottish Government target.

#### **3. History and background**

The Company was originally founded in Elgin, Scotland, in 1956 by Wilfred Adam as a market garden company. In 1988, the Company developed the land of the initial market garden into private housing. Following this, the Company changed its operations to housing development. In 1998 the Company introduced an in-house construction team to construct its housing developments, reducing its reliance on external contractors. In 1998, the Company launched 'Choices at Springfield', an initiative that allows customers to customise their homes, which is still one of the key selling points of Springfield's private housing. The Company diversified its operations in 2002 when it constructed its first affordable home.

In 2004, work commenced on the Elgin South development which is the largest Springfield development completed to date with approximately 1,470 plots. Demand for the first phase of the Elgin South project

was high. However around that time the Company strategically scaled back its private housing operations and reduced its debt whilst expanding its Affordable division on the assumption that the scale of growth in private housing at that time was unsustainable.

In 2010, the Group focused on geographic expansion within Scotland, purchasing three distressed sites in Edinburgh.

In 2011, the Company acquired Redrow's Scottish business, as a going concern, for approximately £49 million. This acquisition of Redrow's Scottish business significantly increased the scale of the Group and resulted in, amongst other things, an approximate 40 per cent. increase in revenues of the Group, the addition of over 750 plots, a geographic diversification of the Group's land bank, an additional office location for the Group at Larbert and the assumption of approximately 50 employees. Pursuant to the acquisition, the Company purchased all of Redrow's active and future Scottish land bank, of which the majority was under or close to construction or ready for homes to be built on, on a pay as complete basis. Due to favourable terms on payment and the advanced stage of development of the sites acquired, the Group was content to acquire the business from Redrow notwithstanding that the margins on the sale of homes developed on the acquired Redrow sites were lower than the margins which the Group typically achieves on developments which it sources, takes through planning, develops and sells to home buyers.

In 2012, the Company introduced 'It's Included' which seeks to ensure that Springfield houses are as complete as possible before the customer moves in, including a kitchen fully fitted with appliances, a complete bathroom, turfed and fenced gardens and fixtures and fittings installed.

In 2013, Springfield was named Scottish Housebuilder of the Year for the first time, an accolade repeated in 2014 and 2015.

In 2013, the Company secured the first of its Village sites, Dykes of Gray in Dundee, for which sales launched in 2015. As at 31 August 2017, 66 homes have been successfully handed over. The site has planning permission for a further 599 homes and the potential for approximately 1,500 homes.

To date five Village sites have been secured which currently comprise the Group's largest development projects. The Village sites are in locations near fast growing cities and have been identified by the Company as being suitable for large scale residential development based on the Company's discussions with local authorities and stakeholders. These Village sites have been secured by the Group through a combination of conditional contracts, option agreements and DAs, and will entitle the Group, as developer of four of the sites and as a contractor at a fifth site (Bertha Park, Perth), to be involved in the development of a significant number of plots, further details of which are set out in paragraph 7 of this Part I. Following Admission, the Group intends to utilise the net placing proceeds to part-finance the development and construction of these Village sites.

Since 1988 the Group has built over 4,000 homes.

#### **4. Business overview**

Established in Elgin in 1956, the Company changed its primary operations to the development and construction of housing in 1988. Since then the Group has grown organically and through strategic acquisitions to become an award winning housebuilder, completing 620 homes in the year to 31 May 2017. The Company is currently owned by the founding Adam family, who own 96 per cent. of the Existing Share Capital, and by current and former employees.

The Group's business model focusses on securing land for residential use which often requires considerable remediation works and significant investment in infrastructure prior to commencing development of private or affordable houses. As at 31 August 2017 the Group had a land bank of 10,453 plots, with a GDV of £1.8 billion, of which 41.4 per cent. had planning permission, equating to approximately 17 years of development at current levels of activity. The total land bank increases to 12,058 plots with a GDV of over £2 billion when the Group's unallocated land bank is included.

The Group offers both private and affordable housing, through its two operating divisions. In addition to developing affordable housing on new private developments under Section 75 agreements, the Affordable division also includes developments which consist entirely of affordable housing using a proven business

model, further details of which are set out in paragraph 5 of this Part I below. The Directors believe that the combination of the Group's Affordable and Private Housing divisions produce two distinct revenue streams which reduces the Group's exposure to the Scottish private housing market cycle. The Directors believe that the combination of the two divisions is key to long term growth, with the Private Housing division producing higher margins and the Affordable division providing income and cash flow visibility.

The Group also undertakes construction-only projects. These projects typically entail the construction of homes on land that is not owned or controlled by the Group for which the Group receives fees for its design and construction work on a "cost plus" basis where the gross margin to be received by Springfield is effectively fixed. In the year to 31 May 2017 this represented 4.6 per cent. of revenue. The Group evaluates on an ongoing basis material construction-only opportunities with reference to expected margins and the available resources of the Group.

#### *Land acquisition*

The Group benefits from an experienced land and planning team who focus on sites with development potential, which may or may not be on the open market and which could be considered complex to develop. They are supported by in-house engineers and architects, who can identify site issues requiring remediation and estimate the costs of their rectification so that expected costs can be factored into purchase agreements. The land and planning team is well placed to deal with sites with several owners. The Directors believe that this approach helps to generate better margins for the Group than would be the case if it instead focused on sites that are on the open market and/or sites which are ready for housing to be built on.

By specialising in land that is not on the open market or which could be considered complex to develop, the Directors believe that the Group has been able to build a significant land bank at attractive prices which it intends to develop over the coming years.

The Group typically undertakes extensive due diligence prior to entering into any legal commitment relating to the acquisition of land, taking into account the site's planning history and legal status, an analysis of adjacent sites and desktop reviews of engineering issues, ecology, archaeology, landscape, roads and services. The site acquisition approval process involves consideration of various factors relating to the proposed development, including the underlying assumptions related to value, risk, scale, costs and sales rates, as well as the overall design, quality, location and scale of the project.

The Group typically sources land through option agreements or conditional contracts in order to maintain capital efficiency and operational flexibility. Approximately 70.4 per cent. of the Group's land bank is secured by way of conditional contracts or by way of option agreements.

- Under an option agreement, the Group acquires an exclusive option to purchase land during an agreed period of time. Option agreements typically include obligations for the Group to endeavour to secure planning permission at its cost, and the land is often acquired and/or paid for in stages as it is developed. Planning permission is usually granted within 18 months, at which time the Group will agree the market value of the land with the seller, or, in cases where agreement cannot be reached, the parties will appoint a third-party expert to determine a valuation. Option agreements provide for the Group to purchase land, at discount against the open market value, and may include the opportunity for costs incurred in obtaining planning permission to be deducted from the purchase price to reflect the Group's efforts in securing planning permission. The Group will generally seek to negotiate to acquire the land in phases, or to pay the purchase price in instalments.
- Under a conditional contract, the Group agrees to acquire land subject to the satisfaction of certain conditions precedent, such as the securing of satisfactory planning permission, securing control of the other sites required to implement the masterplan of the development and/or the obtaining of satisfactory ground investigation surveys. In the event the suspensive conditions are satisfied, unlike an option agreement the Group is required to acquire the land at a pre-agreed value formula at a certain point in time, which may be adjusted depending on the type of planning permission obtained.

In order to avoid the risks attached to holding speculative unzoned land, the Group has occasionally purchased zoned land from an investment vehicle, Moray Land Farming Partnership, which is a related party. Moray Land Farming Partnership purchases unzoned land considered to be highly speculative and the Group promotes these sites for zoning. Once the site has been zoned, the Group will enter into a

conditional contract or option agreement to purchase the land, typically at 85 per cent. of its Market Value before the reimbursement of third party costs. In the absence of agreement between the parties on the Market Value of the land, its value shall be determined by an independent expert. These contracts require the Group to acquire the site subject to the satisfaction of securing satisfactory planning permission.

Both option agreements and conditional contracts allow the Group to effectively control land prior to its acquisition with minimal impact on its balance sheet, providing visibility on future revenue and profits. For land subject to option agreements, until it has exercised its option, the Group holds the land on its balance sheet at the cost of the option. Land subject to conditional contracts is not recognised on the Group's balance sheet until the contract has become unconditional. Once owned, land is recognised at cost on the Group's balance sheet.

Typically there are a number of consents and third party agreements which are outside of the Group's direct control that are required to facilitate the ultimate end development of a particular site.

These consents and agreements typically include, amongst others:

- planning consent;
- roads construction consent;
- planning obligations including Section 75 agreements;
- Scottish Water consent to the Group's proposed water and drainage infrastructure; and
- consent from the Scottish Environmental Protection Agency to development proposals.

Prior to entering into a contractual obligation to purchase a site, the Group will take into account the conditions attaching to the proposed purchase and the anticipated contracts and agreements that will be required to develop the site in question, as well as the timing, quantum and obligations for payment when deciding if entering into the contract is in the best interests of the Group.

#### *Selected historical financial information on the company*

The table below sets out the Company's summary financial information for each of the past three financial years ended 31 May 2015, 31 May 2016 and 31 May 2017.

	<i>Year ended 31 May 2017</i>	<i>Year ended 31 May 2016</i>	<i>Year ended 31 May 2015</i>
Number of completions	620	495	478
Revenue (£m)	110.6	90.8	84.3
Gross profit (£m)	16.7	13.8	10.8
Adjusted Profit/(loss) before tax* (£m)	6.7	5.1	3.1

\* Excluding an exceptional cost charged in the year to 31 May 2015 was in respect of settlement of a tax liability arising on an employee benefit trust

**This summary information refers to past performance. Past performance is not a reliable indication of future results.**

**Further financial information on the historical trading performance of the Company is set out in Section B of Part III of this Admission Document.**

## **5. Affordable**

### *Overview*

The Affordable division's operations focus on the development of land into stand-alone sites which consist entirely of affordable homes. The Group diversified into building developments exclusively dedicated to affordable homes in 2002. During the financial crisis commencing in 2007, Springfield grew this division as demand is primarily driven by Scottish Government targets, therefore reducing the Group's exposure to the

Scottish private housing market. The division has grown rapidly with revenue compound average growth rate of 26.2 per cent. and gross margin compound average growth rate of 21.6 per cent. over the last five years. In the year to 31 May 2017 the Group completed 183 affordable homes, with an ASP of approximately £127,000, generating revenue of £23.2 million, representing 21 per cent of the revenue of the Group. The Directors believe this division has a considerable growth opportunity as a result of the significant targets set for affordable housing by the Scottish Government, and have targeted to double revenue by 2019.

In addition to stand alone developments, the Affordable division also develops affordable housing on the Group's private developments under Section 75 agreements. These are agreements between private developers and local authorities under which the developer agrees to make a contribution of housing, money or infrastructure as a condition of planning permission.

#### *Market drivers*

Affordable housing has fallen significantly as a percentage of the overall housing stock in Scotland since 1980, representing 25 per cent. of the housing stock as at 31 December 2015 as compared to 41 per cent. in 1980<sup>1</sup>. This trend has been driven by the Tenants' Rights, Etc. (Scotland) Act 1980 which gave council tenants in Scotland the "Right to Buy" their property. As a result, there is a significant shortage of affordable housing in Scotland with approximately 140,000 applicants on council waiting lists<sup>2</sup> and 84,000 claimants of job seeker's allowance. In addition, 43 per cent. of social housing in Scotland falls below the Scottish Housing Quality Standard. In order to meet this demand for new affordable housing, the Scottish Government declared affordable housing a key priority and in 2016 introduced a target to build 50,000 new affordable houses by 30 March 2021. This represents a 66.7 per cent. increase on the 30,000 affordable homes target set during the previous Scottish Government's term. To achieve this target the Scottish Government has committed funding of £3.2 billion for the development of affordable housing. In the 12 month period from April 2016 to 31 March 2017, the number of affordable homes completed in Scotland was 7,336. This was 27 per cent. below the averaged annual target of 10,000 homes per year. Shelter Scotland estimates that between 10,435 and 14,678 new affordable homes will need to be built each year over the next five years<sup>3</sup> to satisfy the current levels of demand.

#### *Business model*

In order to stay informed of potential demand for affordable housing, the Group builds on its established relationships and stays in regular contact with local authorities, housing associations and other public bodies. In addition, the Group reviews public planning, housing and regeneration strategies to remain informed of current events and opportunities in the marketplace. When an appropriate site has been identified and the suitability confirmed by the Scottish Government, local authorities and/or housing associations the Group engages with a local authority or housing association as a partner for the project. The Group, having developed affordable homes since 2002, has formed partnerships with twelve local authorities and housing associations and is currently in negotiation with seven new potential partners and are targeting three new partners in strategic areas. Once a partner has been identified, the land will be secured. Identifying a partner before purchasing gives greater visibility of revenue and cash flow and reduces the risk of holding land if no partner can be found.

The Group works with the partner to determine the key characteristics of the project including the housing mix and agreeing pricing terms. Following agreement of the key characteristics, the Group will develop the detailed designs for the project. At this stage the Group will evaluate the project based on several factors, such as contract value, capacity considerations and complexity of the design requirements including any remediation required to the site. The Group will also carry out a detailed estimation of potential costs, including labour, materials, equipment, contractors and sub-contractors required to complete the project, as well as considering risk contingencies, profit margins and construction methodologies. Following this assessment, a final decision to continue with the project must be approved by the Group's senior management team. Once a decision is made to proceed with a project, the Group will submit the required applications for planning permissions and building warrants.

---

<sup>1</sup> Scottish Government, Housing Statistics for Scotland – Communities Analytical Services

<sup>2</sup> Scottish Government, Housing Statistics for Scotland – Housing lists

<sup>3</sup> Shelter Scotland, Affordable Housing Need in Scotland

When planning has been received for a project the land is sold to the partner, on the condition that the construction contract for the project is awarded to the Group typically on a fixed price basis, with the Group recognising the land value uplift gained due to receiving planning permission. Most projects take approximately 12 to 18 months to complete, and the Group is paid on a monthly basis, giving the Group significant visibility over future revenue. As at 31 May 2017 the Affordable division had contracted revenue of £25.4 million over the next 12 months which is included in a total contracted future revenue of £43.6 million over the next 36 months.

The Group has used this model successfully on a number of developments including, most recently, Edinburgh Muirhouse. Working in partnership with the City of Edinburgh Council, Muirhouse Housing Association and Dunedin Canmore Housing Association the Group will construct 202 affordable homes to be delivered in three phases. Construction is due to complete in May 2018 with a total project value of £23 million and target gross profit of £3.5 million representing a gross margin of 15.3 per cent.

The Directors believe that the key advantages of its Affordable division's business model are:

- projects are typically cash positive within one month of construction having commenced;
- construction contracts have a high level of revenue and cost visibility; and
- the Group does not compete in public procurement tender processes which are typically higher risk (as the Group has less control over the final product) and offer less attractive margins.

#### *Land bank and pipeline*

As of 31 August 2017, the Affordable division's land bank consisted of 3,615 plots on 11 active sites and 24 future sites, with a total GDV of £467 million. Of these plots, 2,393 or 66.2 per cent. were controlled through conditional contracts or option agreements, 583 or 16.1 per cent. were under a DA, and the remaining 17.7 per cent. were owned outright by the Group. As at 31 August 2017, 1,132 or 31.3 per cent. had planning permission. The Affordable land bank equates to approximately 20 years of development at current levels of activity. The Group aims to achieve a 17 per cent. gross margin on its future affordable housing developments.

#### *Summary financial information*

The table below sets out the Affordable division's summary financial and operational information for each of the three years ending 31 May 2015, 31 May 2016 and 31 May 2017.

	<i>Year ended 31 May 2017</i>	<i>Year ended 31 May 2016</i>	<i>Year ended 31 May 2015</i>
Number of completions	183	96	184
Market share* (%)	4.4	2.8	4.4
ASP (£000)	127.0	125.6	112.4
Revenue (£m)	23.3	12.1	20.7
Gross profit (£m)	3.4	2.3	2.8

\* Market share based on completions

**This summary information refers to past performance. Past performance is not a reliable indication of future results.**

**Further financial information on the historical trading performance of the Company is set out in Section B of Part III of this Admission Document.**

## **6. Private Housing**

### *Overview*

Building on its more than 25 years experience in securing land and promoting it through the planning and construction process, the Private Housing division has historically developed smaller to medium sized developments in Scotland, as well as a small number of larger sites. The Group intends that following

Admission its Private Housing division will continue to develop smaller to medium sized developments whilst also developing a higher proportion of larger village sites as described in paragraph 7 of this Part I below. The division has tripled revenue in the last ten years and over the last five years has experienced a compound annual growth rate in revenue of 24.1 per cent. and a compound annual growth rate in gross profit of 22.8 per cent.. In the year to 31 May 2017, the Group completed 437 private homes, with an ASP of approximately £198,000, generating revenue of £86.4 million representing 78 per cent. of the revenue of the Group. The division has an exceptional track record of profitability, staying profitable throughout the Scottish private housing market cycle, including during the 2007 to 2009 recession.

The Private Housing division's model primarily focuses on sourcing land in areas with high growth potential and, subsequently, to progress developments through the planning process. The division specialises in developing difficult sites, often involving several land owners and/or land that requires remediation works and/or land that has no or limited existing infrastructure.

#### *Product differentiation*

The Group's product is differentiated by its high quality specification and wide variety of personalised finishes as part of its "It's Included" and "Choices" award winning customer initiatives<sup>4</sup>, and by providing dedicated and personalised after sales care. The Directors believe that the Group's product is one of the best offerings in Scotland and that this is a key driver of sales.

"It's Included" differentiates Springfield houses from competitors as the houses are completed before the customer moves in, including a kitchen fully fitted with appliances, a complete bathroom, turfed and fenced gardens and fixtures and fittings installed. In particular, the Group draws attention to turfed gardens, loc bloc driveways, fitted carpets and integrated kitchens all being included in the standard price marketed. The Group's "Choices" initiative enables customers to alter a wide variety of the specifications of their new home including paint colours, appliances, furnishings and floor plan, by customising the positioning of interior walls. Springfield customers move into a complete home which incorporates their specifications.

The Group offers a comprehensive after sales service which includes a handover session when moving into a Springfield home, showing the customer how all fitted appliances work, a 24 hour help line to answer any questions or fix any teething problems, a one year check to ensure that there are no issues with the property and a full 10 year warranty on the property.

#### *Marketing and Branding*

The Group tends to significantly build up local marketing before the launch of a new site. This will include all types of conventional advertising mediums such as flyers, bill boards, news print, radio and local sponsorship. The Group also utilises innovation in its website by enabling prospective customers to use interactive site maps and 3D designs of houses at each plot. The Group sells most of its homes direct and rarely uses agents.

In 2016, the Group developed a positive relationship with Rightmove allowing for further flexibility and efficiency when using the Rightmove portal. As the Group develops its online tools in 2017 onwards, the Company intends that customers will be able to fully customise the houses they select and compare colour schemes, cabinets and even handle choices. The first phase of this new tool will also allow customers to compare Springfield properties with those of its competitors.

The Group considers the number of visitors to its sites as a key performance measure, as visits often lead to reservations and subsequently missives (a binding sale contract, as described in the paragraph below). Over the past three years, the Company has seen between 520 and 580 reservations a year of which around a third are withdrawn without entering into a missive.

#### *Legal framework*

The Group develops housing solely in Scotland and, accordingly, all home sales are completed under the Scottish missives legal framework. Customers are legally bound to purchase a home after a missive, a Scottish form of contract, is signed shortly after an offer for a house has been made and accepted. A

---

<sup>4</sup> Choices was awarded Best Customer Service Initiative, by Homes for Scotland in 2014 and It's Included was awarded Best Customer Service Initiative, by Homes for Scotland in 2015.

missive is typically entered into 6 to 9 months before completion of a Springfield home. This reduces speculative building as the Group seeks to enter into missives prior to commencing building works. If a customer fails to proceed with a purchase after a missive is signed, the Group can take legal proceedings against the customer to recover any losses incurred due to the customer's breach of contract, including additional sales costs incurred by the Group and any discounts required to be offered by the Group in order to facilitate a subsequent sale. This comfort helps to facilitate the provision by the Group of its "Choices" sales initiative, allowing customers to design their home in ways that otherwise may be undesirable from a resale perspective. As a result of the missive system, sales are secured early in the process, which provides significant visibility of and comfort as to revenue and cash flows for a rolling 6 to 9 month period approximately. In addition to allowing the Group to forecast and plan effectively, this provides security for the Group with visibility of income cover as compared to its work in progress. As at 31 May 2017, the Group had contracted 29 per cent. of target Private Housing revenues for the year ending 31 May 2018 as a result of this favourable legal framework.

### *Market drivers*

According to the Scottish Government, the housing stock in Scotland comprised approximately 2.6 million dwellings as at 31 March 2015. During the year to 31 March 2016, there were approximately 12,400 new private homes completed. The Scottish housing market has a structural position of undersupply as the number of new household completions, which fell sharply as a result of the 2007 recession, has not yet recovered and has failed to keep up with demand for new homes. The Scottish housing market was significantly adversely affected by the 2007 to 2009 recession with average house prices decreasing by 8.0 per cent. from 2007 to 2009 and the number of new homes completed decreasing by 40.8 per cent. from 2007 to 2011. The market is currently in a phase of recovery, with both new completions and ASP increasing over the past 5 years. However, the rate of recovery of the Scottish housing market has been significantly slower than the UK housing market with ASP and number of completions still 6 per cent. and 50 per cent. below pre 2007 recession peaks.

The Directors believe that there are a number of key factors that drive the demand for housing in Scotland. These are set out below.

**Macroeconomic environment:** According to the ONS, Scottish GDP grew 0.4 per cent. in 2016. Whilst Scottish GDP growth has lagged behind the wider UK since the 2007 recession, there are positive indicators for the Scottish economy with GDP growth ahead of the wider UK, with quarterly growth of 0.7 per cent. compared to 0.2 per cent., in the UK, in the quarter to 30 April 2017, being the last period with published GDP data. EY forecast GDP growth of 0.4 per cent. in Scotland for 2017 underpinning economic-led demand<sup>5</sup>. The unemployment rate in Scotland is at a 25 year low at 3.9 per cent<sup>6</sup>., which is significantly lower than the wider UK unemployment rate of 4.4 per cent<sup>7</sup>. As a result of the strong employment environment, real wages have grown steadily for the last 3 years<sup>8</sup>, supporting housing affordability.

**Mortgage Affordability:** Scotland has seen above inflation wage increases for the last 3 years which, combined with interest rates at historically low levels, has supported housing affordability despite increasing house prices. Scotland is the most affordable UK region with a first time house buyer to earnings ratio of 3.3 times being significantly more affordable than 5.3 times in the UK and 10.1 times in London<sup>9</sup>.

**Demographic demand:** The National Records of Scotland forecasts that the Scottish population of 5.4 million<sup>10</sup>, as at 30 June 2016, will grow by 7 per cent between 2014 and 2039. In addition there is an ongoing trend for household sizes in Scotland to reduce with growth in single person households forecast

---

<sup>5</sup> EY Scottish ITEM Club Forecast 2017

<sup>6</sup> Regional/labour market statistics in the UK: August 2017 (published by the Office for National Statistics on 16 August 2017 in respect of the 3 months April to June 2017)

<sup>7</sup> Regional/labour market statistics in the UK: August 2017 (published by the Office for National Statistics on 16 August 2017 in respect of the 3 months April to June 2017)

<sup>8</sup> ONS, the Annual Survey of Hours and Earnings 2016

<sup>9</sup> Nationwide Building society – first time buyer house price to earnings ratio

<sup>10</sup> National Records of Scotland – Mid-Year Population Estimates Scotland, Mid-2016

<sup>11</sup> National Records of Scotland – Projected Population of Scotland

to increase by 31 per cent between 2014 and 2039<sup>12</sup>. The increasing population in addition to falling average household sizes is expected to drive demand for new houses in Scotland.

Recent increases in demand have resulted in an increase in Scottish house prices, with house price increases of 2.9 per cent in the year to 30 April 2017<sup>13</sup>. The Directors believe that Scottish housing offers a significant growth opportunity, with the National Records of Scotland projecting a growth in the number households of 14 per cent. between 2014 and 2039.

### *Growth strategy*

The Private Housing division currently focuses on larger sites of 800 to 3,000 homes. These larger sites, known as Villages, are stand-alone sites for which the Group will develop all infrastructure including roads to connect to the existing transport links. On completion, the Villages will have their own amenities such as schools, retail and commercial space and green space. The Group has traditionally focused on smaller to medium developments with the largest development completed to date, Elgin South, being approximately 1,470 plots, in addition to approximately 70,070 square feet of commercial space, with a GDV of £263 million.

The Directors believe that the Village concept has significant advantages over developing smaller sites, being that:

- the Group has complete control of the entire development master plan which drives planning efficiencies;
- the later phases of the development benefit from the rising land value as development occurs;
- it enables strategic land swaps with other house builders which improves sales rates and diversifies risk; and
- it secures up to 20 years of development with known or indexed land costs.

The Group has secured land, through conditional contracts and options, to develop four Villages, with a total of 7,242 plots, in locations which are near fast growing cities and connected to transport infrastructure. In addition, the Group has entered into a framework agreement in respect of the development of a further Village, Bertha Park, which is not owned by the Group. The Group has achieved planning permission in principle in respect of the entire Bertha Park Village and planning permission in detail on approximately 1,000 plots with 50 per cent. of costs incurred recharged back to the site owner. The Group has entered into a construction contract for phase 1, being approximately 1,000 homes. The Group will perform all services that would normally be performed on a Private Housing project, including design, construction and sale of houses. The Group will receive revenue based on construction costs incurred plus a fixed mark up. The Directors believe that, whilst this project is expected to achieve lower margins than the other Village sites, the lower risk associated with the costs plus mark up structure, combined with lower upfront capital requirements makes this an attractive opportunity. Further information on the Bertha Park Village is set out in paragraph 7 of this Part I.

As part of the Group's growth strategy, the Directors believe that there is a significant opportunity to increase the margins of the Private Housing division and have set a target to achieve a gross margin of 20 per cent. Whilst the Directors expect that margins will increase going forward as a result of the completion of all Redrow sites, the Directors believe further increases in margin can be achieved through increased scale and efficiencies without lowering the quality of the Group's homes, the customer's range of choices or the typical terms on which land bank is purchased.

### *Land bank and pipeline*

As of 31 August 2017, the Private Housing division's land bank consisted of 6,838 plots, on 18 active sites and 9 future sites, with a total GDV of £1.4 billion. Of these plots, 4,969 or 72.7 per cent. were controlled through conditional contracts or option agreements, 796 or 11.6 per cent. were under a DA and the remaining 15.7 per cent. was owned outright by the Group. As at 31 August 2017, 3,198 or 46.8 per cent.

---

<sup>12</sup> National Records of Scotland - Projected Population of Scotland

<sup>13</sup> Nationwide, House Price Index

had planning permission. The Private Housing land bank equates to approximately 16 years of development at current levels of activity.

#### *Summary financial information*

The table below sets out the Private Housing division's summary financial and operational information for each of the three years ending 31 May 2015, 31 May 2016 and 31 May 2017.

	<i>Year ended 31 May 2017</i>	<i>Year ended 31 May 2016</i>	<i>Year ended 31 May 2015</i>
Number of completions	437	399	294
Market share* (%)	3.0	3.0	2.4
ASP (£000)	197.6	194.5	210.3
Revenue (£m)	86.4	77.6	61.8
Gross profit (£m)	13.3	11.4	8.0

\* Market share based on completions

**This summary information refers to past performance. Past performance is not a reliable indication of future results.**

**Further financial information on the historical trading performance of the Company is set out in Section B of Part III of this Admission Document.**

## **7. Key sites**

The following sites represent the material projects being undertaken or expected to commence in the near future at the date of this Admission Document:

### **Dykes of Gray – Dundee**

Located to the west of Dundee, Dykes of Gray is a new Village that is expected to consist of approximately 1,500 new homes on a greenfield site. The Group secured this site after several unsuccessful attempts by other housebuilders to develop the site, which had zoning. The site has been planned in partnership with Dundee City Council and is planned to have a tenure mix of 100 per cent. private homes. As of 31 August 2017, the GDV of Dykes of Gray was £272 million, with a target gross margin of 29 per cent.

The Group initially secured the land in 2013 through a mix of conditional contracts and options. As at 31 August 2017, 66 homes had been successfully handed over, generating revenue of £13.6 million, with a further 213 of the plots that were initially secured under conditional contracts having been purchased outright. As at 31 August 2017, the Group had planning permission for 599, or 42.7 per cent., of the remaining plots.

The site was secured by the Group following a major zoning exercise because of its proximity and transport links to Dundee, which is growing rapidly, with National Records for Scotland forecasting household growth of 14 per cent. by 2039. Construction on the site commenced in July 2015 with the first house being sold in May 2016. As a result of the land purchases and upfront infrastructure costs the Village was in a cumulative cash position of £14.4 million as at 30 July 2017.

### **Elgin – Elgin**

Located to the south of Elgin, in close proximity to the Group's existing Elgin South development, Elgin is a new Village that is expected to consist of approximately 2,500 new homes on a greenfield site. The tenure mix of the site is 75 per cent. private housing and 25 per cent. affordable housing. As of 31 August 2017, the GDV of Elgin was £419 million, with a target gross margin of 16 per cent.

The Group has secured the land through a conditional contract. As at 31 August 2017, the Group had phase 1, consisting of 870 plots, approved by the planning committee, subject to Section 75 agreement. The Group is targeting completion of its first sale in 2018.

The site was secured by the Group as the Directors believe, based on their experience as the major developer in the area, that the town of Elgin will grow rapidly. Their views are supported by National Records for Scotland who are forecasting household growth of 13 per cent. by 2039.

### **The Wisp – Edinburgh**

Located to the south of Edinburgh, the Wisp is the smallest of the new Villages and is expected to consist of 838 new homes. The tenure mix of the site is 72 per cent. private housing and 28 per cent. affordable housing. As of 31 August 2017, the GDV of the Wisp was £146 million, with a target gross margin of 18 per cent.

The Group has secured the land through a conditional contract. As at 31 August 2017, the Group had ownership and planning permission on 80 plots being 9.5 per cent. of the total plots and commenced construction in April 2017. The Group is targeting completion of its first sale in March 2018. The planning application for phase 2 of the Wisp was considered at a pre-application determination hearing on 30 August 2017. The planning department of City of Edinburgh Council has recommended that the application be refused. The application will be heard by the full Council on 21 September 2017. The Group's planning application in respect of phase 1 of the Wisp Village was also initially refused, however the Group successfully appealed. The Group similarly intends to challenge any refusal of the phase 2 planning application (which could involve an appeal to the Scottish Government or a withdrawal and resubmission of the Group's application). The Directors are confident that any challenge is likely to be successful.

The site was secured by the Group in the capital city, which is set for substantial growth with forecasted household growth of 30 per cent. by 2039.

### **Durieshill – Stirling**

Located in Stirling, Durieshill is a new Village and is expected to consist of approximately 2,500 new homes. The tenure mix of the site is 75 per cent. private housing and 25 per cent. affordable housing. As of 31 August 2017, the GDV of Durieshill was £469 million, with a target gross margin of 24 per cent.

The Group has secured the land through a mix of conditional contracts and option agreements. The Group is in the planning phase of the site with a target to complete its first sale in 2019.

The site was secured by the Group following a major zoning exercise because of its proximity to Stirling and transport links to Glasgow and Edinburgh. Stirling is growing rapidly with household growth of 20 per cent. forecast by 2039.

As the development is at a very early stage the Group has not yet reached the stage of obtaining external certificates of title however, following a review by the Group's in-house legal department, the Directors are not aware of any title issue that would impede or restrict the Group's ability to successfully develop the site.

### **Bertha Park – Perth**

Bertha Park is a planned development with a potential to build approximately 3,000 homes, located to the north west of Perth. The land is owned by Alistair Kilgour Ritchie and Margaret Warnock Clark Ritchie and is developed by Bertha Park Limited, a joint venture company of which Sandy Adam and Innes Smith are part-owners. The Village has a GDV of approximately £619 million. The Group has entered into a framework agreement and costs sharing agreement pursuant to which the Group is engaged to pursue and secure zoning and to endeavour to achieve planning permission for the Village with costs shared equally with the owner until zoning is secured. Following zoning it is anticipated that the Group will absorb the costs of obtaining detailed planning permission which will be reimbursed from the sale proceeds of each unit. Should any part of the land be sold to another developer then Springfield will be compensated pro rata for any costs involved and will be entitled to a percentage share of the increase in the value of the

land due to Springfield's efforts in securing zoning and planning (as applicable). The National Records for Scotland are forecasting household growth in Perth of 18 per cent. by 2039.

The Group has entered into a construction contract for developing the first 1,061 plots, which will involve the full development of smaller phases, including design, construction and sale of the houses, with a GDV of £194 million. Planning permission was granted for planning in principle for 3,000 homes and planning in detail for the 1,061 plots that Springfield is contracted to construct. Under the terms of the framework agreement, Springfield may be required to provide a loan of £5 million to Bertha Park Limited (of which the material terms are agreed (including no interest charged on the loan)). At the date of this document the Company has provided a loan in the amount of £950,000 to Bertha Park Limited and the Directors expect that the balance of this loan will be drawn down by Bertha Park Limited in the year to 31 May 2018 and be repaid by 31 May 2019. This loan will be used to finance initial design and infrastructure construction works and is expected to allow Bertha Park Limited to secure long term third party financing on more favourable terms than it would otherwise be able to negotiate prior to commencement of the project. The Group receives consideration for all its services on an attractive costs plus basis on construction costs incurred.

## **8. Reasons for Admission and use of proceeds**

Over the past 4 years the Group has secured land or entered into other arrangements relating to the development of 5 Villages with an estimated GDV of £1.5 billion, as set out in further detail in paragraph 7 of Part I of this document. The development of these Villages is expected to involve significant net cash-outflows in relation to land purchases, remediation works and infrastructure of between £8 million to £12 million per site. The net proceeds of the Placing, together with the Company's debt facilities and internally generated cash, will be used to realise the value of the sites already secured by the Group through the development of the five Villages.

Existing Shareholders are not selling shares in the Placing or otherwise in connection with the Company's admission to AIM.

## **9. Competition**

The housebuilding industry is competitive with the Group having to compete with other local, regional and national housebuilders for the purchase of land and sales of homes. In Scotland, the market is dominated by large UK national housebuilders who develop more than 10,000 homes per year, including Barratt Homes, Taylor Wimpey and Persimmon. The Directors believe that instead of competing directly with these companies, the Group operates a differentiated model which avoids land acquisitions on the open market and tender processes. The Group's primary focus is on developing complex sites, often including multiple land sellers or where significant remediation work is required, which the Directors believe may be unappealing to the UK national housebuilders due to the higher risk and resource intensity required. As a result, the Directors believe that the Group rarely competes directly with other housebuilders for the purchase of land.

The Group is rarely involved in direct competition for land purchases but experiences competition from other housebuilders developing private houses in the same local area. The Directors believe that the principal competitors to the Group's Private Housing division are Avant, Barratt Homes, Bellway Homes, CALA Homes, Miller Homes, Persimmon Homes, Robertson Homes and Taylor Wimpey. The Group operates solely in Scotland and uses the differences between the Scottish and English legal system to differentiate its product from UK national housebuilders. The Group is able to offer its "Choices" and "It's Included" initiatives as the signing of missives on properties at an early stage of development materially protects the Group from losses that are incurred as a result of customers withdrawing from purchases.

Affordable housing developments may involve public sector land and/or buildings that are subject to public procurement regulations. This can involve a competitive procurement process to win contracts for the development. The Group does not compete for affordable housing developments this way, and therefore avoids direct competition by sourcing and selling non-public sector land direct to housing associations and local authorities. Further details on the Affordable business model are set out in paragraph 5 of this Part I of this document.

## 10. Current trading

Trading has been strong since the Group's financial year end on 31 May 2017 through to 31 August 2017 with higher revenue in the period of £26.8 million (quarter ended 31 August 2016: £24.1 million), due to a higher number of completions in the period of 143 homes (quarter ended 31 August 2016: 128 homes).

The Private Housing division continues to take advantage of favourable market conditions with £21.7 million of revenue during the quarter which is an increase of 2 per cent. compared to the quarter ended 31 August 2016. In addition, as at 31 August 2017, Private Housing forward sales, including completions in the quarter, were up 2 per cent. to £79.2 million (quarter ended 31 August 2016: £77.6 million). Cancellation rates remain in line with the prior year at approximately 30 per cent. on reserved properties, which make up £30.1 million of the forward order book at 31 August 2017.

Affordable has had a strong start to the financial year with revenue of £5.0 million in the first quarter, an increase from £2.8 million in the quarter ending 31 August 2016. The Group has continued to take advantage of demand for affordable homes with total contracted future revenue, as at 31 August 2017, of £38.5 million, of which £20.3 million is expected to be recognised during the financial year ended 31 May 2018.

The Group's land bank increased to 10,453 plots as at 31 August 2017 from 9,195 plots as at 31 May 2017. In addition to securing 758 plots at The Wisp, the Group secured 618 Affordable plots including 115 plots in the Scottish Borders, underpinning the Group's continued geographic expansion.

**This information refers to past performance. Past performance is not a reliable indication of future results.**

## 11. Board of Directors and senior management

The Board currently consists of five Directors, each with significant experience. On Admission Roger Eddie and Matthew Benson will be considered Independent Directors for the purpose of the Corporate Governance Code. Brief biographical details of the Directors are set out below. Further information on the Directors' previous directorships and their terms of appointment is set out in paragraphs 8 and 9 of Part IV of this document.

### **Alexander (Sandy) William Adam** (aged 61), *Executive Chairman*

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 of the Group's key commercial decisions including the focus on affordable housing, the geographic expansion out of Elgin in 2010 and the acquisition of Redrow's Scottish assets/operations in 2011. Sandy has over 25 years of experience in the Scottish housing and property markets, including his role as Chairman of Homes for Scotland between 2014 and 2015, and leads the Group's land buying team.

### **Innes Smith** (aged 47), *Chief Executive Officer*

After graduating from Heriot Watt University in 1991, Innes qualified as a chartered accountant with KPMG before moving into industry as financial controller at SGL Technic, a subsidiary of RK Carbon Fibres (now called SGL Carbon Fibres Limited), a NASDAQ and Deutsche Bourse listed company. Subsequently Innes was promoted to finance director at SGL Technic and after five years moved to Gael Force. Innes joined Springfield in 2005 as Finance Director and was appointed Chief Executive Officer at Springfield in October 2012 after seven years with the Company. In his role as Chief Executive Officer Innes has grown the scale of the Group with annual revenue increasing from £53 million to £111 million and completions increasing from approximately 300 to over 600 per year. Innes was appointed to the board of Homes for Scotland in 2016.

### **Michelle Hunter Holm**, known as, and referred to throughout this Admission Document as, Michelle Motion (aged 46), *Finance Director*

Michelle joined Springfield as a Finance Director in 2013. Michelle has over 20 years of experience within the property and construction industry, previously working for Morrison Developments Limited, a subsidiary

of AWG plc, a FTSE 250 company, and the house building company Avant Group, previously known as Gladedale Group.

Michelle graduated with a BA in Accounting and an MBA and is a qualified accountant from the Chartered Institute of Management Accountants.

**Roger James Eddie** (aged 62), *Non-executive Director*

Roger worked for the Bank of Scotland for 32 years, most recently as Director of the North of Scotland Real Estate Team. Roger sits on the Board of the Port of Cromarty Firth and of their Cruise Highland subsidiary. Roger joined Springfield as a non-executive Director on 13 November 2008.

**Matthew James Benson** (aged 51), *Non-executive Director*

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. Matthew was appointed to the 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.

*Senior management*

**Tom Leggeat**, *Director with responsibility for Affordable Housing*

Tom graduated from Heriot Watt University in 2001 with a degree in Civil Engineering and Quantity Surveying. Tom worked for three years on commercial and industrial projects before joining Springfield in 2004. Tom leads the Affordable Housing team which has delivered over 1,200 affordable homes.

**Ewan MacLeod**, *Commercial Director*

Ewan has worked in housing and property development in the public and private sectors for over 20 years. Ewan has worked for local authorities, registered social landlords and main contractors. Ewan joined Springfield as project surveyor in 2013 and has progressed to Commercial Director.

**Robert (Bob) MacLeod**, *Civil Engineering Director*

Bob currently leads the civil engineering team at Springfield. Bob graduated from Herriot Watt University having studied Civil Engineering. Bob gained experience on major road schemes domestically and abroad becoming a Director of Remac Construction in 1983 and of Leiths (Scotland) Ltd in 1999 before joining Springfield in 2003.

## **12. The Placing**

The Company is proposing to raise £25 million (before expenses) through a placing by N+1 Singer of 23,584,906 New Ordinary Shares at a price of 106 pence per share.

N+1 Singer has entered into the Placing Agreement with the Company and the Directors. Under the Placing Agreement, N+1 Singer has conditionally agreed to use its reasonable endeavours, as agent for the Company, to procure subscribers for the New Ordinary Shares at the Placing Price. The majority of the Placing Shares are being placed with institutional investors.

The Placing, which has not been underwritten or guaranteed, is conditional, *inter alia*, on Admission taking place on or before 16 October 2017 (or such later date as the Company and N+1 Singer may agree, but in any event being not later than 31 October 2017) and on the Placing Agreement becoming unconditional and not being terminated prior to Admission.

The New Ordinary Shares will be issued credited as fully paid and will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after Admission. The Placing Shares will represent approximately 28.7 per cent. of the Enlarged Share Capital. On Admission, at the Placing Price, the Company will have a market capitalisation of approximately £87.0 million.

Application will be made to the London Stock Exchange for the admission of the Enlarged Share Capital to trading on AIM. It is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence on 16 October 2017.

Further details of the Placing Agreement are set out in paragraph 11.1 of Part IV of this Admission Document.

### **13. Lock-ins and orderly market agreements**

The Directors and certain other existing Shareholders, who immediately following the Placing and Admission will be the holders of 55,207,709 Ordinary Shares in aggregate, representing 67.3 per cent. of the Enlarged Share Capital, have, pursuant to the Lock-In Agreements, undertaken to the Company and N+1 Singer not to dispose of any interests in their (or certain related parties) respective Ordinary Shares for a period of 12 months from Admission and, thereafter, in the case of Innes Smith and Michelle Motion, for the following 12 months, and, in the case of Sandy Adam, Anne Adam, James Adam and the Adam Settlement Trust, for the following 6 months, only to deal in their Ordinary Shares through N+1 Singer with a view to maintaining an orderly market. The Lock-In Agreements contain customary exceptions on disposal of Ordinary Shares including, inter alia, a transfer pursuant to acceptance of a takeover offer and a transfer to a family member.

Further details of these arrangements are set out in paragraph 11.2 of Part IV of this Admission Document.

### **14. Management and Employee Incentive Schemes**

The Board recognises the importance of share participation as a mechanism for incentivising and rewarding employees and aligning their interests with those of Shareholders.

Accordingly, the Company has established, conditional on Admission, the following Share Plans, under which employees can be granted options to acquire Ordinary Shares:

- the CSOP and the ESOP, being “discretionary schemes” in terms of which participation will be offered to selected members of the senior management team (including executive directors); and
- the SAYE Plan, which will be an “all-employee” arrangement.

It is currently anticipated that the initial tranche of options under each of the Share Plans will be granted immediately on, or shortly after, Admission, with the exercise price per Ordinary Share being set by reference to the Placing Price.

Options granted under the Share Plans that are satisfied by newly issued Ordinary Shares will be limited in total to 10 per cent. of the Company’s issued share capital from time to time.

Further details of the Share Plans, including additional information on the terms of the awards that will be granted on or around Admission, are set out in paragraph 7 of Part IV of this Admission Document.

### **15. Banking facilities**

The Group has two external banking facilities, being:

- a revolving credit facility with Bank of Scotland plc which is due for repayment on 31 August 2020. Under the terms of this agreement the Group can draw down individual loans for working capital purposes with interest payable at 2.5 per cent. above the London interbank offered rate on drawn amounts and at 1 per cent. on all undrawn amounts under the facility (see paragraph 11.6 of Part IV of this Admission Document for further details); and

- a working capital facility agreement with Bank of Scotland plc under which varying levels of interest are payable on amounts drawn from each of the underlying facilities as set out in further detail in paragraph 11.7 of Part IV of this document. The agreement is reviewed annually with the next review date being 31 August 2018.

## **16. Working capital**

The Directors are of the opinion that, having made due and careful enquiry and taking into account the net proceeds of the Placing receivable by the Company together with the Company's new bank facilities, the working capital available to the Company and the Group will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## **17. Admission, settlement and CREST**

Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence on 16 October 2017.

The Articles permit the Company to issue Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic rather than paper form, although a Shareholder can continue dealing based on share certificates and notarial deeds of transfer.

For more information concerning CREST, Shareholders should contact their own stockbroker or Euroclear.

The ISIN number of the Ordinary Shares is GB00BF1QPG26. The TIDM is SPR.

## **18. Dividend Policy**

The Directors recognise the importance of dividend income to Shareholders and, subject to the availability of distributable reserves, the retention of funds required to finance the future growth of the Group and such other factors which the Directors may from time to time deem relevant, anticipate paying a regular dividend (if appropriate).

The Directors will consider the following general principles when recommending dividends for approval by Shareholders or when declaring any interim dividends:

- (a) the level of cash and level of indebtedness;
- (b) the required and expected cash flows, interest expenses, profit, return on equity and retained earnings;
- (c) the expected results from operations and the anticipated future level of operations; and
- (d) the projected levels of capital expenditure and other investment plans.

The objective of the Group's dividend policy is to provide sustainable dividends to Shareholders consistent with the Company's earnings growth to attract long-term investors and enable Shareholders to enjoy returns on their investment in tandem with the Group's growth. That said, the payment and amount of any dividends or distributions to Shareholders will be at the discretion of the Directors and will depend on the factors stated above. There is no assurance as to whether dividend distributions will occur as intended, the amount of dividend payments or the timing of any such payment.

All Ordinary Shares, including the Placing Shares, carry equal dividend rights.

## **19. Corporate governance and board practices**

The Directors recognise the importance of sound corporate governance and intend to comply with the QCA Guidelines, to the extent appropriate for a company of its nature and size. The QCA Guidelines were devised by the QCA, in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies and have become a widely

recognised benchmark for corporate governance of small and mid-sized quoted companies, particularly AIM companies.

On Admission the Audit Committee will comprise Matthew Benson and Roger Eddie and will be chaired by Matthew Benson. The Audit committee will, *inter alia*, determine and examine matters relating to the financial affairs of the Company including the terms of engagement of the Company's auditors and, in consultation with the auditors, the scope of the annual audit. It will receive and review reports from management and the Company's auditors relating to the half yearly and annual accounts and the accounting and internal control systems in use throughout the Group.

On Admission, the Remuneration Committee will comprise Roger Eddie and Matthew Benson and will be chaired by Roger Eddie. The Remuneration Committee will, *inter alia*, review and make recommendations in respect of the Directors' remuneration and benefits packages, including share options and the terms of their appointment. The Remuneration Committee will also make recommendations to the Board concerning the allocation of share options to employees under the Share Plans.

On Admission, the Nomination Committee will comprise Matthew Benson, Roger Eddie and Sandy Adam and will be chaired by Roger Eddie. The Nomination Committee will consider the selection and re-appointment of Directors. It will identify and nominate candidates to fill Board vacancies and review regularly the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes.

From 13 November 2017 Roger Eddie will have completed nine years' service as a Director. Having considered his independence in the context of the Corporate Governance Code, the Board is satisfied that Mr Eddie will remain independent from 13 November 2017, notwithstanding his length of service. The Board will continue to monitor and assess on an ongoing basis the independence of all non-executive directors. Although the Board considers the current board composition to be suitable for the business following Admission, it is the Directors' intention to appoint an additional suitably experienced independent non-executive director to the Board as soon as practicable following Admission.

## **20. Share dealing code**

The Company will adopt, with effect from Admission, a share dealing code for dealings in Ordinary Shares by directors and employees of the Enlarged Group which is appropriate for a company whose shares are admitted to trading on AIM. The Directors will comply with Rule 21 of the AIM Rules relating to directors' dealings and the Company will take all reasonable steps to ensure compliance with that rule by the Company's "applicable employees", as defined in the AIM Rules.

## **21. Taxation**

The attention of prospective investors is drawn to the information regarding taxation which is set out in paragraph 13 of Part IV of this Admission Document. These details are, however, only intended as a guide to the current taxation law position in the UK.

**Prospective investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial or tax adviser immediately.**

## **22. Relationship Agreement**

The Company, Sandy Adam and N+1 Singer have entered into a relationship agreement, pursuant to which Sandy Adam has given undertakings to the Company and N+1 Singer in relation to his conduct with the Company with respect to his shareholding in the Company. Further details of this arrangement are set out in paragraph 11.4 of Part IV of this Admission Document.

## **23. Health and Safety**

Health and safety is of paramount importance to the Group and is considered to be a key risk. Health and safety breaches can result in injuries to employees, sub-contractors and site visitors, delays in

construction, additional cost, reputational damage, criminal prosecution and civil litigation. To mitigate the risk, the Group has documented policies and procedures which are regularly reviewed and modified in order to ensure continuous improvement. The Group employs dedicated health and safety personnel to ensure implementation and adherence to these policies and procedures.

## 24. Environment

The Group seeks to comply with all relevant environmental laws and regulations, and it has suffered no prosecutions or fines for environmental practices over the last 10 years.

## 25. Insurance

The Group has insurance coverage through well-known providers, including for public liability, employer's liability, engineering, professional indemnity, business interruption, property, transport, directors' and officers' liability and certain other claims consistent with customary practice in the UK housebuilding industry. The Directors believe the Group's insurance coverage to be adequate both as to the scope and quantum of risks for the business the Group conducts.

## 26. Litigation

Information on legal proceedings which may have, or have had in the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability, including any such proceedings which are pending or threatened of which the Company is aware, as at the date of this Admission Document are set out in Part IV of this Admission Document.

## 27. The Takeover Code

The Company is a public company incorporated in Scotland, and application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. The Takeover Code applies, *inter alia*, to all companies who have their registered office in the UK, Channel Islands or Isle of Man and whose securities are traded on a regulated market in the UK or a multilateral trading facility (such as AIM) or a stock exchange in the Channel Islands or Isle of Man. Accordingly, the Company is subject to the Takeover Code and therefore all Shareholders are entitled to the protections afforded by it. Further information on the provisions of the Takeover Code is set out in paragraph 5.1 of Part IV of this Admission Document. The Takeover Code governs, *inter alia*, transactions which may result in a change of control of a company to which the Takeover Code applies. Under Rule 9 of the Takeover Code any person who acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Takeover Code) which (taken together with shares in which that person is already interested or in which persons acting with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, Rule 9 of the Takeover Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry 30 per cent. or more of the voting rights of such company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in shares is acquired which increases the percentage of shares carrying voting rights in which he, together with persons acting in concert with him, are interested.

Rule 9 of the Takeover Code further provides, among other things, that where any person who, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company, acquires any further shares carrying voting rights, they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares, though Rule 9 of the Takeover Code would remain applicable to individual members of a concert party who would not be able to increase their percentage interests in the voting rights of such company through or between Rule 9 thresholds without complying with the requirements of Rule 9 or first obtaining a waiver from the Takeover Panel.

Sandy Adam, the Adam Settlement Trust, James Adam, Margaret Rae, Innes Smith, Michelle Motion, Roger Eddie and Mathew Benson and their connected persons (the "**Concert Party**") are considered to

be acting in concert for the purposes of the Takeover Code. On Admission, the Concert Party will, between its members, hold Ordinary Shares representing 69.9 per cent. of the Enlarged Share Capital. As the Concert Party will, between its members, be interested in Ordinary Shares carrying more than 50 per cent. of the Company's voting share capital, for so long as they remain in concert, any further increase in that interest in Ordinary Shares will not generally be subject to the provisions of Rule 9 of the Takeover Code.

As noted in paragraph 22 above of this Part I, the Company, Sandy Adam and N+1 Singer have also entered into a relationship agreement, pursuant to which Sandy Adam has given certain undertakings to the Company and N+1 Singer in relation to his conduct with regard to the Company and with respect to his shareholding in the Company. Further details of these arrangements are also set out in paragraph 11.4 of Part IV of this Admission Document.

## **28. Additional information**

**You should read the whole of this Admission Document which provides information on the Company and the Placing and not rely on summaries or individual parts only. Your attention is drawn, in particular, to the Risk Factors set out in Part II of this Admission Document and the additional information set out in Part IV of this Admission Document.**

## PART II

### RISK FACTORS

**The attention of prospective investors is drawn to the fact that ownership of shares in the Company will involve a variety of risks which, if they materialise, may have an adverse effect on the Group's businesses, financial condition, results or future operations. In any such case, the market price of the Ordinary Shares could decline and an investor might lose all or part of his investment.**

**In addition to the information set out in this Admission Document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. The following factors do not purport to be an exhaustive list or explanation of all the potential risks and uncertainties associated with an investment in the Company and they are not set out in any order of priority. In particular, the Group's performance might be affected by changes in market, policy and economic conditions and in legal, regulatory and tax requirements.**

**Additionally, there may be further risks of which the Directors are not presently aware or currently believe to be immaterial that may, in the future, adversely affect the Group's businesses and the market price of the Ordinary Shares.**

**Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, should consult with an independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended or, if they are a person outside the UK, a person otherwise similarly qualified in their jurisdiction, who specialises in advising on the acquisition of shares and other securities.**

#### **Forward looking statements**

This Admission Document includes "forward-looking statements" which include all statements other than statements of historical facts including, without limitation, those regarding the Group's financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words "targets", "plans", "project", "believes", "estimates", "aims", "intends", "can", "may", "expects", "forecasts", "anticipates", "would", "should", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from its future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Group will operate in the future. Among the important factors that could cause the Company's actual results, performance or achievements to differ materially from those implied by any forward-looking statements include factors in this section entitled "Risk Factors" and elsewhere in this Admission Document. These forward-looking statements speak only as at the date of this Admission Document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions in relation to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward looking statements in this Admission Document may not occur. Prospective investors should be aware that these statements are estimates, reflecting only the judgement of the Company's management and prospective investors should not rely on any forward-looking statements.

The Ordinary Shares should be regarded as a highly speculative investment and an investment in Ordinary Shares may not be suitable for all recipients of this Admission Document, which should only be made by those with the necessary expertise to fully evaluate such an investment. The Directors believe the following risks should be considered carefully by investors before acquiring Ordinary Shares. Accordingly, prospective investors are advised to consult an independent adviser authorised under FSMA or, if they are a person outside the UK, a person otherwise similarly qualified in their jurisdiction who specialises in

advising in investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his personal circumstances and the financial resources available to him. If any of the risks described in this Admission Document actually occur, the Group may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be seriously harmed. In that case, the market price of the Ordinary Shares could decline and all or part of an investment in the Ordinary Shares could be lost. No inference ought to be drawn as to the order in which the following risk factors are presented as to their relative importance or potential effect.

## **RISK FACTORS RELATING TO THE BUSINESS AND OPERATIONS OF THE GROUP**

### **Scottish residential housing market conditions may deteriorate due to macroeconomic or other factors**

The Group's business is dependent on the Scottish residential housing market. Historically, the strength of the Scottish residential housing market has been linked to that of the Scottish economy as a whole, which in turn is influenced by UK, European and global macroeconomic conditions, as well as internal factors within Scotland. In addition to macroeconomic factors, the Scottish residential housing market could also be adversely impacted by, among other things:

- increased interest rates;
- restrictions on the availability of mortgages and other forms of credit for house buyers;
- supply chain availability or cost increases;
- population growth and demographic changes;
- rising unemployment, declining income (in real terms) and increases in the cost of living;
- inflation and rising costs of housing that make homes unaffordable to large segments of the population;
- changes in government budgets or funding initiatives, including the Help to Buy programme;
- changes in government regulation or policy, including infrastructure policies and planning and environmental regulations; and
- increases in tax rates, including VAT and stamp duty/land and buildings transaction tax or a reduction in mortgage interest tax relief.

Any of these factors could decrease demand for new homes, lower sales prices and rents in the UK residential property market and reduce the funding available to local authorities and housing associations for affordable projects with the Group, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### **Reliance on reputation and relationships**

The Group's success, in particular that of its Affordable division, which accounted for 21 per cent. of the Group's revenue in the year to 31 May 2017, depends on its ability to maintain strong relationships with the Scottish Government, local authorities, housing associations and other local organisations. Affordable housing projects are normally completed with a partner, being the Scottish Government, local authorities, or housing associations and the decision whether to work with the Group on these projects is often based on the perception by a local authority or housing association of a developer's expertise, design quality, reputation, price and value. As a result, the Group's reputation among, and relationships with, key local authorities is critical to the continued success of the Affordable division. In addition, local authorities often have oversight and authority over multiple potential developments sites, and previous local authority clients are thus an important source of referral and repeat business for the Affordable division.

In addition the Group's reputation, in terms of the homes it builds, is central to the Group winning sales of private houses. Failure to meet the expectations of customers may have a material adverse effect on the Group's reputation.

If the Group is unable to maintain strong relationships with the Scottish Government, local authorities, housing associations and other local organisations or if its reputation is damaged it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In order to minimise this risk, the Group's dedicated after sales team aim to resolve customer complaints or issues quickly. This team have been recognised for their work with customers by the Homes for Scotland awards and the Scottish Home Awards. The Group also employs a dedicated business development manager who liaises with the Affordable division customers. This employee works closely with local authority clients and housing associations to establish and maintain relationships. This strengthens the Group's reputation and reduces the risk of any relationships breaking down.

### **Discontinuation of government-backed home purchase assistance programmes**

The Group benefits from Scottish Government-backed property purchase assistance schemes such as Help to Buy (Scotland) Affordable New Build Scheme ("**Help to Buy**") and the Low-cost Initiative for First Time Buyers ("**LIFT**"). In the year to 31 May 2017, 17 per cent. of the Group's homes were purchased with assistance from Help to Buy. There can be no assurance, however, that Help to Buy, the LIFT or any other similar government-backed programme will continue at current levels, or at all, or that lenders will participate in them. Any reduction or discontinuation of Scottish Government-backed home purchase assistance programmes in the future may make it more difficult for the Group to sell homes to those who have utilised the scheme and may force the Group to either lower prices or increase purchase incentives to attract those affected by any changes, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### **Constraints on the availability of mortgage funding**

Home purchases in Scotland are often facilitated through mortgage lending, and the vast majority of the Group's homes are typically purchased by customers with the assistance of mortgages. Any decrease in the availability of products and providers of mortgage financing in the future or increase in the costs of obtaining a mortgage may make it more difficult for the Group to sell private homes, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### **Ability to purchase suitable land at an acceptable price to meet the Group's business needs**

The Group needs to be able to identify and acquire land at appropriate prices and in appropriate areas in Scotland in order to construct and sell homes to deliver profit. An inability to identify suitable land at acceptable prices, as well as obstacles occurring within the purchasing process, could have a material adverse impact on the Group's business, financial condition, results of operations and prospects. However, the Group employs a skilled and experienced land and planning team who have existing relationships throughout the industry which assists the Group in finding land and paying suitable prices. The land and planning team works to identify potential obstacles and manage them from an early stage.

### **Ability to secure planning permission for developments on a timely basis or on economically viable terms**

The Group typically sources land for development prior to the grant of planning permission, therefore developments undertaken by the Group require planning permission to be granted by a relevant planning authority before works can be undertaken. There can be no certainty that any given application will result in full planning consent or that planning consent, if granted, will not be on unduly onerous terms. Legislation, national and local planning policies, local urban regeneration strategies, and policies on the use of brownfield and greenfield sites continue to have a significant impact on the ability to obtain planning consents and subsequently for housebuilders to develop sites. Delays to the expected timescale for receipt of planning consents for a site may result in a reduction in the number of homes that are available for sale within the proposed time frame. Planning policies can place restrictions on access to new land and on how land is developed. Any failure to obtain or delays in obtaining planning consents on acceptable terms or at all could have a material adverse impact on the Group's business, financial condition, results of operations and prospects.

### **Ability to access debt financing on favourable terms**

The Group has historically financed and currently finances its operations in part from borrowings under available credit facilities, the working capital facility of which expires on 31 August 2018 and the revolving credit facility of which expires on 31 August 2020. Upon the expiration of the Group's existing credit facilities, there is a risk that it will be unable to secure sufficient further funding for its business operations. The Group may also in the future seek additional bank borrowings or issue debt for future expansion and development of the business in the longer term. No assurance can be given as to the availability of such additional financing at the relevant time or, if available, whether it would be on acceptable terms. If, in the longer term, the Group does not successfully obtain further financing (should it be required to fund its future investments), this may constrain the Group's ability to grow by limiting further land acquisitions and its ability to develop the Villages, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### **Loss of key senior management or employees**

The Group's ability to successfully operate and grow its business is largely dependent on the efforts, abilities and services of senior management and other key employees. In particular, the Group has a strong senior management team (including the Directors) who have significant experience in the housebuilding industry and have developed strong reputations and relationships among those with whom the Group does business. For example, although Sandy Adam is a part time executive director, Sandy sometimes plays a key role in either directly or indirectly sourcing larger sites (such as the land for the Villages) which involve complex negotiations with several stakeholders. The Group's future success depends in large part upon the continued service of its senior management team, who are critical to the overall management of the Group as well as the development of its products, culture and strategic direction. The Group does not maintain key man insurance, and if the Group is not able to attract and retain key personnel or develop a succession plan for senior management, the Group may not be able to maintain its standards of service or continue to grow as anticipated. The Group's future success will also depend on, among other factors, its ability to attract and retain qualified personnel, either through internal training and promotion, direct hiring or the acquisition of other businesses employing such professionals.

The loss of any member of the senior management team or an inability to attract and retain well-qualified personnel could materially adversely impact on the Group's business, financial condition, results of operations and prospects.

### **The construction of new developments involves HSE risks**

Operating in the housebuilding industry poses certain HSE-related risks. A significant HSE incident at one of the Group's developments, or general deterioration in the Group's HSE standards, could put the Group's employees, its contractors, sub-contractors or the general public at risk of injury or death and could lead to litigation, significant penalties or damage to the Group's reputation. The Group's reputation plays a significant role in its ability to acquire land and any damage to its reputation resulting from HSE issues could thus have a negative impact on its ability to generate new business. As a result, the Group has employed a dedicated HSE team and has implemented HSE policies. All employees of the Group are trained in HSE, in order to mitigate the risks of accidents or injuries. The Group maintains a HSE record including near-misses and these are discussed at every Board meeting.

The Group may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on, under or in a property currently or formerly owned, leased or occupied by the Group, whether or not it caused or knew of the pollution. The Group may also be deemed responsible for latent or historic risks from unknown contamination or may incur greater liability or costs than originally anticipated. The costs of remediation of or defending environmental claims can be substantial, and they may not be covered by warranties and indemnities from the seller of the affected land or by the Group's insurance policies. Many of the projects the Group has developed are located on land that has been contaminated by previous use. Although the Group performs environmental due-diligence on such sites and endeavours to factor identified risks into the project costs, no assurances can be given that material claims or liabilities relating to these developments will not arise in the future.

Any failure in HSE performance, including any delay in responding to changes in HSE regulations, particularly in light of evolving international standards, may result in penalties for non-compliance with

relevant regulatory requirements. Monitoring and ensuring HSE best practices may become increasingly expensive for the Group in the future, and HSE risks may become more acute as the Group undertakes larger scale projects, or during periods of intense activity. Any of these risks, were they to materialise, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

### **Significant unanticipated costs may arise in relation to the Group's business**

Cost estimates made in advance of commencing a development are dependent upon assumptions, estimates and judgments which may ultimately prove to be inaccurate. The Group specialises in developing complex sites in respect of which significant costs for remediation works and infrastructure are incurred. The costs of infrastructure works and remediation are complex to estimate due to them being unique in nature for each site. Whilst the Group attempts to mitigate this risk by taking reasonable steps to ensure that its risk management and financial and operational procedures, controls and systems are appropriate for its businesses, this is not a guarantee that significant unanticipated costs will not arise. Such unanticipated costs could arise from, amongst other things, the failure to establish accurately the anticipated cost of site acquisitions of any given development, from unanticipated or unbudgeted costs which arise during the course of development, either due to omission, unforeseen technical conditions or increases in sub-contractor rates or material costs, and from inadequate contractual arrangements which do not provide for a final and known cost in advance. Any unanticipated costs arising during the execution of the Group's projects may cause material construction delays and may result in the Group incurring losses or lower profits than anticipated, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group employs a large in-house team of quantity surveyors (QS). The QS team is skilled and experienced at what it does and this assists in reasonable estimates on costs being made. The QS team also utilises computer software and programmes to maximise the reliability of its estimations. The Group has also ensured it does not rely on one key supplier in any area and maintains a list of reliable suppliers. The Group currently employs a costing system which requires manual updates to unit costs for the system to remain accurate over time, but the Group intends to move to a system based on live costings in the near future. As such there may be a one-off cost recognised if the new system is found to be more prudent.

### **The Group is exposed to liability claims by third parties**

The nature of the Group's business exposes it to potential liability claims by third parties. The Group may face legal proceedings as the result of a wide range of events, including: (i) actual or alleged deficiencies in its execution of construction projects (including relating to the design, installation or repair of structures); (ii) defects in the building materials the Group uses, sells or transports; (iii) deficiencies in the goods and services provided by suppliers, contractors and sub-contractors used by the Group; (iv) non-performance of obligations owed to landowners (including obligations to promote land through the planning process); and (v) the conveyance of defective property title or property mis-description (including as a result of information provided to sales agents). As a result, accidents, injuries or damage at or relating to one of the Group's ongoing or completed projects or sales transactions resulting from the Group's actual or alleged negligence could result in significant liability, warranty or other civil and criminal claims, as well as reputational harm, especially if public safety is impacted. These liabilities may not be insurable or could exceed the Group's insurance limits and the fees the Group generates, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Company has been advised by the Procurator Fiscal (the "**Fiscal**"), the public prosecutor in Scotland, that it may be subject to a health and safety prosecution arising out of allegations made by one of its contractors in connection with the removal of cladding/coating containing asbestos from internal surfaces of seemingly derelict buildings at the Group's Milton of Campsie site in 2013. The Directors believe that there is little, if any, external support for the suggestion that the contractor required to work inside buildings identified as containing asbestos and there are significant question marks over the credibility of the contractor's claim following the contractor being advised by the Company that it was unlikely to receive as much contract work from the Company in the future as a result of general dissatisfaction with its performance. Nonetheless, there are questions for the Company as to whether the pre job training provided to the contractor was appropriate in relation to the activity it was contracted to carry out.

The Company submitted some documentation to the Fiscal in early October 2017. The Fiscal accepted that, in broad terms, these documents contradicted what was being claimed by the contractor in relation to the scope and nature of the work. The Fiscal has informed the Company that it should engage its own asbestos expert to determine whether the activities carried out by the contractor could be done by a non-licensed contractor with appropriate instruction and personal protective equipment. The Company is currently in the process of selecting an independent expert. As at the date of this document the Company awaits notification from the Fiscal in respect of whether or not the Fiscal intends to proceed with a prosecution. As the Company awaits this decision from the Fiscal, it is not in a position to confirm the likely outcome, however, the legal advice received by the Group is that, if the Fiscal decides to prosecute the Company, in a best case scenario, a fine could be in the range of £100,000 to £250,000 and in the worst case scenario, a fine could be in the range of £1,000,000 to £2,000,000. The Company expects that any fine would be covered by its existing insurance policies. Further information in relation to this potential litigation is detailed in paragraph 16.2 of Part IV of this document.

### **The net realisable value of the Group's land bank and work in progress may reduce**

There is an inherent risk that the value of land owned by the Group may decline after purchase and this would have an impact on the value of the Group's current land bank which could materially and adversely affect the Group's business, financial condition and results of operation. The valuation of property is provided by independent surveyors. Factors such as changes in regulatory requirements and applicable laws (including in relation to building and environmental regulations, taxation and planning), political conditions, the condition of financial markets, the financial condition of customers, potentially adverse tax consequences, and interest and inflation rate fluctuations all mean that valuations are subject to uncertainty. Moreover, all valuations are made on the basis of assumptions which may prove inaccurate and there is no assurance that the valuations of land will reflect actual sale prices of either the land itself or any developments built thereon.

To mitigate these risks, the Group utilises its in-house legal team and in-house land and planning team. Both teams are positioned to consider potential future changes when purchasing land.

### **The Group's business is subject to complex and substantial regulations which may change**

The Group is required to comply with a wide range of laws, regulations, administrative requirements and policies which relate to, among other matters, planning, developing, building, land use, fire, health and safety, environment, employment, bribery, competition and money laundering. Changes in relevant laws, regulations or policies, or the interpretation thereof, may give rise to substantial compliance, remediation and other costs, and could prohibit or severely restrict the Group from developing and building in certain locations. There may also be changes in law or regulation between the time when initial planning permission is given for a particular site and when the Group begins construction, which may cause delays, increase costs, reduce the expected rate of return or make a proposed development financially unviable.

### **The Group may be unable to realise its estimated returns on its land bank**

The Group's estimated GDVs relating to its planned developments and Villages are estimates only and are ascertained on the basis of assumptions (including demand for homes, average sales price, assumed number of homes within developments and the split between private and affordable housing homes, and the obtaining of planning and other necessary consents so as to achieve the developments then proposed by the Group) made at the time that the Group acquires (or enters into a conditional contract or an option to acquire) an asset. Such estimates and underlying assumptions may prove to be inaccurate or unreliable and there is no assurance that the estimated GDVs relating to the Group's land bank and its proposed developments will reflect the actual costs to develop and/or actual sale prices achieved of any developments built on the land. In particular, factors including lower demand for homes and those factors listed in the Risk Factor: "*Scottish residential housing market conditions may deteriorate due to macroeconomic or other factors.*" of this Part II (*Risk Factors*) may lead to lower GDVs and/or at greater cost to develop than estimated. Any failure to sell as many homes as anticipated, and/or for the sales prices expected could result in the Group not achieving its estimated GDVs, and in the case of the Group achieving lower sales prices than expected, could negatively affect the margins the Group receives on such sales, all of which in turn could have a material adverse impact on the Group's business, financial condition, results of operations and prospects.

### **The Group's due diligence may not identify all risks and liabilities in respect of an acquisition**

Prior to entering into an agreement to acquire development land, the Group performs due diligence on the proposed investment. In doing so, it does not rely in part on third parties to conduct a significant portion of this due diligence (including providing planning, engineering and legal reports on title and property valuations). The agreed scope of any due diligence exercise together with the quality of the documentation available for review will impact on the reliability of any due diligence exercise. In relation to the Group's existing sites and sites over which it has an option or contract, the Group's due diligence included a physical examination of the sites, in respect of environmental, planning and identification matters, however there can be no assurance that the due diligence examinations carried out by the Group or third parties on behalf of the Group in connection with any development land which the Group has acquired or may acquire have revealed or will reveal all of the risks and/or defects associated with that development land, or the full extent of potential liability or losses arising from such risks. To the extent the Directors or third parties underestimate or fail to identify risks and liabilities associated with an acquisition, the Group may be subject to one or more of the following risks:

- defects in title;
- environmental, structural or operational defects or liabilities requiring remediation and/or not covered by indemnities or insurance;
- prior ranking interests in any asset;
- missing documents;
- an inability to obtain permits enabling it to use and/or develop the asset as intended;
- existing structures or developments on the site having structural issues or not being in compliance with planning legislation, building control legislation, health and safety legislation or fire safety legislation;
- acquiring assets that fail to perform in accordance with expectations;
- unexpected or undetected tax costs associated with acquiring the underlying property;
- legal or practical difficulties in enforcing or an inability to enforce loans and related security and/or obtain the title to the underlying property collateral;
- non-compliance with contractual commitments or outstanding financial contributions imposed by various planning permissions; or
- third party rights over the site or other sites affecting title having the potential to inhibit or restrict development.

Any of these consequences of a due diligence failure could have a material adverse impact on the Group's business, results of operations, financial condition and prospects, however in order to mitigate this risk the Group relies on third party evidence, records and investigations which are backed up professional indemnity insurance of the professionals involved.

### **The Group may be subject to liability following the sale of its homes**

The Group may be exposed to future liabilities and/or obligations with respect to the homes that it sells, including, but not limited to, breach of contract, contractual disputes and defective title or property misdescription claims.

Although the Group may have obtained contractual protection against such claims and liabilities from third parties, such as, for example, NHBC or collateral warranties from relevant building contractors or design team members, there can be no assurance that such contractual protection will always be enforceable or effective if obtained under contract. Any claims for recourse that the Group may have against third parties in respect of contractual protections may fail because of the expiration of warranty periods and the statute of limitations, lack of proof, the insolvency of the third party, or for other reasons.

The Group may be required or may consider it prudent to set aside provisions for warranty claims or contingent liabilities in respect of the sale of homes. The Group may be required to pay damages (including but not limited to litigation costs) to a purchaser to the extent that any representations or warranties given to a purchaser prove to be inaccurate or to the extent that the Group breaches any of its covenants or

obligations contained in the sale documentation. In certain circumstances, it is possible that representations and warranties incorrectly given could give rise to a right by the purchaser to unwind the contract in addition to the payment of damages. Further, the Group may become involved in disputes or litigation in connection with such homes. Certain obligations and liabilities associated with the ownership of the homes can also continue to exist notwithstanding any sale, such as certain environmental liabilities. Any claims, litigation or continuing obligations in connection with the sale of any homes may subject the Group to unanticipated costs and may require the Group to devote considerable time to dealing with them. As a result, any such claims, litigation or obligations could have a material adverse impact on the Group's business, financial condition, results of operations and prospects and on its reputation.

### **The Group may be subject to increased competition from other homebuilders**

The Group operates in a competitive market and is subject to competition from other local and regional homebuilders who, within the localities of the Group's sites, compete or may compete with the Group for the purchase of land for residential development and on the subsequent sale of homes. These competitors may have greater financial resources and lower costs of funds than the Group. If increased competition in homebuilding was to result in difficulty in acquiring suitable land at acceptable prices or the need for increased selling incentives, this could lower sales and ultimately lower profit margins or financial returns. Furthermore, there is a risk in an increasingly competitive sales environment that the Group may fail to sell homes as quickly as anticipated at the expected price. Any or all of these factors could have a material adverse impact on the Group's business, financial condition, results of operations and prospects.

The Group does, however, focus on areas of Scotland and pieces of land that the Directors believe are less attractive to competitors because of their location and/or remediation issues. The Group also offers a differentiated product to its competitors with its 'Choices' and 'It's Included' selling points. The Group has dedicated sales and after-sales teams who work hard to ensure that the Group maintains a favourable reputation, to assist future sales.

### **The Company's loan to Bertha Park Limited may not be repaid**

The Company may be required to provide a loan of up to £5 million to Bertha Park Limited pursuant to the terms of a foundation agreement entered into between the Company and Bertha Park Limited on 9 and 22 November 2016. At the date of this document the Company has advanced £950,000 of the £5 million to Bertha Park Limited and the Directors expect that the balance of the loan will be drawn down by Bertha Park Limited by 31 May 2018. Whilst the Directors expect that the loan will be repaid in full by Bertha Park Limited by 31 May 2018, there is a risk that some or all of the loan is not repaid by Bertha Park Limited and this may constrain the Group's ability to grow by limiting the funds it has available to complete further land acquisitions and to develop the Villages, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Further details in relation to the foundation agreement and related loan are set out in paragraph 7 of Part I and paragraph 12.32 of Part IV of this document.

### **Shortages or increased costs of materials**

The Group is subject to inventory risks related to anticipating consumer demand for housebuilding and the availability and cost of materials. Where sub-contractors are engaged by the Group the sub-contractor will typically supply the labour and materials used to develop the sites as part of their obligations under their contracts with the Group. In instances when the Group performs construction work in house the Group will directly obtain supplies itself, including, but not limited to, brick laying, timber kits, landscaping, fencing and the provision of scaffolding. Increased costs or shortages of bricks, tiles, timber, framing, concrete, steel and other building materials could cause increases in construction costs and construction delays. Increases in the Group's product prices or delays in construction may result in potential customers being less willing or able to purchase homes. If the Group is unable to pass on any increase in costs to the Group's customers or renegotiate improved terms with suppliers and sub-contractors, the Group's margins may reduce, which could accordingly have an adverse impact on the Group's business, financial condition, results of operations and prospects.

### **Shortages or increased costs of skilled labour**

The Group's business is labour intensive and, as a result, the availability and cost of qualified personnel affects financial performance. The availability of labour can vary depending on market conditions. If sufficient skilled employees are not available in the locations where the Group operates, or if the cost of labour rises, the Group may not be able to meet the demands of its customers or the Group's operating costs may increase substantially.

In acknowledgement of the general risk of skill shortages within the industry, the Group has been actively trying to prevent a shortage of skilled workers in the labour market. The Group acknowledges the importance of apprenticeships and currently employs 40 apprentices. The Group also acknowledges the need to offer professional education for younger staff and, as a result, employs several trainees who are currently continuing their studies at a variety of levels.

## **RISKS RELATING TO THE INDUSTRY**

### **Homebuilding is subject to the risk of construction defects, which may give rise to contractual or other liabilities and/or reputational damage**

Construction defects (including as a consequence of contamination at a site or materials used in the homebuilding process) may occur on projects and developments and may arise some time after completion of that particular project or development. Construction defects may occur in respect of construction work carried out directly by the Group and/or in respect of work carried out by designers and sub-contractors employed by the Group. Although the Group will seek to obtain warranty, guarantee or indemnity protection in its contracts with designers and sub-contractors, and may have arrangements with insurance providers to insure against such risks, the Group may not be able to obtain adequate protection or the protection may not cover all risks and significant liabilities may not be identified or may only come to light after the expiry of warranty or indemnity periods. Any claims relating to defects arising on a development attributable to the Group may give rise to contractual or other liabilities. Unexpected levels of expenditure attributable to defects arising on a development project may have a material adverse impact on the levels of return generated from a particular project. With construction works the liability period can be long in relation to latent defects as the five year prescriptive period within which claims may be made will commence at the point at which the defect becomes patent. In addition, severe or widespread incidence of defects giving rise to unexpected levels of expenditure could, to the extent that insurance or legal redress against sub-contractors does not provide compensation, have a material adverse impact on the Group's business, financial condition, results of operations and prospects.

Furthermore, widespread defects could generate significant adverse publicity and have a negative impact on the Group's reputation and the Group's ability to sell homes and acquire new land, which in turn could have a material adverse impact on the Group's business, financial condition, results of operations and prospects.

### **Cost of construction increases**

The Group enters into construction contracts for the construction of Affordable homes with local authorities and housing associations as well as entering into some construction contracts in respect of its Private Housing division. To the extent that the cost estimate of the Group in relation to a site is incorrect or there is an increase in material or labour costs, this could increase the cost to the Group of constructing assets which could reduce margins and/or profitability achieved on new or existing developments.

### **Ability to correctly allocate site costs to houses as they are sold**

The Group develops houses on large, complex sites requiring significant remediation, investment in infrastructure and other site preparation. Housebuilders typically have a number of significant costs which cannot be allocated directly to a single house but are partially recognised as each house is sold. This accounting treatment is intended to result in gross margins across a site being broadly consistent over time and predictable.

Whilst the Group believes it has an appropriate costing system, there is a risk that, due to the complexity of the sites being developed by the Group presently and in the near future, margins may be lower than anticipated due to the inaccurate allocation of costs.

### **The Group's business depends on the continued viability of sub-contractors and availability of design team professionals**

The Group uses sub-contractors to carry out the construction of its developments and engages design team professionals, including landscaping architects and civil and structural engineers. The Group has developed, and intends to continue to develop, its relationships with a number of sub-contractors with which it would regularly contract to provide construction and various other services for the development of the Group's sites. In the event that any sub-contractor does not perform, or a design team professional is not available, other sub-contractors or professionals are typically available for the Group to contract with and, in the case of sub-contractors, the Group intends to operate on the basis of an informal panel of a number of approved sub-contractors. However, third-party sub-contractors and, to a lesser extent, design team professionals have been, and may continue to be, adversely affected by economic downturns or recessions. If market conditions deteriorated, the failure of several sub-contractors to perform or the lack of availability of design professionals could disrupt the Group's ability to deliver homes on schedule. In the case of sub-contractors, the Group may hire a sub-contractor that subsequently becomes insolvent or otherwise fails to perform its obligations. This could cause cost overruns and programme delays and could increase the risk that the Group will be unable to recover costs in relation to any defective work performed by such sub-contractor, to the extent such costs are not covered by insurance or the sub-contractor. Any of these factors could reduce expected returns on a development. The failure to develop and maintain good relationships with highly skilled, competent sub-contractors and design team professionals, the insolvency or other financial distress of one or more of the Group's sub-contractors or the unavailability of design team professionals to the Group, could have a material adverse impact on the Group's business, financial condition, result of operations and prospects.

### **Severe weather conditions could delay the construction of homes or increase costs for new homes in affected areas**

The occurrence of severe weather conditions can delay the construction and delivery of new homes and increase costs. Severe weather conditions can also cause a reduction or delay in the availability of materials in affected areas. Consequently, severe weather conditions could have a material adverse impact on the Group's business, financial condition, result of operations and prospects. In addition, the impact of any material catastrophe caused by, for example, fire or flooding or another natural disaster, may be exacerbated as a result of the close geographic proximity of some of the properties to each other.

### **Review of exterior cladding building regulations following the Grenfell Tower tragedy**

Following the Grenfell Tower tragedy in June 2017, the UK government has launched a review of building and fire safety regulations. The review will examine fire regulations currently in place around the design, construction and management of buildings with particular regard to the spread of fire over the external envelope of buildings and the final report is expected to be published by spring 2018. While the Scottish building regulations on fire safety are stricter than the equivalent English regulations, an area of focus of the UK government's review of existing regulations is likely to focus on flammable cladding and insulation added to the exterior of buildings. Any increased regulation or change in building and fire safety regulations could increase the Group's costs of compliance and therefore have a material impact on the Group's operating performance.

### **Proposed changes to the current planning system in Scotland**

In January 2017, the Scottish Government set out proposals for amending the current planning system in Scotland. An independent analysis of views on the proposals has since been undertaken and a position statement was published by the planning and architecture division of the Scottish Government in June 2017 reporting on the analysis and consultation responses. The planning bill which the Scottish Government is committed to bring forward in the current parliamentary session aims to empower communities by enabling them to engage earlier on in the planning process rather than introducing new appeal rights after a decision has been made.

The Scottish Government has commented that the procedure and complexity in the system of development plans could be significantly reduced and that it will consider additional powers for local authorities to work individually or in partnership with others on a more discretionary basis. The position statement states that the Scottish Government is minded to take forward the introduction of a new right for communities to plan their own place. There is a risk to the Group that the changes that could potentially be made to the current planning system will negatively impact the way planning applications are handled from the Group's perspective. If communities are granted a greater right to be involved at an earlier stage of the application process, this could impact the Group's ability to undertake new developments on land in the same way it has been doing as local authorities will have to take more factors and views into consideration. However, the Scottish Government has also proposed a greater use of zoned developments which would support housing delivery and this could be advantageous to the Group as zoning has the potential to unlock significant areas for housing development.

No final decisions have been made on the content of the legislation at this stage and the Scottish Government's consideration of the consultation responses is ongoing.

## **RISKS RELATING TO THE ORDINARY SHARES**

### **Investment in AIM securities and liquidity of the Ordinary Shares**

An investment in companies whose shares are traded on AIM is perceived to involve a higher degree of risk and to be less liquid than an investment in companies whose shares are listed on the Official List. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than the Official List. The future success of AIM and liquidity in the market for Ordinary Shares cannot be guaranteed. In particular, the market for Ordinary Shares may become or may be relatively illiquid and, therefore, Ordinary Shares may be or may become difficult to sell.

The market price of the Ordinary Shares following Admission may be highly volatile and subject to wide fluctuations in response to a variety of factors, potentially leading to losses for Shareholders, some of which factors may be specific to the Company and its operations and others of which may apply to the AIM market in general. Such general and specific factors include variations in the operating results of the Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, any additions or departures of key personnel, litigation, and press, newspaper and/or other media reports and general economic conditions or legislative changes in the Company's sector.

Prospective investors should also be aware that the market price of the Ordinary Shares may go down as well as up and also that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may, therefore, realise less than, or lose all, of their investment.

### **Dilution of Shareholders' interest as a result of additional equity fundraising**

The Company may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the Group's businesses, new developments relating to existing operations or further acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of existing Shareholders will be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights ranking ahead of the Ordinary Shares.

### **Control risks**

As at the date of Admission Sandy Adam and members of his family are expected to control the majority of the Ordinary Shares. This means that Sandy Adam and members of his family will have the power to exercise significant influence over all matters requiring Shareholder approval, including the election and removal of the Directors, amendment to the Articles, approval of final dividends and share buybacks, compromises and schemes of arrangement under Scottish law and mergers. This could have the effect of preventing the Company from entering into transactions that could be beneficial to it or its Shareholders.

The Relationship Agreement will regulate aspects of the continuing relationship between the Company and Sandy Adam with a view to ensuring that the Group is capable at all times of carrying on its business

independently of Sandy Adam and that future transactions between the Company and Sandy Adam and connected persons are on arm's length terms and on a normal commercial basis. The Relationship Agreement is described in more detail in paragraph 11.4 of Part IV of this Admission Document.

### **Dividends**

Although the Directors intend, where permitted, to pay dividends to Shareholders in the future, there can be no assurance that the Company will declare and pay, or have the ability to declare and pay, any dividends on the Ordinary Shares. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders or, in the case of interim dividends, to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements and availability of profits, as well as any provisions required to be made in accordance with generally accepted accounting principles from time to time. Limitations on the ability of the Company's operating subsidiaries to pay dividends or make other distributions on equity to the Company may prevent the Company from obtaining sufficient funds to satisfy the Company's cash or financing requirements, if such requirements arise in the future.

## **RISKS RELATING TO LAWS AND REGULATIONS**

### **Taxation**

The attention of potential investors is drawn to paragraph 13 of Part IV of this Admission Document headed "United Kingdom Taxation". The UK tax rules, including stamp duty provisions and their interpretation, relating to an investment in the Company may change during the life of the Group.

The levels of, and reliefs from, taxation may change. The UK tax reliefs referred to in this Admission Document are those currently available and their value depends upon the individual circumstances of investors. Any change in the Group's tax status or the tax applicable to holdings of Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Group, affect the Company's ability to provide returns to Shareholders and/or alter post-tax returns to Shareholders. Statements in this Admission Document concerning the taxation of the Group and its investors are based upon current UK tax law and practice which is subject to change.

**Prospective investors should therefore consider carefully whether an investment in the Company is suitable for them, in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.**

**PART III**  
**FINANCIAL INFORMATION**

**SECTION A: ACCOUNTANT'S REPORT ON THE  
HISTORICAL FINANCIAL INFORMATION OF THE COMPANY**

PKF Littlejohn LLP



Accountants &  
business advisers

The Directors  
Springfield Properties plc  
Alexander Fleming House,  
8 Southfield Drive,  
Elgin, Morayshire, IV30 6GR

The Members  
Nplus1 Singer Advisory LLP  
One Bartholomew Lane  
London, EC2N 2AX

10 October 2017

Dear Sirs

**Springfield Properties plc (the “Company”)**

**Introduction**

We report on the historical financial information set out in Section B of Part III (the “Financial Information”) relating to Springfield Properties plc (“the Company”). This information has been prepared for inclusion in the AIM admission document dated 10 October 2017 (the “Admission Document”) relating to the proposed admission to AIM of Springfield Properties plc and on the basis of the accounting policies set out in note 2. This report is given for the purpose of complying with paragraph (a) of Schedule Two of the AIM Rules for Companies and for no other purpose.

**Responsibility**

The Directors of the Company are responsible for preparing the Financial Information on the basis of preparation set out in the notes to the Financial Information and in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, and save for any responsibility that we have expressly agreed in writing to assume, to the fullest extent permitted by law we do not assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of significant

estimates and judgements made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the Company and consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the Financial Information gives, for the purpose of the Admission Document dated 10 October 2017, a true and fair view of the state of affairs of Springfield Properties plc as at 31 May 2015, 2016 and 2017 and of its results, cash flows and changes in equity for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

**PKF Littlejohn LLP**  
*Reporting Accountants*

## SECTION B: HISTORICAL FINANCIAL INFORMATION OF THE COMPANY

### Consolidated Statement Of Comprehensive Income

	Notes	Year ended 31 May 2017 £000	Year ended 31 May 2016 £000	Year ended 31 May 2015 £000
<b>Continuing operations</b>				
Revenue	4	110,589	90,779	84,255
Cost of sales		(93,905)	(76,989)	(73,498)
<b>Gross profit</b>		16,684	13,790	10,757
Administrative expenses		(8,945)	(7,811)	(7,093)
Other operating income		93	130	117
<b>Operating profit before exceptional items</b>		7,832	6,109	3,781
Exceptional item – employee benefit trust	5	–	–	(3,569)
<b>Operating profit</b>	5	7,832	6,109	212
Finance income		4	1	3
Finance costs	8	(1,145)	(1,009)	(692)
<b>Profit/(loss) before tax</b>		6,691	5,101	(477)
Tax	9	(1,278)	(1,036)	(549)
<b>Profit/(loss) for the year and total comprehensive income/(expense) from continuing operations</b>		<u>5,413</u>	<u>4,065</u>	<u>(1,026)</u>
Profit/(loss) for the year and total comprehensive income/(expense) is attributable to:				
– Owners of the parent company		5,359	4,065	(1,026)
– Non-controlling interests		54	–	–
		<u>5,413</u>	<u>4,065</u>	<u>(1,026)</u>
<b>Earnings per share from continuing operations attributable to owners of the parent</b>				
Basic earnings per share on profit/(loss) for the year (pence per share)	10	9.18p	7.14p	(1.90p)

The Group has no items of other comprehensive income.

## Consolidated Statement Of Financial Position

	Notes	31 May 2017 £000	31 May 2016 £000	31 May 2015 £000
<b>Non-current assets</b>				
Property, plant and equipment	12	2,803	2,214	2,120
Other receivables	16	488	485	467
		<u>3,291</u>	<u>2,699</u>	<u>2,587</u>
<b>Current assets</b>				
Inventories and work in progress	14	81,800	73,837	60,611
Trade and other receivables	15	6,447	4,105	5,134
Cash and cash equivalents		8,335	3	12
		<u>96,582</u>	<u>77,945</u>	<u>65,757</u>
<b>Total assets</b>		<u>99,873</u>	<u>80,644</u>	<u>68,344</u>
<b>Current liabilities</b>				
Trade and other payables	17	25,050	20,049	20,498
Corporation tax		874	710	176
Borrowings	19	–	1,750	1,475
Obligations under finance leases	20	500	341	349
		<u>26,424</u>	<u>22,850</u>	<u>22,498</u>
<b>Non-current liabilities</b>				
Borrowings	19	40,429	28,182	19,327
Obligations under finance leases	20	588	309	247
Deferred tax liabilities	21	45	58	58
		<u>41,062</u>	<u>28,549</u>	<u>19,632</u>
<b>Total liabilities</b>		<u>67,486</u>	<u>51,399</u>	<u>42,130</u>
<b>Net assets</b>		<u>32,387</u>	<u>29,245</u>	<u>26,214</u>
<b>Equity</b>				
Share capital	22	73	73	71
Share premium	22	10,285	10,177	9,080
Retained earnings		22,017	18,995	17,063
		<u>32,375</u>	<u>29,245</u>	<u>26,214</u>
Equity attributable to owners of the parent company		32,375	29,245	26,214
Non-controlling interests		12	–	–
<b>Total equity</b>		<u>32,387</u>	<u>29,245</u>	<u>26,214</u>

## Consolidated Statement Of Changes In Equity

Attributable to owners of the parent

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Total £000	Non-controlling interest £000	Total equity £000
<b>1 June 2014</b>		61	3,770	18,089	21,920	–	21,920
Issue of share capital	22	10	5,310	–	5,320	–	5,320
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>		10	5,310	–	5,320	–	5,320
Total comprehensive expense		–	–	(1,026)	(1,026)	–	(1,026)
<b>31 May 2015</b>		71	9,080	17,063	26,214	–	26,214
Issue of share capital	22	2	1,097	–	1,099	–	1,099
Dividends		–	–	(2,133)	(2,133)	–	(2,133)
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>		2	1,097	(2,133)	(1,034)	–	(1,034)
Total comprehensive income		–	–	4,065	4,065	–	4,065
<b>31 May 2016</b>		73	10,177	18,995	29,245	–	29,245
Issue of share capital	22	–	108	–	108	–	108
Dividends		–	–	(2,337)	(2,337)	–	(2,337)
<b>Total contributions by and distributions to owners of the parent, recognised directly in equity</b>		–	108	(2,337)	(2,229)	–	(2,229)
Acquisition of non-controlling interest		–	–	–	–	(42)	(42)
<b>Total changes in ownership interests in subsidiaries that do not result in a loss of control</b>		–	–	–	–	(42)	(42)
<b>Total transactions with owners, recognised directly in equity</b>		–	108	(2,337)	(2,229)	(42)	(2,271)
Total comprehensive income		–	–	5,359	5,359	54	5,413
<b>31 May 2017</b>		73	10,285	22,017	32,375	12	32,387

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

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

Retained earnings represents accumulated profits less losses and distributions.

## Consolidated Statement Of Cash Flows

	<i>Year ended</i> 31 May 2017 £000	<i>Year ended</i> 31 May 2016 £000	<i>Year ended</i> 31 May 2015 £000
<b>Cash flows from operating activities</b>			
Profit/(loss) after taxation	5,413	4,065	(1,026)
Adjusted for:			
Taxation charged	1,278	1,036	549
Finance costs	1,145	1,009	692
Finance income	(4)	(1)	(3)
Gain on disposal of tangible fixed assets	(146)	(10)	(48)
Depreciation and impairment of property, plant and equipment	772	674	529
Operating cash flows before movements in working capital	8,458	6,773	693
Increase in inventories and work in progress	(7,963)	(10,677)	(5,462)
(Increase)/decrease in trade and other receivables	(2,345)	1,011	(1,289)
Increase/(decrease) in trade and other payables	3,300	(1,954)	3,702
Net cash generated from/(used in) operations	1,450	(4,847)	(2,356)
Income taxes paid	(1,126)	(502)	(759)
<b>Net cash generated from/(used in) operating activities</b>	324	(5,349)	(3,115)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(843)	(293)	(376)
Proceeds on disposal of property, plant and equipment	526	10	62
Purchase of non-controlling interest	(42)	–	–
Finance income	4	1	3
<b>Net cash used in investing activities</b>	(355)	(282)	(311)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	108	50	70
Proceeds from bank loans	10,000	10,000	5,000
Proceeds from other borrowings	1,375	400	–
Repayment of other borrowings	(453)	(365)	(154)
Repayment of finance leases obligations	(460)	(421)	(359)
Dividends paid to owners of the parent	(637)	(2,133)	–
Interest paid	(1,145)	(1,004)	(632)
<b>Net cash inflow from financing activities</b>	8,788	6,527	3,925
Net increase in cash and cash equivalents	8,757	896	499
Cash and cash equivalents at beginning of year	(422)	(1,318)	(1,817)
<b>Cash and cash equivalents at end of year</b>	23 <u>8,335</u>	<u>(422)</u>	<u>(1,318)</u>

**Material non-cash items:** 2017- Dividends of £1,700k set against sums due to the Group; 2016 – £1,049k and 2015 – £5,250k acquisition of land satisfied by the issue of fully paid ordinary shares in the Company. 2016 – £1,500k and 2015 – £1,000k land purchase acquired on deferred terms.

## 1. Organisation and trading activities

Springfield Properties Plc (“the Company”) is incorporated and domiciled in Scotland as a public limited company and operates from its registered office in Alexander Fleming House, 8 Southfield Drive, Elgin, IV30 6GR. The group consists of Springfield Properties PLC and its subsidiary, Glassgreen Hire Limited. (together “the Group”).

The Group’s principal activity is property development.

## 2. Summary of significant accounting policies

The principal accounting policies adopted and applied in the preparation of this consolidated Financial Information are set out below.

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

### 2.1. Basis of accounting

This Financial Information of the Group has been prepared for the sole purpose of publication within this Admission Document. It has been prepared in accordance with the requirements of the AIM Rules for Companies of the London Stock Exchange plc and has been prepared in accordance with International Financial Reporting Standards and IFRS interpretations Committee (IFRS IC) interpretations as adopted by the European Union (“IFRS”) and the policies stated elsewhere within the Financial Information. The Financial Information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The Financial Information has been prepared under the historical cost convention.

The Group has adopted all the standards and amendments to existing standards which are mandatory for accounting periods beginning on or after 1 June 2014. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

At 31 May 2017 the following new and revised IFRSs relevant to the Group are issued but are not yet effective:

	<i>Effective date</i>
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019*
IAS 7 (amendments) Disclosure of changes in liabilities arising from financing activities	1 January 2017*
IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017*
Annual Improvements to IFRSs: 2014-2016 cycle	1 January 2017*

\* Not yet endorsed for use in the EU

- IFRS 9 will impact both the recognition, measurement and disclosures of financial instruments. The Group is currently assessing the impact of the revisions on the Group’s financial position, a process expected to be finalised during the year ending 31 May 2018. Until such assessment is completed it is not practical to provide an estimate of the full effect of IFRS 9.
- IFRS15 ‘Revenue from Contracts with Customers’ sets out new revenue recognition criteria that will be applicable from 1 January 2018. The standard remains subject to industry interpretations and consensus. It is anticipated that the standard will impact on the timing of revenue recognised by the Group on certain long term construction contracts albeit no impact on cash flow is expected. The Group is currently in the process of assessing the impact of the implementation of this standard and therefore the full effect of the standard has not yet been determined.
- IFRS 16 ‘Leases’. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a ‘right of use asset’ for virtually all lease contracts. This is effective for the period

beginning on 1 June 2018, with earlier adoption permitted if IFRS 15 'Revenue from contracts with customers' is also applied. The Group has not yet assessed the full effect of this standard.

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

## 2.2. **Basis of consolidation**

The consolidated Financial Information incorporate those of Springfield Properties PLC and its subsidiary undertaking (i.e. entities that the Group controls when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity). Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets is recorded in equity.

## 2.3. **Functional and presentation currencies**

The Financial Information is presented in Pound Sterling (£), rounded to the nearest £000, which is also the currency of the primary economic environment in which the Group operates (its functional currency).

## 2.4. **Going concern**

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

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the Financial Information.

## 2.5. **Revenue recognition**

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

### *Private house sales*

Revenue on private house sales is recognised when the significant risks and rewards of ownership have been transferred to the purchaser which will normally occur at handover/legal completion.

Revenue is measured at fair value of consideration received or receivable and represents the amounts receivable for the property, net of discounts and VAT.

### *Construction contracts*

Revenue is only recognised on a construction contract where the outcome can be estimated reliably.

Revenue and costs are recognised by reference to the stage of completion of contract activity at the accounting reference date. Value of work is normally measured by surveys of work performed to date.

Where the outcome of construction 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 recovered.

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

Amounts recoverable on construction contracts are included in trade receivables and stated at cost plus attributable profit less any foreseeable losses. Payments received on account of construction contracts are deducted from amounts recoverable on such contracts, or, if paid in advance, included within trade payables.

## 2.6. **Employee benefits**

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

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

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

## 2.7. **Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The Group has no legal or constructive obligations to pay further contributions if the schemes do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

## 2.8. **Borrowing costs**

Borrowing costs relating to qualifying assets are capitalised until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in profit or loss as they are incurred.

## 2.9. **Taxation**

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

### *Current tax*

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

### *Deferred tax*

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in

the statement of comprehensive income, 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 has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **2.10. 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 per cent. straight line
Plant and machinery	– 25 per cent. straight line
Fixtures, fittings & equipment	– 25 per cent. straight line
Motor vehicles	– 25 per cent. straight line

Land (which excludes development 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 profit or loss.

#### **2.11. Impairment of property, plant and equipment**

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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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 profit or loss.

#### **2.12. Inventories and work in progress**

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

Cost comprises of the invoiced value of the goods purchased and includes attributable direct costs and labour.

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 inventory over its net realisable value is recognised as an impairment loss in profit or loss.

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

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

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

The land held at the reporting dates is current in nature, although the operational cycles is such that a proportion of inventories will not be realised within 12 months. It is not possible to determine with accuracy when specific inventories will be realised as this is subject to a number of external factors including planning permission and customer demand.

### 2.13. **Construction contracts**

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

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

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

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

### 2.14. **Financial instruments**

Financial instruments are recognised 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 Information, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### *Loans and receivables*

All of the Group’s financial assets fall into the loans and receivables category.

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

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each reporting date.

A provision for impairment is made when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the loss event has an impact on the estimated future cash flows of the financial asset.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate.

Impaired debts are derecognised when they are assessed as uncollectible.

#### *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 fall into the other financial liabilities category.

#### *Other financial liabilities*

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

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

#### *Derecognition of other financial liabilities*

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

### **2.15. 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.

### **2.16. Leases**

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

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

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

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

Finance charges are recognised in profit or loss.

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

### **2.17. 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.

### **2.18. Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of a Company after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received net of direct issue costs.

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

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

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income, less dividends paid to the owners of the parent.

### 2.19. **Segmental reporting**

Management has determined that based on the operating reports reviewed by the chief operating decision maker, who assess performance, make strategic decisions and allocate resources, that the Group has two operating segments. Management has identified that the directors of the Springfield Properties Plc as the chief operating decision maker in accordance with the requirements of IFRS 8 'Operating segments'. All segment revenue, profit before taxation, assets and liabilities are attributable to the principal activity of construction. Due to the mixed nature of some sites between private and affordable housing it is not possible to reliably allocate the work in progress between the segments.

### 2.20. **Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group.

## **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. **Measurement of construction contracts**

The Group undertakes house building contracts which takes place over a period of time and revenues and profits are recognised as the Group performs under these contracts. The extent to which revenue and profits have been earned involve a measured valuation of the work completed and a review of the overall expected margin recognised of £3,385k (2016 – £2,269k, 2015 – £2,713k). Amounts receivable in relation to construction contracts at the year end amounted to £4,665k (2016 – £1,855k, 2015 £2,692k).

### 3.2. **Estimation of costs to complete on private house sales**

The recognition of costs expensed against properties sold at sites remaining under construction requires estimation of costs to complete at these sites. These estimates impact the total work in progress value recognised of £81,800k (2016 – £73,837k, 2015 – £60,611k). The Group regularly reviews these estimates to ensure they reflect the latest known position.

### 3.3. **Land bank**

Held within work in progress is land and land options valued at £15,917k (2016 : £17,651k, 2015 : £3,745k) where development has not yet commenced. The key judgement applied include estimating sales prices, sales rates and estimated costs to complete and relative sale price and cost price inflation. Any impairment of the land bank valuation is sensitive to the judgements being applied. Forecasting risk also increases in respect of those sites not expected to be constructed upon in the short to medium term.

#### 4. Segmental analysis

The Group consists of two separate segments for management reporting and control purposes, being construction for private customers (including contracting income where the Group does not own the land) and affordable housing where the Group's customers include local authorities and RLAs. The segments are considered appropriate for reporting in accordance with IFRS 8 (Operating Segments) since these segments are reviewed by the Board without further significant categorisation. As the Group operates in a single geographic market, Scotland, no secondary segmentation is provided.

Income statement	2017			2016			2015					
	Private	Affordable	Unallocated	Total	Private	Affordable	Unallocated	Total	Private	Affordable	Unallocated	Total
Completions: number	437	183	0	620	399	96	0	495	294	184	0	478
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	86,367	23,250	972	110,589	77,618	12,053	1,108	90,779	61,834	20,673	1,748	84,255
Cost of Sales	(73,066)	(19,865)	(974)	(93,905)	(66,169)	(9,756)	(1,064)	(76,989)	(53,833)	(17,917)	(1,748)	(73,498)
Gross profit	13,301	3,385	(2)	16,684	11,449	2,297	44	13,790	8,001	2,756	0	10,757
Administration expenses				(8,945)				(7,811)				(7,093)
Other operating income				93				130				117
Exceptional item				–				–				(3,569)
Operating Profit				7,832				6,109				212
Finance income				4				1				3
Finance costs				(1,145)				(1,009)				(692)
Profit/(loss) before Tax				6,691				5,101				(477)
Tax				(1,278)				(1,036)				(549)
Profit for the year from continuing operations				5,413				4,065				(1,026)

Statement of position	2017			2016			2015		
	Private £000	Affordable £000	Total £000	Private £000	Affordable £000	Total £000	Private £000	Affordable £000	Total £000
Segmental assets	135	2,627	2,762	328	1,361	1,689	537	2,516	3,053
Non-allocated assets <sup>*1</sup>	-	-	88,776	-	-	78,952	-	-	65,279
Cash and cash equivalents	-	-	8,335	-	-	3	-	-	12
<b>Consolidated total assets</b>	<b>135</b>	<b>2,627</b>	<b>99,873</b>	<b>328</b>	<b>1,361</b>	<b>80,644</b>	<b>537</b>	<b>2,516</b>	<b>68,344</b>
Segmental liabilities	-	-	-	-	-	-	-	-	-
Non segmental liabilities	-	-	25,050	-	-	20,050	-	-	20,498
Borrowings	-	-	41,517	-	-	30,582	-	-	21,398
Current tax liabilities	-	-	874	-	-	709	-	-	176
Deferred tax	-	-	45	-	-	58	-	-	58
<b>Consolidated total liabilities</b>	<b>-</b>	<b>-</b>	<b>67,486</b>	<b>-</b>	<b>-</b>	<b>51,399</b>	<b>-</b>	<b>-</b>	<b>42,130</b>

\*1 It is not possible to allocate WIP, including land under development, between segments.

## 5. a) Operating profit

Operating profit is stated after charging/(crediting):

	<i>Year ended</i> <i>31 May</i> <i>2017</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2016</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2015</i> <i>£000</i>
Depreciation of owned property, plant and equipment	300	429	233
Depreciation of property held under finance leases	472	245	297
Gain on disposal of property	(146)	(10)	(49)
Cost of inventories recognised as an expense	93,905	76,989	73,498
Operating lease charges	274	270	262

The exceptional costs charged in the year to 31 May 2015 was in respect of the settlement of a tax liability arising on an employee benefit trust.

## 5. b) Expenses by Nature

	<i>Year ended</i> <i>31 May</i> <i>2017</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2016</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2015</i> <i>£000</i>
Change in WIP	(6,667)	(13,145)	(11,842)
Purchases	23,568	20,425	20,895
Purchase of land	15,144	15,806	19,024
Sub-Contractors	42,623	35,240	29,439
Wages	17,800	15,658	14,468
Sales promotion and advertising	469	406	410
Legal and professional fees	3,646	3,687	2,085
Hire of plant and machinery	3,718	4,152	3,973
Depreciation and FA disposal	670	615	444
Establishment costs	480	492	465
Insurance	529	392	268
Other	869	1,072	962
	<u>102,850</u>	<u>84,800</u>	<u>80,591</u>

## 6. Auditor's remuneration

	<i>Year ended</i> 31 May 2017 £000	<i>Year ended</i> 31 May 2016 £000	<i>Year ended</i> 31 May 2015 £000
Fees payable to the Group's auditor for the audit of the Group and Company financial statements	36	28	25
Fees payable to the Group's auditor for the audit of the Company's subsidiaries	6	–	–
Fees payable to the Group auditor and their associates for other services to the Group and Company: – Other non-audit services	4	1	1
	<u>46</u>	<u>29</u>	<u>26</u>

## 7. Employee benefit expense

The average monthly number of employees (including executive directors) for the continuing operations was:

	<i>Year ended</i> 31 May 2017	<i>Year ended</i> 31 May 2016	<i>Year ended</i> 31 May 2015
Building staff	336	327	311
Administrative staff	143	122	109
	<u>479</u>	<u>449</u>	<u>420</u>

	<i>Year ended</i> 31 May 2017 £000	<i>Year ended</i> 31 May 2016 £000	<i>Year ended</i> 31 May 2015 £000
Wages and salaries	15,887	13,980	12,896
Social security costs	1,496	1,355	1,281
Pension costs	417	323	291
	<u>17,800</u>	<u>15,658</u>	<u>14,468</u>

Of which £11,421k (2016: £10,449k, 2015: £9,634k) has been charged to cost of sales.

Directors' emoluments were as follows:

	<i>Year ended</i> 31 May 2017 £000	<i>Year ended</i> 31 May 2016 £000	<i>Year ended</i> 31 May 2015 £000
Remuneration for qualifying services	633	579	416
Company pension contributions to defined contribution schemes	33	22	15
	<u>666</u>	<u>601</u>	<u>431</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 7 (2016: 6, 2015: 4).

## 7. Employee benefit expense (continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	<i>Year ended 31 May 2017 £000</i>	<i>Year ended 31 May 2016 £000</i>	<i>Year ended 31 May 2015 £000</i>
Remuneration for qualifying services	137	127	123
Company pension contributions to defined contribution schemes	9	6	–
	<u>146</u>	<u>133</u>	<u>123</u>

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 income statement in respect of defined contribution schemes was £417k (2016 – £323k, 2015 – £291k). Contributions totalling £74k (2016 – £58k, 2015 – £52k) were payable to the fund at the year-end and are included in current liabilities.

Pension payments in respect of key management personnel were £33k (2016 – £20k, 2015 – £14k).

## 8. Finance costs

	<i>Year ended 31 May 2017 £000</i>	<i>Year ended 31 May 2016 £000</i>	<i>Year ended 31 May 2015 £000</i>
Interest on bank overdrafts and loans	915	799	534
Interest on finance lease liabilities	53	39	45
Other interest	177	171	113
	<u>1,145</u>	<u>1,009</u>	<u>692</u>

## 9. Taxation

	<i>Year ended 31 May 2017 £000</i>	<i>Year ended 31 May 2016 £000</i>	<i>Year ended 31 May 2015 £000</i>
<b>Current tax</b>			
UK corporation tax on profits for the year	1,337	1,039	555
Adjustments in respect of prior periods	(46)	(4)	(64)
	<u>1,291</u>	<u>1,035</u>	<u>491</u>
<b>Deferred tax</b>			
Origination and reversal of temporary differences	(4)	2	58
Adjustments in respect of prior periods	–	(1)	–
Effect of changes in tax rates	(9)	–	–
	<u>(13)</u>	<u>1</u>	<u>58</u>
	<u>1,278</u>	<u>1,036</u>	<u>549</u>

## 9. Taxation (continued)

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

	<i>Year ended</i> <i>31 May</i> <i>2017</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2016</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2015</i> <i>£000</i>
Profit/(loss) before tax	6,691	5,101	(477)
Tax at the UK corporation tax rate of 19.83% (2016: 20%; 2015: 20.83%)	1,327	1,020	(99)
Effects of:			
Tax effect of expenses that are not deductible in determining taxable profit	19	18	15
Adjustments in respect of prior years	(46)	(4)	(64)
Depreciation on assets not qualifying for tax allowances	(2)	3	(8)
Deferred tax adjustments in respect of prior years	–	(1)	–
Land remediation relief	(12)	–	(39)
Adjust deferred tax to closing average rate	(8)	–	–
Effect of employee benefit trust payment	–	–	744
Tax charge	<u>1,278</u>	<u>1,036</u>	<u>549</u>

### *Factors affecting current and future tax charges*

A change in the UK corporation tax rate was announced in the Chancellor's budget on 16 March 2016. The change announced is to reduce the main rate to 17 per cent. from 1 April 2020. Changes to reduce the UK corporation tax rate to 19 per cent. from 1 April 2017 and to 17 per cent. from 1 April 2020 had already been substantially enacted in 26 October 2015. The standard rate of corporation tax changed from 20 per cent. to 19 per cent. on 1 April 2017.

## 10. Earnings per share

The basic earnings per share is based on the profit/(loss) for the year divided by the weighted average number of shares in issue during the year (as adjusted for the split of the shares in issue on 9 October 2017). The weighted average number of ordinary shares in each year assumes that all shares have been included in the computation based on the weighted average number of days since issue.

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	<i>Year ended</i> <i>31 May</i> <i>2017</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2016</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2015</i> <i>£000</i>
Profit/(loss) attributable to owners of the Group	5,359	4,065	(1,026)
Weighted average number of ordinary shares in issue	58,391,264	54,974,464	54,048,000
Basic earnings per share (pence per share)	9.18p	7.14p	(1.90p)

## 11. Dividends

	<i>Year ended</i> <i>31 May</i> <i>2017</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2016</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2015</i> <i>£000</i>
Total dividend payment	<u>2,337</u>	<u>2,133</u>	<u>–</u>

## 12. Property, plant and equipment

	<i>Land and buildings £000</i>	<i>Plant and machinery £000</i>	<i>Fixtures, fittings &amp; equipment £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
<b>Cost</b>					
At 1 June 2014	658	2,562	598	599	4,417
Additions	–	404	2	367	773
Disposals	–	(148)	–	(162)	(310)
At 31 May 2015	658	2,818	600	804	4,880
Additions	–	675	2	91	768
Disposals	–	(250)	–	(103)	(353)
At 31 May 2016	658	3,243	602	792	5,295
Additions	342	1,350	10	39	1,741
Disposals	(325)	(340)	(19)	(81)	(765)
At 31 May 2017	675	4,253	593	750	6,271
<b>Accumulated depreciation</b>					
At 1 June 2014	21	1,488	574	442	2,525
Depreciation charge	13	413	9	94	529
Disposals	–	(142)	–	(152)	(294)
At 31 May 2015	34	1,759	583	384	2,760
Depreciation charge	13	507	7	147	674
Disposals	–	(250)	–	(103)	(353)
At 31 May 2016	47	2,016	590	428	3,081
Depreciation charge	12	601	6	153	772
Disposals	(26)	(290)	(19)	(50)	(385)
At 31 May 2017	33	2,327	577	531	3,468
<b>Net book value</b>					
At 31 May 2017	<u>642</u>	<u>1,926</u>	<u>16</u>	<u>219</u>	<u>2,803</u>
At 31 May 2016	<u>611</u>	<u>1,227</u>	<u>12</u>	<u>364</u>	<u>2,214</u>
At 31 May 2015	<u>624</u>	<u>1,059</u>	<u>17</u>	<u>420</u>	<u>2,120</u>
At 1 June 2014	<u>637</u>	<u>1,074</u>	<u>24</u>	<u>157</u>	<u>1,892</u>

The net carrying value of property, plant and equipment includes the following in respect of assets held under finance leases or hire purchase contracts:

	<i>31 May 2017 £000</i>	<i>31 May 2016 £000</i>	<i>31 May 2015 £000</i>
<b>Net book value:</b>			
Plant and machinery	1,133	503	462
Motor vehicles	104	333	416
	<u>1,237</u>	<u>836</u>	<u>878</u>
<b>Total depreciation charge</b>	<u>472</u>	<u>245</u>	<u>297</u>

Fixed assets with the carrying value of £1,237k (2016 – £836k; 2015 – £878k) are pledged as security.

### 13. Subsidiaries

Details of the Company's subsidiary are as follows:

<i>Name of Undertaking</i>	<i>Nature of Business</i>	<i>Class of Shares Held</i>	<i>% Held</i>
Glassgreen Hire Limited	Hire of plant and machinery	Ordinary	96%

During the year ended 31 May 2016, the Company acquired 80 per cent. of the share capital for Glassgreen Hire Limited at nominal value of £80. Glassgreen Hire Limited was incorporated on 21 January 2016 and commenced trading on 1 June 2016.

During the year ended 31 May 2017, the Company acquired a further 16 per cent. of the share capital of Glassgreen Hire Limited for consideration of £42,141.

### 14. Inventories, work in progress and contractual balances

	<i>31 May 2017 £000</i>	<i>31 May 2016 £000</i>	<i>31 May 2015 £000</i>
Work in progress	81,800	73,837	60,611
<i>Land under development is included in work in progress.</i>			
<b>Included within receivables</b>			
Accounts receivable in relation to construction contracts	4,665	1,855	2,692
Retentions held by customers for contract work	790	667	720
<b>Included within payables</b>			
Accounts payable in relation to construction contracts	352	401	387

See note 19 for security held against work in progress.

### 15. Trade and other receivables

	<i>31 May 2017 £000</i>	<i>31 May 2016 £000</i>	<i>31 May 2015 £000</i>
Trade receivables	4,104	1,687	2,935
Other receivables	2,108	2,413	2,194
Prepayments and accrued income	235	5	5
	<u>6,447</u>	<u>4,105</u>	<u>5,134</u>

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

The Group's exposure to credit risk is limited by the fact that the Group generally receives cash at the point of legal completion of its sales. There are certain categories of revenue where this is not the case; for instance housing association revenues or land sales where management considers that the ratings of these various debtors are good and therefore credit risk is low. Any assets which expose the Group to credit risk can be spread over a considerable number of properties. As such, the Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The maximum exposure to credit risk at 31 May 2017 is represented by the carrying amount of each financial asset. There are no material provision for impaired receivables in the years 2017, 2016 or 2015.

All trade and other receivables are denominated in UK pounds.

## 16. Other receivables

	<i>31 May</i> <i>2017</i> £000	<i>31 May</i> <i>2016</i> £000	<i>31 May</i> <i>2015</i> £000
Other receivables	<u>488</u>	<u>485</u>	<u>467</u>

Other receivables comprises loans.

## 17. Trade and other payables

	<i>31 May</i> <i>2017</i> £000	<i>31 May</i> <i>2016</i> £000	<i>31 May</i> <i>2015</i> £000
Trade payables	12,879	10,814	12,083
Other taxation and social security	446	548	416
Other payables	111	99	185
Accruals and deferred income	<u>11,614</u>	<u>8,588</u>	<u>7,814</u>
	<u>25,050</u>	<u>20,049</u>	<u>20,498</u>

Carrying values approximate to fair value due to their short term nature.

## 18. Financial assets and liabilities

### Group

	<i>31 May</i> <i>2017</i> £000	<i>31 May</i> <i>2016</i> £000	<i>31 May</i> <i>2015</i> £000
<b>Assets</b>			
Loans and receivables	<u>15,035</u>	<u>4,588</u>	<u>5,608</u>
<b>Total</b>	<u>15,035</u>	<u>4,588</u>	<u>5,608</u>

	<i>31 May</i> <i>2017</i> £000	<i>31 May</i> <i>2016</i> £000	<i>31 May</i> <i>2015</i> £000
<b>Liabilities</b>			
Measured at amortised cost	<u>66,121</u>	<u>50,083</u>	<u>41,480</u>
<b>Total</b>	<u>66,121</u>	<u>50,083</u>	<u>41,480</u>

## 19. Borrowings

### Group

	31 May 2017 £000	31 May 2016 £000	31 May 2015 £000
<b>Secured borrowings:</b>			
Bank loans	37,500	27,500	17,500
Bank overdrafts	–	425	1,330
	<u>37,500</u>	<u>27,925</u>	<u>18,830</u>
<b>Unsecured borrowings:</b>			
Directors' loans	2,929	2,007	1,972
	<u>40,429</u>	<u>29,932</u>	<u>20,802</u>
Less: payable within one year	–	(1,750)	(1,475)
Payable after one year	<u>40,429</u>	<u>28,182</u>	<u>19,327</u>

The bank overdraft is secured by fixed securities over certain of the Group's properties and is repayable on demand.

The bank loan comprises a revolving credit facility which, as at 31 May 2017, is repayable by 31 August 2018. Conditional on admission to AIM the loan becomes repayable on 31 August 2020. The bank loan is secured over certain of the Group's properties. The facility attracts an interest rate of 2.5 per cent. per annum above LIBOR.

The directors' loans are unsecured and are repayable by 2022 or any earlier period agreed and attract interest at either 4.5 per cent. above the Bank of England base rate or a 6 per cent. fixed rate.

The Directors consider the carrying amount of short term borrowings approximates to their fair value.

## 20. Obligations under finance leases

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

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

### Group

	<i>Minimum lease payments</i>			<i>Present value of minimum lease payments</i>		
	<i>Year ended 31 May 2017 £000</i>	<i>Year ended 31 May 2016 £000</i>	<i>Year ended 31 May 2015 £000</i>	<i>Year ended 31 May 2017 £000</i>	<i>Year ended 31 May 2016 £000</i>	<i>Year ended 31 May 2015 £000</i>
Within 1 year	557	370	375	500	341	349
Two to five years	606	335	270	588	309	247
	<u>1,163</u>	<u>705</u>	<u>645</u>	<u>1,088</u>	<u>650</u>	<u>596</u>
Less: future finance income	(75)	(55)	(49)			
	<u>1,088</u>	<u>650</u>	<u>596</u>			

## 21. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17 per cent. (2017), 20 per cent. (2016) and 20 per cent. (2015). The movement on the deferred tax account is as shown below:

	<i>Year ended</i> 31 May 2017 £000	<i>Income</i> Statement £000	<i>Year ended</i> 31 May 2016 £000	<i>Income</i> Statement £000	<i>Year ended</i> 31 May 2015 £000
Fixed assets – temporary differences	45	(13)	58	–	58
	<u>45</u>	<u>(13)</u>	<u>58</u>	<u>–</u>	<u>58</u>

## 22. Share capital

	<i>Number of</i> <i>shares</i>	<i>Share</i> <i>capital</i> £000	<i>Share</i> <i>premium</i> £000
Ordinary shares of £1 – allotted, called up and fully paid			
<b>At 1 June 2014</b>	60,797	61	3,770
Issued	<u>10,212</u>	<u>10</u>	<u>5,310</u>
<b>At 31 May 2015</b>	<u>71,009</u>	<u>71</u>	<u>9,080</u>
Issued	<u>1,960</u>	<u>2</u>	<u>1,097</u>
<b>At 31 May 2016</b>	<u>72,969</u>	<u>73</u>	<u>10,177</u>
Share split	7,223,939	–	–
Issued	<u>6,000</u>	<u>–</u>	<u>108</u>
<b>At 31 May 2017</b>	<u><u>7,302,908</u></u>	<u><u>73</u></u>	<u><u>10,285</u></u>

The parent Company has one class of ordinary share which carry full voting rights but no right to fixed income or repayment of capital. Distributions are at the discretion of the Company.

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

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

During the year ended 31 May 2017, the nominal value of shares was split from £1 to £0.01.

On 9 October 2017 the Company subdivided each of the existing ordinary shares of £0.01 each in the capital of the Company then in issue into 8 ordinary shares of 0.125 pence each. The resultant issued share capital was £73,029.08 divided into 58,423,264 ordinary shares of 0.125 pence each.

## 23. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	<i>31 May</i> 2017 £000	<i>31 May</i> 2016 £000	<i>31 May</i> 2015 £000
Cash at bank and in hand	8,335	3	12
Bank overdrafts included in current liabilities	<u>–</u>	<u>(425)</u>	<u>(1,330)</u>
	<u><u>8,335</u></u>	<u><u>(422)</u></u>	<u><u>(1,318)</u></u>

At 31 May 2017, the Group had available £2,500k (31 May 2016: £2,075k, 31 May 2015: £1,170k) of undrawn committed borrowing facilities.

## 24. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or take other steps to increase share capital and reduce or increase debt facilities. The capital structure of the Group is managed and monitored by the Directors. The capital structure is managed with reference to gearing ratios, cash flow and interest cover ratios.

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. 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 borrowings.

## 25. 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. The Group has not entered into any derivative transactions such as interest rate swaps.

### 25.1 Market risk

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

#### *Interest rate risk*

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

	<i>31 May</i> <i>2017</i> <i>£000</i>	<i>31 May</i> <i>2016</i> <i>£000</i>	<i>31 May</i> <i>2015</i> <i>£000</i>
Financial liabilities at fixed rate	2,157	1,150	1,095
Financial liabilities at floating rate	39,360	24,932	20,272
Non-interest bearing financial liabilities	24,604	19,500	20,083
	<u>66,121</u>	<u>45,582</u>	<u>41,450</u>

#### Interest rate sensitivity analysis

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

	<i>Effect on profit/(loss) before tax</i>		
	<i>Year ended</i> <i>31 May</i> <i>2017</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2016</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2015</i> <i>£000</i>
Impact on profit/(loss) before tax	<u>202</u>	<u>150</u>	<u>101</u>

## 25.1 **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 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 to their carrying amounts as the majority of obligations bear interest rates approximating to market rates at 31 May 2017.

## 25.2 **Liquidity risk**

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

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

### *Year ended 31 May 2017*

	<i>Carrying amount £000</i>	<i>Total minimum future payment £000</i>	<i>Within 1 year £000</i>	<i>Within 1-2 years £000</i>	<i>Within 2-5 years £000</i>
Accounts payable	24,604	24,604	24,604	–	–
Borrowings	40,429	40,429	–	37,500	2,929
Hire purchase	1,088	1,088	500	406	182
	<u>66,121</u>	<u>66,121</u>	<u>25,104</u>	<u>37,906</u>	<u>3,111</u>

### *Year ended 31 May 2016*

	<i>Carrying amount £000</i>	<i>Total minimum future payment £000</i>	<i>Within 1 year £000</i>	<i>Within 1-2 years £000</i>	<i>Within 2-5 years £000</i>
Accounts payable	19,501	19,501	19,501	–	–
Borrowings	29,932	29,932	1,750	28,182	–
Hire purchase	650	650	341	222	87
	<u>50,083</u>	<u>50,083</u>	<u>21,592</u>	<u>28,404</u>	<u>87</u>

## 25.2 **Liquidity risk (continued)**

Year ended 31 May 2015

	<i>Carrying amount £000</i>	<i>Total minimum future payment £000</i>	<i>Within 1 year £000</i>	<i>Within 1-2 years £000</i>	<i>Within 2-5 years £000</i>
Accounts payable	20,082	20,082	20,082	–	–
Borrowings	20,802	20,802	1,475	19,327	–
Hire purchase	596	596	349	182	65
	<u>41,480</u>	<u>41,480</u>	<u>21,906</u>	<u>19,509</u>	<u>65</u>

## 25.3. **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 statement of position. At the reporting date, there was no significant concentration of credit risk to the Group.

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

The ageing profile of trade receivables was:

	<i>31 May 2017 Total book value £000</i>	<i>31 May 2016 Total book value £000</i>	<i>31 May 2015 Total book value £000</i>
Current	3,908	1,663	2,782
Overdue 90 days	196	24	153
	<u>4,104</u>	<u>1,687</u>	<u>2,935</u>

During the years noted above the Group made no allowance for the impairment of trade receivables.

## 26. Transactions with related parties

During the 2017 the Group entered into the following transactions with related parties:

£'000		Sales	Purchases	Interest paid to	Rent paid to	Debtor	Creditor
<b>Entities which the directors hold a material interest, control or significant influence</b>							
A W & J G Adam partnership		95			162	6	32
A W & J G Adam Limited		5,129				1,217	
Screen Autumn Limited		58	213			15	66
Screen Autumn Limited – Glassgreen		6				1	
Bertha Park Limited	Sales	565				541	
	Loan					354	
Kaiteri Limited	Sales	59				-	
	Loan						
Springfield Real Estate Management Limited			99				17
Millhouse Limited	Sales	3					
Elgin Business Park	Sales	233				279	
		<u>6,148</u>	<u>312</u>	<u>-</u>	<u>162</u>	<u>2,413</u>	<u>115</u>
<b>Key Management Personnel</b>							
J G Adam, director	Services	27		42			
	Loan						1,064
S Adam, director	Services	134	11	45			19
	Land		280				
	License Fee		156				
	Loan			46			1,070
A F Adam, director	Loan			30			796
E MacLeod, director	Sales	190					
		<u>351</u>	<u>447</u>	<u>163</u>	<u>-</u>	<u>-</u>	<u>2,949</u>
<b>Other Related Parties</b>							
Springfield FURBS	Property	37			161	-	23
	Land						17
Moray Land Farming Partnership	Land						1,517
		<u>37</u>	<u>-</u>	<u>-</u>	<u>161</u>	<u>-</u>	<u>1,557</u>
Total		<u>6,536</u>	<u>759</u>	<u>163</u>	<u>323</u>	<u>2,413</u>	<u>4,621</u>

## 26. Transactions with related parties (continued)

During the 2016 the Group entered into the following transactions with related parties:

£'000		Sales	Purchases	Interest paid to	Rent paid to	Debtor	Creditor
<b>Entities which the directors hold a material interest, control or significant influence</b>							
	A W & J G Adam partnership	423	16		148	1	16
	A W & J G Adam Limited	2,196				494	
	Screen Autumn Limited	61	197			12	38
	Bertha Park Limited	Sales 50					
		Loan				350	
	Kaiteri Limited	Sales 77				90	
		Loan				152	
	Springfield Real Estate Management Limited	5	104			2	10
		<u>2,812</u>	<u>317</u>	<u>–</u>	<u>148</u>	<u>1,101</u>	<u>64</u>
<b>Key Management Personnel</b>							
	J G Adam, director		Services 62				
			Loan	19			682
	S Adam, director	35	Services 19				
			Land 58				
			License Fee 129				22
			Loan	47			825
	A F Adam, director		Loan	25			500
	I Smith, director	385	Sales				
		<u>420</u>	<u>268</u>	<u>91</u>	<u>–</u>	<u>–</u>	<u>2,029</u>
<b>Other Related Parties</b>							
	Springfield FURBS	Property 448	Land 100		50	1	27
							333
	Moray Land Farming Partnership		Land 2,549				1,733
		<u>448</u>	<u>2,649</u>	<u>–</u>	<u>50</u>	<u>1</u>	<u>2,093</u>
	Total	<u>3,680</u>	<u>3,234</u>	<u>91</u>	<u>198</u>	<u>1,102</u>	<u>4,186</u>

## 26. Transactions with related parties (continued)

During the 2015 the Group entered into the following transactions with related parties:

£'000		Sales	Purchases	Interest paid to	Rent paid to	Debtor	Creditor
<b>Entities which the directors hold a material interest, control or significant influence</b>							
A W & J G Adam partnership		940	2		162	69	49
A W & J G Adam Limited		1,689				107	
Screen Autumn Limited		67	108			26	64
Bertha Park Limited	Sales	324				61	
	Loan					333	
Kaiteri Limited	Sales	552					
Springfield Real Estate Management Limited			142				42
		<u>3,572</u>	<u>252</u>	<u>-</u>	<u>162</u>	<u>596</u>	<u>155</u>
<b>Key Management Personnel</b>							
J G Adam, director	Services		5				
	Loan			14			282
S Adam, director	Services	10	21			2	16
	Land License Fee		120				
	Loan			48			829
A F Adam, director	Loan			25			500
		<u>10</u>	<u>146</u>	<u>87</u>	<u>-</u>	<u>2</u>	<u>1,627</u>
<b>Other Related Parties</b>							
Springfield FURBS	Property Land	524	250		100	6	40
							250
G Adam (son of S Adam)		97				97	
S Adam (wife of J G Adam)		22					
M Rae (sister of S Adam)			105	18			361
Moray Land Farming Partnership	Land		6,250				383
		<u>643</u>	<u>6,605</u>	<u>18</u>	<u>100</u>	<u>103</u>	<u>1,034</u>
Total		<u>4,225</u>	<u>7,003</u>	<u>105</u>	<u>262</u>	<u>701</u>	<u>2,816</u>

Sales to and purchases from related parties represent those undertaken in the ordinary course of business. Amounts owed to/from related parties are included within payables and receivables respectively at the year-end. No security has been provided on any balances.

Transactions between the Company and its subsidiary, which is a related party, have been eliminated on consolidation and are not disclosed in this note.

Other related parties include transactions with (a) Springfield FURBS (retirement scheme) in which the directors are beneficiaries, (b) close family members of key management personnel and (c) the Moray Land Farming Partnership of which a member of key management personnel is a partner.

Dividends totalling £2,222k (2016 – £1,964k, 2015 – £nil) were paid to key management personnel.

The remuneration of Key Management Personnel was £744k (2016 – £671k, 2015 – £484).

## 27. Contingencies, commitments and guarantees

In the ordinary course of the Group's business the Group is required to enter into performance bond arrangements. The Group's bankers have been provided such guarantees in the ordinary course of business totalling £206k (2016 – £257k, 2015 – £277k).

### 27.1. **Capital commitments**

	<i>Year ended</i> <i>31 May</i> <i>2017</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2016</i> <i>£000</i>	<i>Year ended</i> <i>31 May</i> <i>2015</i> <i>£000</i>
Acquisition of property, plant and equipment	462	103	–
Call and put options for the purchase of plots for development	9,736	14,380	5,346

### 27.2. **Operating lease commitments**

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

	<i>31 May</i> <i>2017</i> <i>£000</i>	<i>31 May</i> <i>2016</i> <i>£000</i>	<i>31 May</i> <i>2015</i> <i>£000</i>
Within one year	278	271	314
Two to five years	1,023	1,047	1,057
Over five years	1,159	1,499	1,760
	<u>2,460</u>	<u>2,817</u>	<u>3,131</u>

### 27.3. **Contingent liabilities for legal claims**

The directors make a provision for all known material claims and legal actions in progress based on best estimates. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the directors consider, based on such advice, that claims or actions are unlikely to succeed or a reliable estimate of the potential obligation cannot be made. No contingent liability in respect of such claims or actions has been made within this Financial Information.

## 28. **Controlling party**

The Group is controlled by Mr A W Adam and Mrs A F Adam.

## 29. **First-time adoption of IFRS**

The financial statements presented to members for the year ended 31 May 2017 is the first financial statements the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 May 2016 the Group prepared its statutory financial statements in accordance with accounting standards generally accepted in the United Kingdom ("UK GAAP"). For the purposes of this Financial Information, the Group's opening statement of financial position has been prepared as at 1 June 2014, the Group's date of transition to IFRS.

The reported financial position and the financial performance for the previous periods were not affected by the transition to IFRS.

## 30. **Auditors**

The financial statements presented to the members of the Company as prepared under UK GAAP in respect of the years ended 31 May 2015 and 2016 were audited by Johnston Carmichael LLP and carried an unqualified audit report.

The financial statements presented to the members of the Company as prepared under IFRS as adopted by the European Union in respect of the year ended 31 May 2017 were audited by Johnston Carmichael LLP and carried an unqualified audit report.

### **30. Auditors (continued)**

Johnston Carmichael LLP address is Commerce House, South Street, Elgin IV30 1JE. Johnston Carmichael LLP are registered auditors in the UK and are members of The Scottish Institute of Chartered Accountants.

### **31. Subsequent Events**

Included in note 19 are directors' loans of £2,929k which, as at 31 May 2017 were repayable by 2022 or any earlier period agreed. Subsequent to the year-end, by agreement, the loans have all been repaid.

On 9 October 2017 the Company subdivided each of the existing ordinary shares of £0.01 each in the capital of the Company then in issue into 8 ordinary shares of 0.125 pence each. The resultant issued share capital was £73,029.08 divided into 58,423,264 ordinary shares of 0.125 pence each.

## PART IV

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Company (whose registered office appears on page 5 of this document) and the Directors, whose names appear on page 5 of this document, accept responsibility for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Group

- 2.1 The Company was incorporated in Scotland under the Companies Act 1948 on 28 January 1956 as a private company limited by shares with the name Springfield Market Gardens (Elgin) Limited and with registered number SC031286. On 16 December 1992 it changed its name to Springfield Properties Ltd.
- 2.2 On 30 December 2004 the Company was re-registered as a public limited company under the Companies Act 1985 and its name was changed to Springfield Properties plc.
- 2.3 The liability of the Shareholders is limited. The principal legislation under which the Company was formed was the Companies Act 1948 and under which it now operates is the Act.
- 2.4 The registered office and head office of the Company is Alexander Fleming House, 8 Southfield Drive, Elgin, Morayshire, IV30 6GR and its telephone number is 01343 552550.
- 2.5 The Company's web site address is [www.springfield.co.uk](http://www.springfield.co.uk).
- 2.6 The ISIN for the Ordinary Shares is GB00BF1QPG26.
- 2.7 The Company is the holding company of the following subsidiaries:

<i>Company Name</i>	<i>Place of Incorporation</i>	<i>Percentage of issued share capital or interest held (%)</i>	<i>Principal Activity</i>
Springfield Civil Engineering Limited (SC360538)*	Scotland	100%	Dormant
Springfield Construction Limited (SC360536)*	Scotland	100%	Dormant
Glassgreen Hire Limited (SC524827)	Scotland	96%	UK trading company
Barmuckity Business Park Limited (SC353051)*	Scotland	100%	Dormant

\* An application to strike off the company has been submitted to the Registrar of Companies.

#### 3. Share capital of the Company

- 3.1 There have been the following changes to the share capital of the Company between 1 June 2014 and the date of this document:
- 3.1.1 on 26 and 28 November 2014 the Company issued 134 ordinary shares of £1.00 each in the capital of the Company to Innes Smith, Michelle Motion and certain other employees of the Group. The resultant issued share capital was £60,931 divided into 60,931 ordinary shares of £1.00. The directors did not have authority pursuant to section 551 of the Act to allot such

ordinary shares and accordingly the resolution set out in paragraph 3.3.10 below of Part IV of this document was passed on 9 October 2017 to ratify and approve the allotment;

- 3.1.2 on 27 March 2015 the Company issued 10,078 ordinary shares of £1.00 each in the capital of the Company to Moray Land Farming Partnership. The resultant issued share capital was £71,009 divided into 71,009 ordinary shares of £1.00. The directors did not have authority pursuant to section 551 of the Act to allot such ordinary shares and accordingly the resolution set out in paragraph 3.3.9 below of Part IV of this document was passed on 9 October 2017 to ratify and approve the allotment;
- 3.1.3 on 30 November 2015 the Company issued 88 ordinary shares of £1.00 each in the capital of the Company to Innes Smith and certain other employees of the Group. The resultant issued share capital was £71,097 divided into 71,097 ordinary shares of £1.00 each. The directors did not have authority pursuant to section 551 of the Act to allot such ordinary shares and accordingly the resolution set out in paragraph 3.3.8 below of Part IV of this document was passed on 9 October 2017 to ratify and approve the allotment;
- 3.1.4 on 1 February 2016 the Company issued 95 ordinary shares of £1.00 each in the capital of the Company to Moray Land Farming Partnership. The resultant issued share capital was £71,192.00 divided into 71,192 Ordinary Shares of £1.00 each. The directors did not have authority pursuant to section 551 of the Act to allot such ordinary shares and accordingly the resolution set out in paragraph 3.3.7 below of Part IV of this document was passed on 9 October 2017 to ratify and approve the allotment;
- 3.1.5 on 31 July 2016 the Company purportedly subdivided each of the 71,192 ordinary shares of £1.00 each in the capital of the Company then in issue into 100 ordinary shares of £0.01 each. The resultant issued share capital was £71,192.00 divided into 7,119,200 ordinary shares of £0.01 each. The Company did not have authority from its shareholders pursuant to the Act to subdivide such ordinary shares and accordingly the resolution set out in paragraph 3.3.5 below of Part IV of this document was passed on 9 October 2017 to ratify and approve the subdivision;
- 3.1.6 on 31 October 2016 the Company issued 183,708 ordinary shares of £0.01 each in the capital of the Company to Moray Land Farming Partnership and certain employees of the Group. The resultant issued share capital was £73,029.08 divided into 7,302,908 ordinary shares of £0.01 each. The directors did not have authority pursuant to section 551 of the Act to allot such ordinary shares and accordingly the resolution set out in paragraph 3.3.6 below of Part IV of this document was passed on 9 October 2017 to ratify and approve the allotment;
- 3.1.7 on 9 October 2017 the Company subdivided each of the existing ordinary shares of £0.01 each in the capital of the Company then in issue into 8 ordinary shares of 0.125 pence each. The resultant issued share capital was £73,029.08 divided into 58,423,264 ordinary shares of 0.125 pence each;
- 3.1.8 on 10 October 2017 the Company issued 75,472 Ordinary Shares to certain employees of the Group. The resultant issued share capital was £73,123.42 divided into 58,498,736 Ordinary Shares.
- 3.2 The issued ordinary share capital of the Company as at the date of this document and as it is expected to be immediately following Admission is as follows:

	<i>Prior to Placing and Admission</i>		<i>Immediately following Placing and Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Nominal Value (pence)</i>	<i>Number of Ordinary Shares</i>	<i>Nominal Value (pence)</i>
<i>Fully paid Ordinary Shares in issue</i>	58,498,736	0.125	82,083,642	0.125

- 3.3 On 9 October 2017, the Shareholders passed resolutions on the following terms:
- 3.3.1 that the Directors be generally and unconditionally authorised for the purposes of section 551 of the Act to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any securities into, shares in the Company ("**Rights**") up to an aggregate nominal amount of £39,835.92775 in respect of:

- (a) the allotment of equity securities having a nominal value of up to £29,575.4725 in connection with the issue of new ordinary shares in connection with, inter alia, the Placing; and
- (b) the allotment of equity securities having a nominal value of up to £10,260.45525 in connection with the exercise of options under any share option scheme of the Company,

provided that the authority shall, unless previously renewed, varied or revoked by the Company in general meeting expire at the conclusion of the next annual general meeting of the Company following the passing of the resolution save that the Company may make an offer or agreement before the expiry of the authority which would or might require shares to be allotted or Rights to be granted after expiry of the authority and the directors may allot shares and grant Rights in pursuance of that offer or agreement as if the authority had not expired;

- 3.3.2 that the Directors be generally and unconditionally authorised to allot Ordinary Shares up to a maximum nominal amount of £34,201.52 (representing 27,361,216 Ordinary Shares) which is approximately equal to one-third of the issued ordinary share capital of the Company as it is expected to be immediately following Admission;
- 3.3.3 that subject to the passing of the resolutions described at paragraphs 3.3.1 and 3.3.2 of this Part IV, the Directors be given power pursuant to sections 570(1) of the Act to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authority granted described in paragraphs 3.3.1 and 3.3.2 above as if section 561 of the Act did not apply to any such allotment. This power expires at the conclusion of the next annual general meeting of the Company following the passing of the resolution but the Company may make an offer or agreement before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of that offer or agreement notwithstanding that the power conferred by the resolution has expired and is limited to:
  - (a) the allotment of equity securities for cash up to a total nominal value of £29,575.4725 pursuant to, inter alia, the Placing;
  - (b) the allotment of equity securities having a nominal value of £10,260.45525 in connection with the grant or exercise of options under any share option scheme of the Company;
  - (c) the allotment of equity securities in connection with an issue in favour of holders of ordinary shares in the capital of the Company; and
  - (d) the allotment of equity securities having a nominal value of up to £10,260.45525 (being equal to 10 per cent. of the issued share capital of the Company as it is expected to be immediately following Admission); and
- 3.3.4 that, conditional on Admission, the Company adopt new articles of association in substitution for and to the exclusion of all existing articles of association of the Company;
- 3.3.5 that the sub-division of each of the 71,192 ordinary shares of £1.00 each in the capital of the Company into 100 ordinary shares of £0.01 each on 31 July 2016, made without the authority required pursuant to section 618 of the Act, be hereby retrospectively approved, authorised, ratified and confirmed for all purposes;
- 3.3.6 that the allotments made on 31 October 2016 by the directors of the Company, up to an aggregate nominal value of £1,837.08, made without the authority required pursuant to section 551 of the Act, be hereby retrospectively approved, authorised, ratified and confirmed for all purposes;
- 3.3.7 that the allotment made on 1 February 2016 by the directors of the Company, up to an aggregate nominal value of £95.00, made without the authority required pursuant to section 551 of the Act, be hereby retrospectively approved, authorised, ratified and confirmed for all purposes;
- 3.3.8 that the allotments made on 30 November 2015 by the directors of the Company, up to an aggregate nominal value of £88.00, made without the authority required pursuant to

section 551 of the Act, be hereby retrospectively approved, authorised, ratified and confirmed for all purposes;

- 3.3.9 that the allotments made on 27 March 2015 by the directors of the Company, up to an aggregate nominal value of £10,078.00, made without the authority required pursuant to section 551 of the Act, be hereby retrospectively approved, authorised, ratified and confirmed for all purposes;
- 3.3.10 that the allotments made on 26 and 28 November 2014 by the directors of the Company, up to an aggregate nominal value of £134.00, made without the authority required pursuant to section 551 of the Act, be hereby retrospectively approved, authorised, ratified and confirmed for all purposes;
- 3.3.11 that subject to the passing of the resolution described at paragraph 3.3.5 of this Part IV, each of the existing issued ordinary shares of £0.01 each in the capital of the Company be and is hereby sub-divided into 8 ordinary shares of 0.125 pence having the rights and privileges the being subject to the restrictions contained in the articles of association of the Company;
- 3.3.12 that subject to the passing of the resolution described at paragraph 3.3.6 of this Part IV, the directors be hereby given retrospective power in accordance with section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred by the resolution described at paragraph 3.3.6 of this Part IV as if section 561(1) of the Act did not apply to the allotments provided that such power shall expire on the date being five years from the date on which this resolution is passed;
- 3.3.13 that subject to the passing of the resolution described at paragraph 3.3.7 of this Part IV, the directors be hereby given retrospective power in accordance with section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred by the resolution described at paragraph 3.3.7 of this Part IV as if section 561(1) of the Act did not apply to the allotments provided that such power shall expire on the date being five years from the date on which this resolution is passed;
- 3.3.14 that subject to the passing of the resolution described at paragraph 3.3.8 of this Part IV, the directors be hereby given retrospective power in accordance with section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred by the resolution described at paragraph 3.3.8 of this Part IV as if section 561(1) of the Act did not apply to the allotments provided that such power shall expire on the date being five years from the date on which this resolution is passed;
- 3.3.15 that subject to the passing of the resolution described at paragraph 3.3.9 of this Part IV, the directors be hereby given retrospective power in accordance with section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred by the resolution described at paragraph 3.3.9 of this Part IV as if section 561(1) of the Act did not apply to the allotments provided that such power shall expire on the date being five years from the date on which this resolution is passed; and
- 3.3.16 that subject to the passing of the resolution described at paragraph 3.3.10 of this Part IV, the directors be hereby given retrospective power in accordance with section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) pursuant to the authority conferred by the resolution described at paragraph 3.3.10 of this Part IV as if section 561(1) of the Act did not apply to the allotments provided that such power shall expire on the date being five years from the date on which this resolution is passed.
- 3.4 Save as disclosed in this Part IV:
- 3.4.1 no share or loan capital in the Company or the Group is under option or is the subject of an agreement, conditional or unconditional, to be put under option;
- 3.4.2 no share or loan capital of the Company or of the Group has been issued, or is now proposed to be issued, fully or partly paid, either for cash or other consideration to any person;
- 3.4.3 no person has any preferential subscription rights for any share capital of the Company;

- 3.4.4 no commissions, discounts, brokerages or other special terms, have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company;
  - 3.4.5 the Company does not hold any of its own Ordinary Shares and none of the Company's subsidiaries hold any of the Ordinary Shares;
  - 3.4.6 the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and
  - 3.4.7 there are no acquisition rights or obligations over the unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.
- 3.5 The Ordinary Shares have been created under the Companies Acts.
- 3.6 The Ordinary Shares are in registered form and may be held either in certificated form or in uncertificated form through CREST. The Articles permit the Company to issue shares in uncertificated form.
- 3.7 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.8 As at Admission, the Company does not have in issue any securities not representing share capital. However, immediately following Admission, the Company proposes to grant Options over up to 1,332,325 Ordinary Shares pursuant to the ESOP and the CSOP.
- 3.9 There are no issued but not fully paid Ordinary Shares.
- 3.10 None of the Ordinary Shares have been marketed or are being made available to the public in whole or in part in conjunction with the application for Admission.
- 3.11 The Existing Ordinary Shares have not been admitted to dealing on any recognised investment exchange or other trading facility, nor has any application for such admission been made and it is not intended to make any arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission.
- 3.12 The Company has the contractual capacity of a natural person and is empowered to borrow, guarantee and give security.

## **4. Articles**

### **4.1 Objects**

The Articles contain no restriction on the objects of the Company.

### **4.2 Capital structure**

The share capital of the Company is represented by an unlimited number of Ordinary Shares having the rights described in the Articles. Under the Articles, the Directors are given authority to effect the issue of further shares of the same class and to create new classes of shares, and have discretion to accept or reject an application for shares.

### **4.3 Variation of class rights**

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class of the shares in issue may from time to time be varied or abrogated, whether or not the Company is being wound up, with the sanction of a special resolution passed at a separate meeting of holders of the issued shares of the class held in accordance with the Articles (but not otherwise).

The special rights conferred on the holders of any shares or class of shares shall, unless otherwise provided by the Articles or the terms of issue of the shares concerned, be deemed to be varied by a reduction of capital paid up on those shares but shall be deemed not to be varied by the creation or

issue of further shares ranking *pari passu* with them or subsequent to them. The rights conferred on the holders of shares shall be deemed not to be varied by the creation or issue of any further shares ranking in priority to them nor shall any consent or sanction of the holders of Ordinary Shares be required to any variation or abrogation effected by a resolution on which only the holders of Ordinary Shares are entitled to vote.

#### 4.4 **Alteration of Share Capital**

The Company may, from time to time, by ordinary resolution:

- (a) increase its share capital;
- (b) consolidate and divide all or any of its share capital into shares of a larger nominal amount than its existing shares;
- (c) cancel or reduce the nominal value of shares which, at the date of the passing of the relevant resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled or the amount of the reduction; and
- (d) subject to the Act, sub-divide its shares, or any of them, into shares of a smaller amount, and as between the holders of the shares resulting from the sub-division, any of them may have any preference or advantage or deferred rights or be subject to any restrictions as compared with the others.

#### 4.5 **Purchase of own shares**

Subject to the provisions of the Act, the Company may purchase its own shares (including any redeemable shares) and any shares to be so purchased may (subject to any resolution of the Company in general meeting) be selected by the Board in any manner.

#### 4.6 **Reduction of capital**

Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account or other undistributable reserve.

#### 4.7 **Issue of Ordinary Shares**

Subject to the provisions of the Articles, unissued Ordinary Shares shall be at the disposal of the Board which may allot, grant options over (including, without limitation, by way of granting stock appreciation rights or other similar rights) or otherwise dispose of them to such persons on such terms and conditions and at such times as the Board determines but so that the amount payable on application on each share shall be fixed by the Board.

#### 4.8 **Voting rights**

Subject to any rights or restrictions attached to any shares, on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote, and on a poll every member shall have one vote for every Ordinary Share of which he is the holder.

#### 4.9 **Dividends**

Subject to the Act and as set out in the Articles, the Company may by ordinary resolution declare dividends but no dividend shall exceed the amount recommended by the Board. No dividend may be paid otherwise than in accordance with the Act. The Board may at any time declare and pay such interim dividends as appears to be justified by the position of the Company.

Except as otherwise provided by the rights attached to the shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid but no amount paid on a share in advance of calls shall be treated as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

Any dividend or other moneys payable in respect of a share may be paid:

- (a) in cash;
- (b) by cheque or warrant sent by post to the address in the Company's register of members (the "**Register**") of the person entitled to the moneys or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder or otherwise by operation of law, to the address in the Register of that one of those persons who is first named in the Register in respect of the joint holding or to such person and to such address as the person or persons entitled to the moneys may in writing direct. Every such cheque or warrant shall be made payable to the person or persons entitled to the moneys or to such other person as the person or persons so entitled may in writing direct and shall be sent at the risk of the person or persons so entitled. Any such cheque or warrant may be crossed "account payee" although the Company shall not be obliged to do so;
- (c) by bank transfer to such account (of a type approved by the Board) as the person or persons entitled to the moneys may in writing direct or as the Board may otherwise decide; or
- (d) by such other method of payment approved by the Board as the person or persons entitled to the moneys may in writing agree to.

#### 4.10 **Redemption**

The Ordinary Shares do not carry a right to redemption by Shareholders.

#### 4.11 **Form and transfer of shares**

The Board may issue shares as certificated or uncertificated shares, subject to any restrictions on transfers described below.

All Ordinary Shares are freely transferable and there are no rights of pre-emption under the Articles in respect of transfers of issued Ordinary Shares.

A share held in certificated form may be transferred by an instrument of transfer in any usual form or in any other form which the Board may approve, which shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. A share held in uncertificated form may be transferred by means of a relevant system. The transferor shall be deemed to remain the holder of the share until the transferee is entered on the Register as its holder.

The Board may, in the case of shares held in certificated form, in its absolute discretion refuse to register the transfer of a share which is not fully paid provided that, where any such shares are admitted to trading on AIM, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Board may also refuse to register a transfer of shares held in certificated form unless the instrument of transfer is:

- (a) duly stamped or duly certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty, lodged at the place where the Company's register of members is situated or at such other place as the Board may appoint and (save in the case of a transfer by a person to whom no certificate was issued in respect of the shares in question) accompanied by the certificate for the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do;
- (b) in respect of only one class of shares; and
- (c) in favour of not more than four transferees.

If the Board refuses to register a transfer of shares held in certificated form, it shall, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal together with its reasons for the refusal.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share or for making any entry in the Register affecting the title to any share.

The Company shall be entitled to retain any instrument of transfer which is registered, but (except in the case of fraud) any instrument of transfer which the Board refuses to register shall be returned to the person lodging it when notice of the refusal is given.

For all purposes of the Articles relating to the registration of transfers of shares, the renunciation of the allotment of any shares by the allottee in favour of some other person shall be deemed to be a transfer and the Board shall have the same powers of refusing to give effect to such a renunciation as if it were a transfer.

If a member dies, the survivor, or survivors where he was a joint holder, and his personal representatives where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the Company as having any title to his interest; but nothing contained in the Articles shall release the estate of a deceased member from any liability in respect of any share which had been held (whether solely or jointly) by him.

#### 4.12 **Directors**

Unless otherwise determined by the Board, the number of Directors shall be not less than two.

The Directors may be paid all travelling, hotel and other expenses as they may incur in connection with their attendance at meetings of the Board or of committees of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in connection with the discharge of their duties.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any Director employee or former employee who has held but no longer holds any office or employment with the Company or with any body corporate which is or has been a subsidiary undertaking or a predecessor in business of the Company or of any subsidiary undertaking, and for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit.

#### 4.13 **Directors' interests**

A Director who is in any way directly or indirectly interested in a contract or arrangement or proposed contract or arrangement with the Company shall disclose the nature and extent of his interest at a meeting of the Board.

A Director may not vote (or be counted in the quorum) in respect of any resolution of the Directors or committee of the Directors concerning a contract, arrangement, transaction or proposal to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him) is a material interest (otherwise than by his interest in Ordinary Shares or debentures or other securities of or otherwise in or through the Company). This is subject to certain exceptions including (i) where the contract, arrangements, transaction or proposal concerns general employee privileges or insurance policies for the benefit of Directors or (ii) in circumstances where a Director acts in a personal capacity in the giving of a guarantee, security or indemnity for the benefit of the Company or any of its subsidiary undertakings.

Any Director may act by himself or his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

A Director may continue to be or become a director, or other officer, employee or otherwise interested in any body corporate in which the Company may be interested, which may be promoted by the Company or with which the Company has entered into any transaction, arrangement or agreement and no such Director shall be accountable to the Company for any remuneration or other benefits received thereby.

#### 4.14 **Disclosures of beneficial interests in shares**

Subject to the provisions of the Act, and provided that he has disclosed to the Board the nature and extent of any interest of his in accordance with the Articles, a Director, notwithstanding his office, may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested.

#### 4.15 **Borrowing powers**

The Directors may exercise all the powers of the Company to borrow money and to mortgage, or charge the assets, property and undertaking of the Company or any part thereof and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

#### 4.16 **Annual General Meetings and General Meetings**

An annual general meeting shall be held at such time and place as the Board may determine. The Board may call general meetings and, on the requisition of members pursuant to the provisions of the Act, shall forthwith convene a general meeting. If there are not sufficient Directors capable of acting to call a general meeting, any Director may call a general meeting. If there is no Director able to act, any two members may call a general meeting for the purpose of appointing Directors.

A general meeting and a meeting called for the passing of a special resolution shall be called by at least 21 days' clear notice in writing. A meeting of the Company other than an annual general meeting or a meeting for the passing of an ordinary resolution shall be called by not less than 14 days' clear notice. The notice shall specify the place, the day and the time of the meeting and the general nature of that business. A notice calling a meeting for the passing of a special resolution shall specify the intention to propose the resolution as a special resolution and the terms of the resolution. Every member entitled to attend and vote is entitled to appoint one or more proxies to attend, vote and speak instead of him and that a proxy need not be a member.

The accidental omission to give notice of a meeting, or a resolution intended to be moved at a general meeting or to send an instrument of proxy or invitation to appoint a proxy as provided by the Articles, to any person entitled to receive notice, or the non-receipt of notice of a meeting or instrument of proxy or invitation to appoint a proxy by such a person, shall be disregarded for the purpose of determining whether notice of the meeting or of any resolution to be moved at the general meeting is duly given.

Every notice of meeting shall state with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, vote and speak instead of him and that a proxy need not be a member.

#### 4.17 **Annual Report and Financial Statements**

Save as provided in the Articles, a copy of the annual accounts of the Company together with a copy of the auditors' report and the Directors' report and any other documents required to accompany or to be annexed to them shall, not less than 21 clear days before the date of the general meeting at which copies of those documents are to be laid, be sent to every member and to every debenture holder of the Company and to every other person who is entitled to receive notices from the Company of general meetings.

Copies of the documents referred to in the Articles need not be sent:

- (a) to a person who is not entitled to receive notices of general meetings and of whose address the Company is unaware; or
- (b) to more than one of the joint holders of shares or debentures in respect of those shares or debentures,

provided that any member or debenture holder to whom a copy of such documents has not been sent shall be entitled to receive a copy free of charge on application at the registered office of the Company.

The Company may, in accordance with the Act and any regulations made under it, send a strategic report with supplementary information to any of the persons otherwise entitled to be sent copies of the annual accounts and accompanying documents instead of or in addition to those documents and, where it does so, the statement shall be delivered or sent to such person not less than 21 days before the general meeting at which copies of those documents are to be laid.

#### 4.18 **Winding up**

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.

#### 4.19 **Untraceable shareholders**

The Company shall be entitled to sell at the best price reasonably obtainable any member's shares or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or otherwise by operation of law if:

- (a) for a period of twelve years, no cash dividend payable in respect of the shares has been claimed, no cheque or warrant sent by the Company through the post in a pre-paid envelope addressed to the member or to the person entitled to the shares at his address on the Register or (if different) the last known address given by the member or the person so entitled to which cheques and warrants are to be sent has been paid, each attempt to make a payment in respect of the shares by means of bank transfer or other method for the payment of dividends or other moneys in respect of shares has failed and no communication has been received by the Company from the member or the person so entitled (in his capacity as member or person entitled);
- (b) in such period of twelve years at least three dividends (whether interim or final) have become payable on the shares;
- (c) the Company has at the expiration of the said period of twelve years by advertisement in both a national newspaper and in a newspaper circulating in the area in which the address referred to in the Articles is located given notice of its intention to sell such shares; and
- (d) during the period of three months following the publication of the said advertisements the Company has received no communication in respect of such share from such member or person entitled.

If at any time during or after the said period of twelve years further shares have been issued in right of those held at the commencement of that period or of any issued in right during that period and, since the date of issue, the requirements of the Articles have been satisfied in respect of such further shares, the Company may also sell the further shares.

To give effect to a sale in respect of untraceable shareholders the Board may authorise any person to execute an instrument of transfer or otherwise effect the transfer of the shares to be sold. If the shares concerned are in uncertificated form, in accordance with the CREST Regulations, the Company may issue a written notification to the Operator requiring conversion of the shares into certificated form. The purchaser shall not be bound to see to the application of the purchase moneys and the title of the transferee to the shares shall not be affected by any irregularity in or invalidity of the proceedings relating to the sale. The net proceeds of sale shall belong to the Company which shall be obliged to account to the former member or other person previously entitled to the shares for an amount equal to the net proceeds, which shall be a debt of the Company, and shall enter the name of such former member or other person in the books of the Company as a creditor for such amount. No trust shall be created and no interest shall be payable in respect of the debt, and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments for the benefit of the Company as the Board may from time to time determine.

The provisions of the Articles applying to the Ordinary Shares will apply to the New Ordinary Shares following their creation to the same extent.

## **5. Mandatory Bids, Squeeze-Out and Sell-Out Rules relating to the Ordinary Shares**

### **5.1 Takeover Code**

The Takeover Code applies, *inter alia*, to all companies which have their registered office in the United Kingdom, Channel Islands or Isle of Man and whose securities are traded on a regulated market in the United Kingdom or a stock exchange in the Channel Islands or Isle of Man or a multilateral trading facility (such as AIM). Accordingly, the Takeover Code applies to the Company.

Under Rule 9 of the Takeover Code, if an acquisition (whether by a series of transactions over a period of time or not) of an interest in Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties, if any) would be required, except with the consent of the Panel, to make a general offer for the Ordinary Shares not already owned by the acquirer and its concert parties.

Similarly, this requirement would also be triggered by an acquisition of an interest in shares by a person holding (together with its concert parties, if any) Ordinary Shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the shares carrying voting rights in which that person and its concert parties are interested.

An offer under Rule 9 must be in cash or be accompanied by a cash alternative and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in Ordinary Shares during the 12 months prior to the announcement of the offer. Under the Takeover Code, a concert party arises where persons, pursuant to an agreement or understanding (whether informal or formal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. "Control" means an interest carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether the holding or holdings give de facto control. As further described in paragraph 27 of Part I of this Admission Document, the members of the Concert Party are considered to be acting in concert for the purposes of the Takeover Code.

### **5.2 Mandatory bid**

The Takeover Code applies to the Company for so long as its central management and control remains in the United Kingdom. Under Rule 9 of the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer (and depending on the circumstances, its concert parties) would be required, except with the consent of the Takeover Panel, to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

### **5.3 Squeeze-out**

Under sections 979 to 982 of the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making a takeover offer as defined in section 974 of the Act, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer unless the shareholders can show that the offer value is unfair.

#### 5.4 **Sell-out**

Pursuant to sections 983 to 985 of the Act, minority shareholders in the Company have a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

#### 6. **Directors' and Other Interests**

6.1 The following table lists each Director together with his/her title, age, date of appointment and date of expiration of current term of office:

<i>Name</i>	<i>Title</i>	<i>Age</i>	<i>Date of appointment</i>	<i>Expiration of current term of office</i>
Alexander (Sandy) William Adam	Executive Chairman	61	Prior to October 1986*	N/A
Innes Smith	Chief Executive Officer	47	4 May 2005	N/A
Michelle Hunter Motion	Finance Director	46	19 November 2013	N/A
Roger James Eddie	Non-Executive Director	62	13 November 2008	15 October 2020
Mathew James	Non-Executive Director	51	11 September 2011	15 October 2020

\* Sandy Adam was appointed as a Director before October 1986, however, the online records at the Registrar of Companies are not available prior to October 1986 and consequently the exact date is not known or stated in this document.

6.2 The interests of the Directors and, so far as is known to the Directors (having made appropriate enquiries) persons connected with them, which expression shall be construed in accordance with the AIM Rules (all of which are beneficial except as shown), in the existing issued share capital of the Company, excluding any Options in respect of such capital (details of which are set out at paragraph 7 of this Part IV) as at 10 October 2017 and as expected to be immediately following Admission, are as follows:

<i>Name</i>	<i>As at the date of this document</i>		<i>Immediately following Placing and Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Share capital (%)</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital*** (%)</i>
Alexander (Sandy) William Adam	*43,780,872	74.84	43,780,872	53.34
Innes Smith	1,122,632	1.92	**1,190,988	1.45
Michelle Hunter Motion	36,302	0.06	43,849	0.05
Roger James Eddie	–	–	47,170	0.06
Matthew James Benson	–	–	28,302	0.03

Notes:

\* Includes 7,409,600 Ordinary Shares held by Sandy Adam's wife, Anne Adam and 11,471,272 Ordinary Shares held by The Adam Settlement Trust of which Sandy Adam's sons are beneficiaries.

\*\* Includes 33,019 Ordinary Shares held by Innes Smith's wife, Eilidh Smith.

\*\*\* Assuming that 23,584,906 New Ordinary Shares are issued pursuant to the Placing.

- 6.3 As at the date of this document, no Options have been granted to the Directors. However, immediately following Admission, it is intended that the following Options will be granted to the following Directors:

<i>Director</i>	<i>Date of Grant</i>	<i>Option Shares</i>	<i>Exercise Date</i>	<i>Lapse Date</i>	<i>Exercise Price (£)</i>
Innes Smith	the date of Admission	236,320	3rd anniversary of date of grant	10th anniversary of date of grant	1.06
Michelle Motion	the date of Admission	113,207	3rd anniversary of date of grant	10th anniversary of date of grant	1.06

Save as disclosed in this paragraph 6, none of the Directors nor any member of their families, nor any person connected with them within the meaning of section 252 of the Act, has any interest in the issued share capital of the Company or its subsidiaries.

Save as disclosed in this paragraph 6 as at the date of this document, no Director has any option over or warrant to subscribe for any shares in the Company.

Save for the Placing Agreement referred to in paragraph 11.1 of this Part IV of this document, the Relationship Agreement referred to in paragraph 11.4 of this Part IV of this document, the service agreements and letters of appointment referred to in paragraph 9 of Part IV of this document and the lock-in agreements referred to in paragraph 11.2 of Part IV of this document, there are no agreements, arrangements or understandings (including compensation agreements) between any of the Directors, recent Directors, Shareholders or recent Shareholders of the Company connected with or dependent upon Admission or the Placing.

#### 6.4 **Major Shareholders**

In addition to those disclosed at paragraph 6.2 above, the Company is aware of the following persons who, at 9 October 2017 (being the latest practicable date before publication of this document) and following Admission, have interests in voting rights over 3 per cent. or more of the issued share capital of the Company:

<i>Shareholder</i>	<i>At the date of this document</i>		<i>Immediately following Placing and Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital*</i>
James Adam	10,192,000	17.42	10,192,000	12.42
Margaret Rae	2,041,600	3.49	2,041,600	2.49

Notes:

\* Assuming that 23,584,906 New Ordinary Shares are issued pursuant to the Placing.

- 6.5 Save as disclosed above, the Directors are not aware of any person who is at the date of this document, or who will be immediately following Admission, directly or indirectly, interested in three per cent. or more of the issued share capital of the Company or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 6.6 The Company and the Directors are not aware of any arrangements, the operation of which may, at a subsequent date, result in a change of control of the Company.
- 6.7 No person has any voting rights in respect of the share capital of the Company which differ from any other shareholder.
- 6.8 No Director (nor any member of a Director's family) has a related financial product (as defined in the AIM Rules) referenced directly or indirectly to the Ordinary Shares.

## 7. Share Plans

The Company adopted the Springfield Properties PLC Company Share Option Plan (the “**CSOP**”), the Springfield Properties PLC Employee Share Option Plan (the “**ESOP**”) and the Springfield Properties PLC SAYE Option Plan (the “**SAYE Plan**”) on 10 October 2017, conditional on Admission.

Each of the Share Plans (the principal features of which are summarised below) will, following Admission, be administered by the Remuneration Committee.

### 7.1 *The CSOP and the ESOP*

#### (a) *Introduction*

Awards under the CSOP and the ESOP (together, the “**Discretionary Plans**”) will take the form of options to acquire Ordinary Shares. In the case of the CSOP, these options are intended to satisfy the requirements of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 and to benefit from favourable UK tax treatment (“**CSOP Options**”). Awards under the ESOP will be non-tax advantaged options to acquire Ordinary Shares (“**ESOP Options**”).

#### (b) *Eligibility and details of Admission Options*

Any employee (including an executive director) of the Group will generally be eligible to be granted CSOP Options and/or ESOP Options (together, “**Options**”) under the Discretionary Plans at the discretion of the Remuneration Committee.

Immediately on Admission, the Remuneration Committee intends to grant the following Options with an exercise price per Ordinary Share equal to the Placing Price (the “**Admission Options**”):

- Options over 236,320 Ordinary Shares to Innes Smith, an executive director of the Company;
- Options over 113,207 Ordinary Shares to Michelle Motion, an executive director of the Company; and
- Options over up to an aggregate of 1,008,746 Ordinary Shares to other selected members of the senior management team.

#### (c) *Grant of Options*

Options may normally be granted within the period of forty two days commencing on:

- the date of Admission; or
- a results announcement by the Company in any year.

Additionally, Options may also be granted on any day on which the Remuneration Committee resolves that exceptional circumstances exist which justify the making of such awards.

No Options will be granted more than ten years after the date of adoption of the Discretionary Plans. No payment is required for the grant of an Option. Options are not pensionable. An Option is personal to the participant and, subject to the rights of a participant’s personal representatives, may not be transferred.

#### (d) *Exercise price*

The price payable for each Ordinary Share on the exercise of an Option will be specified by the Remuneration Committee but (save as specified below) will not be less than the higher of:

- the market value of an Ordinary Share on the date of grant; and
- (for newly issued Ordinary Shares) their nominal value.

For the above purposes, the market value of an Ordinary Share on the date of grant will be set in accordance with a basis agreed with HMRC Shares and Assets Valuation and will normally be taken as being:

- in the case of the Admission Options, the Placing Price; and
- in the case of all other Options, the middle market closing price of an Ordinary Share (as derived from the London Stock Exchange) on the business day immediately prior to the date of grant.

By exception, and in respect of ESOP Options only, the Company may grant Options with an exercise price equal to the Placing Price to key appointments made within the 6 months following Admission (although the number of Ordinary Shares over which such Options are granted will not exceed 1 per cent. of the Company's share capital).

(e) *Individual limits applicable to the Discretionary Plans*

No person may at any time hold Options granted under the CSOP (or any other non savings-related tax favoured option scheme operated by the Group) over Ordinary Shares having a total market value at the time of grant of more than £30,000.

Other than awards that are considered to be made in exceptional circumstances, the maximum total market value (at date of grant) of Ordinary Shares over which an individual may be granted Options under the CSOP and the ESOP (and any other discretionary share scheme operated by the Company) in any financial year will not exceed 200 per cent. of his annual base salary in that financial year. Within this limit, the value of Ordinary Shares over which an Option is granted will be determined at the sole discretion of the Remuneration Committee.

(f) *Performance conditions*

The Remuneration Committee may, in its absolute discretion, make the exercise of an Option subject to the achievement of objective performance conditions. No such conditions will be applied to the Admission Options; however, the Remuneration Committee will, at the applicable time, consider their introduction for future Options granted under the Discretionary Plans.

The Remuneration Committee will have the power to vary the terms of any performance conditions attaching to an outstanding Option in exceptional circumstances, provided that the amended conditions are, in their opinion, neither materially easier nor more difficult to achieve than the original performance conditions as envisaged by the Remuneration Committee at the date of grant of that Option.

(g) *Exercise and lapse of Options*

Options will generally vest and become capable of exercise on such date or dates as the Remuneration Committee may specify at the date of grant and then only if, and to the extent that, any applicable performance conditions have been satisfied. In the case of the Admission Options, it is anticipated that they will be granted with a normal vesting date of the third anniversary of their grant.

Options will lapse on the day immediately preceding the tenth anniversary of the date of grant or sooner on the occurrence of certain corporate events or where the participant ceases to hold employment with the Group (subject to certain exceptions, details of which are set out below).

(h) *Source of Ordinary Shares and dilution limit*

Options may be satisfied either by the issue of new Ordinary Shares, the transfer of Ordinary Shares from treasury or the transfer of existing Ordinary Shares purchased in the market.

The maximum number of new Ordinary Shares that may be issued to satisfy Options granted under the Discretionary Plans (and rights granted under any other employees' share scheme established by the Company, including the SAYE Plan) in any 10 year period commencing on or after Admission may not exceed 10 per cent. of the total number of Ordinary Shares in issue from time to time.

For the purpose of the above limit:

- treasury shares will count as new issue Ordinary Shares unless institutional investors decide that they need not count; and
- no account will be taken of any Ordinary Shares where the right to acquire them was released or lapsed prior to vesting/exercise.

(i) *Shareholder rights*

Options will not confer any shareholder rights unless and until they have vested and been exercised and the participants have received their Ordinary Shares.

Ordinary Shares will normally be transferred or allotted on the exercise of an Option within twenty eight days of the date of exercise. Any Ordinary Shares issued or transferred to participants will rank equally with the other Ordinary Shares then in issue (except in respect of rights arising prior to the date on which the allottee or transferee is entered into the register of members of the Company). Application will be made for permission for any such Ordinary Shares to be admitted to trading on AIM.

(j) *Clawback and malus*

The number of Ordinary Shares over which an ESOP Option subsists may be reduced by the Remuneration Committee in accordance with the terms of any clawback arrangement entered into between the Company and the relevant participant.

(k) *Cessation of employment*

As a general rule, an unexercised Option will lapse immediately if the participant ceases to be an employee or director of the Group.

If, however, a participant ceases to be an employee or director by reason of injury, permanent disability, retirement, redundancy, his employing company or the business for which he works being sold out of the Group or in other circumstances at the discretion of the Remuneration Committee (i.e. a “good leaver”), then his Option will not lapse and will continue to vest on the date when it would have vested had he not ceased such employment or office.

The extent to which an Option will vest in these circumstances will depend upon two factors:

- the extent to which any performance conditions have, in the opinion of the Remuneration Committee, been satisfied over the original performance measurement period; and
- the pro-rating of the Option to reflect the period of time between its grant and the date of cessation, although the Remuneration Committee can decide not to pro-rate an Option if it regards it as inappropriate to do so in the particular circumstances.

Alternatively, if a participant ceases employment as a good leaver, the Remuneration Committee can decide that his Option will vest at or around the time when he leaves, subject to performance condition satisfaction (measured at that time) and time pro-rating (unless the Remuneration Committee determines otherwise).

Finally, if a participant dies then his or her Option may be exercised during the following period of 12 months, but only to the extent that it had already vested prior to the date of death (or to such greater extent as the Remuneration Committee permits).

(l) *Corporate events*

In the event of a takeover or winding up of the Company all Options will vest early subject to: (i) the extent to which any performance conditions have been satisfied at that time; and (ii) the pro-rating of the Options to reflect the reduced period of time between their grant and vesting, although the Remuneration Committee can decide not to pro-rate an Option if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, Options may be replaced by equivalent rights over shares in a new holding company.

(m) *Variation of capital*

In the event of any capitalisation issue, rights issue, open offer, consolidation, subdivision or reduction of capital, demerger or any other event affecting the share capital of the Company, the number and/or nominal value of Ordinary Shares comprised in Options may be adjusted by the Remuneration Committee.

(n) *Amendments to the Discretionary Plans*

The Remuneration Committee may, at any time, amend the provisions of the Discretionary Plans in any respect, provided that:

- no alteration which would materially and adversely affect the subsisting rights of a participant may normally be made without his prior consent; and
- no amendment may be made to a key feature of the CSOP if it would result in the relevant statutory requirements for arrangements of that type no longer being met.

## 7.2 **The SAYE Plan**

(a) *Introduction*

The SAYE Plan will be an all-employee savings-related share option arrangement under which awards will take the form of options to acquire Ordinary Shares. The SAYE Plan has been designed to satisfy the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 so that the options may be provided to UK employees in a tax-efficient manner.

(b) *Eligibility and details of invitation process*

Each time that the Remuneration Committee decides to operate the SAYE Plan, all UK resident tax-paying employees of the Company (and those of its subsidiaries that participate in the SAYE Plan) must be invited to participate. Other employees may be permitted to participate at the discretion of the Remuneration Committee. Employees invited to participate may be required to have completed a minimum qualifying period of employment (of up to five years) before they can participate in the SAYE Plan on any occasion.

Invitations under the SAYE Plan may normally be issued within the period of forty two days commencing on:

- the date of Admission; or
- a results announcement by the Company in any year.

Additionally, invitations may also be issued on any day on which the Remuneration Committee resolves that exceptional circumstances exist which justify the making of such invitations.

Immediately on Admission, the Remuneration Committee intends to issue an invitation to participate in the SAYE Plan to all eligible employees (the "**Admission Invitation**").

(c) *Savings contract and grant of SAYE Options*

In order to participate in the SAYE Plan, an employee must enter into a linked savings contract with a bank or building society in terms of which he agrees to make contributions from salary on a monthly basis over a three or five-year period. A participant who enters into a savings agreement is granted an option to acquire Ordinary Shares under the SAYE Plan ("**SAYE Option**").

The number of Ordinary Shares over which an SAYE Option may be granted is limited to the number of Ordinary Shares that may be acquired at the SAYE Option exercise price out of the projected proceeds of the linked savings contract.

The exercise price per Ordinary Share will be the amount determined by the Remuneration Committee which will not be less than 80 per cent (or such other percentage as is permitted by

the applicable legislation) of the market value of an Ordinary Share on the date on which the relevant invitation to participate in the SAYE Plan is issued.

For the above purposes, the market value of an Ordinary Share on an invitation date will be set in accordance with a basis agreed with HMRC Shares and Assets Valuation and will normally be taken as being:

- in the case of the Admission Invitation, the Placing Price; and
- in the case of all other invitations, the middle market closing price of an Ordinary Share (as derived from the London Stock Exchange) on the business day immediately prior to the applicable date.

Contributions to the savings contract may be made between £5 a month and the maximum permitted under the applicable legislation (currently £500 a month) or up to such lesser sum as the Remuneration Committee may determine. At the end of the three or five-year savings contract, employees may either withdraw their savings on a tax-free basis or utilise such sum, and any bonus or interest due under the savings contract, to acquire Ordinary Shares under their linked SAYE Option.

SAYE Options are not pensionable. An SAYE Option is personal to the participant and, subject to the rights of a participant's personal representatives, may not be transferred. No SAYE Options will be granted more than ten years after the date of adoption of the SAYE Plan.

(d) *Exercise of SAYE Options*

SAYE Options may normally only be exercised during the period of six months following the maturity of the related savings contract. If not exercised by the end of this period, the relevant SAYE Options will lapse.

SAYE Options may be exercised earlier (but only with the proceeds that are then available from the linked savings contract) in certain specified circumstances including death or cessation of employment due to injury, disability, retirement, redundancy or the participant's employing company or the business for which he works being sold out of the Group.

(e) *Source of Ordinary Shares and dilution limit*

SAYE Options may be satisfied either by the issue of new Ordinary Shares, the transfer of Ordinary Shares from treasury or the transfer of existing Ordinary Shares purchased in the market.

The maximum number of new Ordinary Shares that may be issued to satisfy SAYE Options (and rights granted under any other employees' share scheme established by the Company, including the Discretionary Plans) in any 10 year period commencing on or after Admission may not exceed 10 per cent. of the total number of Ordinary Shares in issue from time to time.

For the purpose of the above limit:

- treasury shares will count as new issue Ordinary Shares unless institutional investors decide that they need not count; and
- no account will be taken of any Ordinary Shares where the right to acquire them was released or lapsed prior to vesting/exercise.

(f) *Shareholder rights*

SAYE Options will not confer any shareholder rights unless and until they have been exercised and the participants have received their Ordinary Shares.

Ordinary Shares will normally be transferred or allotted on the exercise of an SAYE Option within twenty eight days of the date of exercise. Any Ordinary Shares issued or transferred to participants will rank equally with the other Ordinary Shares then in issue (except in respect of rights arising prior to the date on which the allottee or transferee is entered into the register of

members of the Company). Application will be made for permission for any such Ordinary Shares to be admitted to trading on AIM.

(g) *Corporate events*

In the event of a takeover or winding up of the Company, SAYE Options may normally be exercised early (but only with the proceeds that are then available from the linked savings contract).

If there is a corporate event resulting in a new person or company acquiring control of the Company, SAYE Options may, in certain circumstances, be replaced by equivalent rights over shares in the acquiring company.

(h) *Variation of capital*

In the event of any capitalisation issue, rights issue, open offer, consolidation, subdivision or reduction of capital, demerger or any other event affecting the share capital of the Company, the number and/or nominal value of Ordinary Shares comprised in SAYE Options may be adjusted by the Remuneration Committee.

(i) *Amendments to the SAYE Plan*

The Remuneration Committee may, at any time, amend the provisions of the SAYE Plan in any respect, provided that:

- no alteration which would materially and adversely affect the subsisting rights of a participant may normally be made without his prior consent; and
- no amendment may be made to a key feature of the SAYE Plan if it would result in the relevant statutory requirements for arrangements of that type no longer being met.

## 8. Additional Information On Directors

8.1 The names of all the companies and partnerships of which each Director currently holds a directorship or is a partner in or has been a director or partner at any time in the five years preceding the date of this Document (with the exception of the Company) are as follows:

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Sandy Adam	Action Elgin Limited (SC518768) Alba Properties Limited (SC324906) AW & JG Adam Limited (SC376174) Barmuckity Business Park Limited (SC353081) Business for Scotland (SC430989) Elgin Business Park Limited (SC443166) Elgin Properties GmbH (German registered company) Kaiteri Limited (SC437151)* Millhouse Developments (Inverurie) Limited (SC473721) Springfield Civil Engineering Limited (SC360538) Springfield Construction Limited (SC360536) Springfield Real Estate Management Limited (SC352745) The firm of AW & JG Adam Whiterow Properties Limited (SC565689)	Homes for Scotland Limited (SC213820) Spree Property Investments Limited (SC301471) Springfield Affordable Limited (SC360537) Springfield Homes North Limited (SC360577)

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Innes Smith	Alba Properties Limited (SC324906) Glassgreen Hire Limited (SC524827) Homes for Scotland Limited (SC213820) Moray Land Farming Partnership	Springfield Affordable Limited (SC360537) Springfield Homes North Limited (SC360577) Bertha Park Limited (SC437498) Elgin Business Park Limited (SC443166) Kaiteri Limited (SC437151)* Spree Property Investments Limited (SC301471) Springfield Civil Engineering Limited (SC360538) Springfield Construction Limited (SC360536) Springfield Property Fund plc (Isle of Man registered company)
Michelle Hunter Motion	None	None
Roger James Eddie	Cromarty Firth Port Authority Cruise Highlands Limited (SC250829)	None
Matthew James Benson	Benson Wemyss Renewables LLP (SO304105) Douglas-Hamilton Investments Limited (SC343289) Douglas-Hamilton (D Share) Limited (SC106760) Ectopharma Limited (SC151763) Edinburgh Art Festival (SC314596) Edinburgh Festival Rentals Limited (SC471233) Maia Green LLP (OC317327) Project Scotland (SC267476) RB Copernicus Limited (SC430085) Rettie Partnerships LLP (SO302523) Rettie Private Equity LLP (SO301625) Rettie & Company Limited (SC144330) Ryboquin Company Limited (SC446246) The firm of Benson Wemyss Farms The Glack Farm Partnership	Stobhall MF Limited (SC376827)

\* Kaiteri Limited is currently in members' voluntary liquidation as of 31 May 2017

- 8.2 Sandy Adam and Innes Smith were directors of Spree Property Investments Limited. Spree Property Investments Limited was placed into a members' voluntary liquidation on 13 February 2012. The company was dissolved on 26 April 2016. Neither Mr Adam nor Mr Smith were the subject of public criticism by the liquidators in connection with the liquidation.
- 8.3 Sandy Adam was a director of Springfield Utility Services Limited until 23 February 2006. Springfield Utility Services was placed into liquidation on 31 March 2006. The Company was finally dissolved on 16 September 2009. Mr Adam was not subject to public criticism by the liquidators in connection with the liquidation.
- 8.4 Save as set out above and save as otherwise disclosed in this document:
- (a) No director has had any previous names.

- (b) No director has any unspent convictions relating to indictable offences (including fraudulent offences), has been bankrupt or has made or been the subject of any individual voluntary arrangement or has had a receiver appointed to any asset of such director.
- (c) None of the Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors and none of the Directors has been a partner of any partnership at the time of or within twelve months preceding the date of any partnership voluntary arrangement, compulsory liquidation or administration of such partnership or owned, or has been a partner of a partnership which owned, any asset which while he owned that asset or while he was a partner or within twelve months after ceasing to be a partner in the partnership which owned that asset entered into receivership and none of the Directors has had any of his assets subject to any receivership.
- (d) None of the Directors have been publicly criticised or received any sanction by any statutory or regulatory authority (including recognised professional bodies) or been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

## **9. Directors' Service Agreements and Letters of Appointment**

- 9.1 Summary details of the service agreements and letters of appointment entered into between the Company and the Directors are set out below:

### ***Alexander William Adam***

Mr Adam has entered into a service agreement with the Company as its executive chairman dated 10 October 2017. His period of employment commenced on 1 January 2010 and is continuing, subject to 6 months' notice by either party. The agreement provides for an annual salary of £75,000 (which is to be reviewed each year) and 27 days paid holiday (excluding public holidays).

### ***Innes Smith***

Mr Smith has entered into a service agreement with the Company as its chief executive officer dated 10 October 2017. His period of employment commenced on 4 May 2005 and is continuing, subject to 6 months' notice by either party. The agreement provides for an annual salary of £167,000 (which is to be reviewed each year) and 27 days paid holiday (excluding public holidays).

### ***Michelle Hunter Motion***

Mrs Motion has entered into a service agreement with the Company as its finance director dated 10 October 2017. Her period of employment commenced on 19 November 2013 and is continuing, subject to 6 months' notice by either party. The agreement provides for an annual salary of £120,000 (which is to be reviewed each year) and 27 days paid holiday (excluding public holidays).

### ***Roger James Eddie***

The services of Mr Eddie as non-executive director of the Company are provided under the terms of a letter of appointment dated 10 October 2017. The appointment is for a period of three years, subject to termination upon one month's notice by either party. The letter of appointment provides for a fee of £30,000 per annum.

### ***Matthew James Benson***

The services of Mr Benson as non-executive director of the Company are provided under the terms of a letter of appointment dated 10 October 2017. The appointment is for a period of three years, subject to termination upon one month's notice by either party. The letter of appointment provides for a fee of £30,000 per annum following Admission.

- 9.2 Save as set out above, there are no contracts between any of the Directors and the Company or any of its subsidiaries providing for benefits upon termination of employment of any Director.

## 10. Employees

10.1 The Group expects to have 502 employees (including executive directors but excluding non-executive directors on Admission). The following table shows how many employees were working for each Group company as at 31 May 2017, and how many employees the Company expects to be working for each Group company as at Admission:

<i>Name of Company</i>	<i>Jurisdiction</i>	<i>Number of employees at 31 May 2017</i>	<i>Number of employees at Admission</i>
Springfield Properties plc	Scotland	491	496
Springfield Civil Engineering Limited	Scotland	NIL	NIL
Springfield Construction Limited	Scotland	NIL	NIL
Glassgreen Hire Limited	Scotland	5	6
Barmuckity Business Park Limited	Scotland	NIL	NIL

10.2 An average of 491 persons (including part-time workers) were employed by the Group during the financial year ended 31 May 2017, an average of 449 persons (including part-time workers) were employed by the Group during the financial year ended 31 May 2016 and an average of 420 persons (including part-time workers) were employed by the Group during the financial year ended 31 May 2015.

10.3 The senior management team consists of Tom Leggeat, Director with responsibility for Affordable Housing, Ewan MacLeod, Commercial Director and Robert MacLeod, Civil Engineering Director. Biographies of the members of the senior management team who are not Directors are set out in paragraph 11 of Part I of this document.

## 11. Material Contracts

The contracts (not being contracts entered into in the ordinary course of business) as set out in this paragraph 11 have been entered into by members of the Group (i) within the two years immediately preceding the date of this document which are or may be material to the Group or (ii) at any time and contain obligations or entitlements which are, or may be, material to the Group, as at the date of this document.

### 11.1 *Placing agreement*

A placing agreement dated 10 October 2017 was entered into among N+1 Singer, the Company and the Directors pursuant to which N+1 Singer, as the Company's nominated adviser, has been appointed to use its reasonable endeavours to procure the placing of the Placing Shares. N+1 Singer's obligations are conditional upon Admission taking place on or before 8.00 a.m. on 16 October 2017 or such later date as the Company and N+1 Singer may agree, but in no event being later than 31 October 2017. Subject to the terms and conditions of the Placing Agreement, the Company will pay to N+1 Singer, a corporate finance fee, a commission on the gross aggregate proceeds from the issue of Placing Shares to new Shareholders procured by N+1 Singer plus a discretionary commission. All fees and commissions will additionally be subject to VAT. The Placing Agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to Placing, including printing and distribution charges, registrars' fees and the fees payable to London Stock Exchange.

Under the terms of the placing agreement the Company and the Directors have given certain customary warranties and indemnities to N+1 Singer in connection with Admission and other matters relating to the Company and its affairs. N+1 Singer may terminate the placing agreement in certain specified circumstances prior to Admission, principally if any of the warranties has ceased to be true and accurate or shall have become misleading.

### 11.2 *Lock-in agreements*

The Company has entered into a lock-in agreement with each of Alexander Adam, Innes Smith, Michelle Motion, James Adam and Anne Adam and The Adam Settlement Trust and N+1 Singer pursuant to which each shareholder has agreed not to dispose of any of his or her interests in Ordinary Shares prior to the first anniversary of Admission and thereafter, in the case of Innes Smith

and Michelle Motion for the following 12 months, and, in the case of Sandy Adam, Anne Adam, James Adam and The Adam Settlement Trust, for the following 6 months, only to deal in their Ordinary Shares through N+1 Singer with a view to maintaining an orderly market. The lock-in agreements contain customary exceptions to the restrictions on disposal of Ordinary Shares, including, *inter alia*, a transfer pursuant to the acceptance of a takeover and a transfer to a family member.

### 11.3 ***Nominated adviser and broker engagement letter***

The Company has entered into an engagement letter dated 21 April 2017 with N+1 Singer pursuant to which the Company has appointed N+1 Singer to act as its nominated adviser and broker commencing on Admission. The engagement is for a term of 12 months from the engagement letter. The engagement letter is terminable on 3 months notice by either party following the first anniversary of the engagement.

### 11.4 ***Relationship Agreement***

On 10 October 2017 the Company, Sandy Adam and N+1 Singer entered into a relationship agreement conditional upon Admission pursuant to which Sandy Adam has agreed, amongst other things, that:

- (a) the Group is managed for the benefit of shareholders as a whole and is capable all times of carrying on its business independent of Sandy Adam;
- (b) all transactions, agreements and arrangements between any member of the Group and Sandy Adam are on an arm's length basis and on normal commercial terms;
- (c) at least two directors who are considered to be independent shall at all times be appointed to the Board, unless there are exceptional circumstances and N+1 Singer consent to less than two;
- (d) the remuneration committee, nomination committee and audit committee established by the Board from time to time and any other board committee shall, where practicable, be comprised of a majority of independent directors and shall be chaired by an independent director;
- (e) any dispute between Sandy Adam and the Company is dealt with by a committee comprising only independent directors; and
- (f) Sandy Adam will not acquire, offer to acquire or otherwise become interested in any shares in the Company where to do so would give rise to an obligation to make a general offer for the Company under rule 9 of the Takeover Code.

The agreement is effective for so long as Sandy Adam and his connected person holds in aggregate shares in the capital of the Company representing 30 per cent. or more of the Company's entire issued ordinary share capital.

### 11.5 ***Acquisition of shares in Glassgreen Hire Limited***

The Company acquired an 80 per cent. shareholding in Glassgreen Hire Limited on its incorporation on 21 January 2016. On 31 March 2017, the Company acquired a further 16 per cent. shareholding in Glassgreen Hire Limited from Innes Smith (by the acquisition of 4 ordinary shares), Michelle Motion (by the acquisition of 3 ordinary shares), Robert McLeod (by the acquisition of 3 ordinary shares), Tom Leggeat (by the acquisition of 3 ordinary shares) and Ewan MacLeod (by the acquisition of 3 ordinary shares) for an aggregate consideration of £42,141. There was no written contract for the acquisition of such shares.

### 11.6 ***Revolving credit facility agreement***

On 22 August 2013, the Company entered into a revolving credit facility agreement as amended pursuant to an amendment and restatement agreement dated 27 and 30 June 2014 and as further amended pursuant to an amendment letter dated 29 July 2015 and as further amended and restated pursuant to an amendment and restatement agreement dated 31 August 2016 and as further amended pursuant to an amendment agreement dated 15 September 2017 with Bank of Scotland plc ("**BoS**") in respect of a revolving credit facility of £37,500,000. Pursuant to the agreement the Company can draw down individual loans for working capital purposes. Interest is payable on

amounts drawn at the rate of 2.5 per cent. above the London interbank offered rate. In addition a non-utilisation fee is payable quarterly in arrears of 1 per cent. per annum (being 40 per cent. of the margin which is currently 2.25 per cent.) of the average undrawn amount of the facility during the relevant quarter. The facility is due for final repayment on 31 August 2020. All amounts become immediately repayable and undrawn amounts cease to be available for drawdown in the event of (i) the Ordinary Shares are de-listed from AIM or trading in the Ordinary Shares is suspended for reasons of financial uncertainty, (ii) a person or together with associated person or persons acquires control of more than 25 per cent. of the Company and (iii) Alexander William Adam ceases to hold legally and beneficially less than 25 per cent. of the issued share capital and voting rights of the Company. BoS' consent has been obtained in respect of Admission. The agreement contains representations and warranties which are usual for an agreement of this nature together with certain financial covenants being to the ratio (expressed as a percentage) of amounts outstanding under the agreement to the market value of the properties (required level of 50 per cent.) and the ratio of EBITDA to total interest payable by the Company (required level of 300 per cent.). An arrangement fee of £250,000 was payable pursuant to the agreement. The facility is secured by a floating charge and various fixed charges over the Company's properties, a floating charge by Glassgreen Hire Limited, a cross-guarantee between the Company and Glassgreen Hire Limited and BoS. The Company is obliged to grant standard securities over properties which it acquires with a value greater than £500,000.

### 11.7 **Working capital facility agreement**

On 29 July 2015 the Company entered into a working capital facility letter with BoS as amended pursuant to an amendment letter dated 31 August 2016 and a further amendment letter dated 31 August 2017 in respect of (i) £2,500,000 overdraft facility, (ii) £50,000 corporate card facility, (iii) £2,500,000 guarantee and bond facility and (iv) £2,000,000 BACS facility. The facilities (except the BACS facility) are for general working capital purposes. The BACS facility is for fund transfers utilising the Bankers Automatic Clearing System. The facilities are repayable on demand. Interest accrues on amounts outstanding under the overdraft facility at 2.25 per cent. above the base rate of the Bank of England from time to time. A charge of 1.25 per cent. per annum of BoS outstanding liabilities under any guarantees or bonds issued under the facility agreement is payable by the Company. The interest rate which applies to any debit balance in excess of the applicable limit of these facilities is 5 per cent. over the Bank of England base rate. The facility is reviewed on the anniversary of the agreement and the next review date is 31 August 2018. An arrangement fee of £25,000 was payable by the Company on entry into the further amendment letter. No separate security is granted by the Group in respect of the working capital facilities but any security entered into pursuant to the revolving credit agreement will secure amounts outstanding under the working capital facility agreement.

## 12. **Related Party Transactions**

The Company has entered in to a number of transactions with related parties in the financial year ended 31 May 2015, the financial year ended 31 May 2016 and the financial year ended 31 May 2017, the details of which are set out below.

- 12.1 **Office rental, Larbert.** The Company leases an office at 3 Central Park, Larbert pursuant to a 15 year lease which commenced on 7 July 2011 at an annual rent of £100,000 per annum from Springfield FURBS (a pension scheme of which some of the Directors are beneficiaries). The annual rent is subject to review on the date of expiry of the first five year period of the term and thereafter on each fifth anniversary of such date of expiry. The reviewed annual rent shall be the greater of (1) the annual rent payable immediately prior to the relevant review date and (2) the full open market value rent of the property at the relevant review date on the basis of the assumptions and disregards contained in the lease. It would appear from the wording of the rent review clause that the landlord would be entitled to argue that rent is to be reviewed on a headline rather than net basis. The rent review due on 7 July 2016 has not been implemented. The Company has the option to exercise a break option on the tenth anniversary of the date of entry.
- 12.2 **Rent of show home at Buckie.** The Showhouse, Letterfourie, Buckie was leased pursuant to a 3 year lease which commenced on 14 May 2013 at a monthly rent of £950 to the Company from Springfield FURBS (a pension scheme of which some of the Directors are beneficiaries). The lease has been terminated.

- 12.3 **Rent of show home at Rattray.** The Showhouse, Rattray was leased pursuant to a 3 year lease which commenced of 20 December 2012 at a monthly rent of £1,480 to the Company from Springfield FURBS (a pension scheme of which some of the Directors are beneficiaries). The lease has been terminated.
- 12.4 **Rent of show home at Forres.** The Showhouse, Knockomie Meadows, Forres was leased pursuant to a 3 year lease which commenced on 12 August 2013 at a monthly rent of £1,708.33 to the Company from Springfield FURBS (a pension scheme of which some of the Directors are beneficiaries). The lease has been terminated.
- 12.5 **Purchase of three flats at Duncansfield, Elgin.** The Company purchased three flats from Springfield FURBS (a pension scheme of which some of the Directors are beneficiaries) on the following terms:
- 12.5.1 Plot 311 (to be known as 42 Glamis Place, Elgin, IV30 8UJ) for a price of £79,000 with entry as at 15 October 2015;
- 12.5.2 Plot 313 (to be known as 46 Glamis Place, Elgin, IV30 8UJ) for a price of £79,000 with entry as at 16 October 2015; and
- 12.5.3 Plot 314 (to be known as 48 Glamis Place, Elgin, IV30 8UJ) for a price of £79,000 with entry as at 23 October 2015.
- 12.6 **Purchase of land at Knockomie Meadows.** The Company has confirmed that it purchased land at Knockomie Meadows, Forres from Springfield FURBS (a pension scheme of which some of the Directors are beneficiaries) in 2010 for a price of £2,166,656. The price is paid to Springfield FURBS on a per-plot basis as each plot is sold. There are no outstanding payments due to Springfield FURBS under this contract. The contract pursuant to which the land was purchased cannot be located.
- 12.7 **Construction of dentist surgery for Springfield FURBS.** The Company and Springfield FURBS (a pension scheme of which some of the Directors are beneficiaries) entered into an agreement pursuant to which the Company agreed to construct a dentist surgery at Knockomie Braes, Forres for payment of £500,000 plus VAT. Construction began in October 2014 and completed in May 2015. Springfield FURBS has paid the contract price to the Company in full. There is no building contract which documents the terms of the construction.
- 12.8 **Purchase of flat at Duncansfield, Elgin.** The Company purchased a flat (Plot 312 (to be known as 44 Glamis Place, Elgin, IV30 8UJ)) from Springfield FURBS (a pension scheme of which some of the Directors are beneficiaries) for a price of £79,000 with entry as at 13 August 2015.
- 12.9 **Company trade mark licence.** The main trade mark used by the Company was formerly owned by Sandy Adam. The trade mark was licenced to the Company pursuant to the terms of a trade mark licence agreement dated 1 November 2006. The licence was non-exclusive and required an annual payment of 0.15 per cent. of the Company's turnover. In the financial year ended 31 May 2015 Sandy Adam received the sum of £119,679.87 as payment of the annual licence fee, in the financial year ended 31 May 2016 Sandy Adam received the sum of £129,444.60 as payment of the annual licence fee and in the financial year ended 31 May 2017 Sandy Adam received the sum of £154,867.19 as payment of the annual licence fee. While the trade mark licence agreement expired in 2011, its terms have continued to govern the arrangement. On 9 October 2017 the licence was formally terminated, Sandy Adam waived any claims against the Company in respect thereof and the trade mark was transferred to the Company in consideration for a payment of £600,000.
- 12.10 **Exchange of various properties in Elgin.** On 30 June 2016, for a price of £410,000, the Company sold (i) 7 Douglas Crescent, Edinburgh; and (ii) subjects lying to the south of Forsyth Street, Hopeman, Elgin to Sandy Adam and Anne Ferguson Adam (wife of Sandy Adam). In return, for no consideration, Sandy Adam and Anne Ferguson Adam transferred an area of ground at Level Farm, Birnie, Elgin (also known as The Level Kit Factory, Elgin) to the Company.
- 12.11 **£2,000,000 loan facility from Sandy Adam to the Company.** Pursuant to a loan agreement dated 22 May 2017 between the Company and Sandy Adam, Sandy Adam provided the Company with a £2,000,000 loan facility. The outstanding balance under the loan agreement was repaid on

29 August 2017. Interest on the loan was payable at a rate of 4.5 per cent. above the base rate and the loan was unsecured. This loan agreement refinanced an historic loan from Sandy Adam to the Company which was advanced pursuant to a loan agreement dated on or around 10 July 2012.

- 12.12 **Miscellaneous work on plot at Windyridge, near Craigellachie.** In 2016 and 2017 the Company carried out work, comprising works to upgrade the access road and provide connections for sewage, drainage and electricity, on a plot of land at Windyridge, near Craigellachie, which was formerly owned by Sandy Adam. No written contract was entered into in respect of the works. The works were charged on a costs plus 5 per cent. basis and the total amount paid by Sandy Adam to the Company in respect of the works was £13,511 plus VAT.
- 12.13 **Miscellaneous work on plot at Roseisle, near Elgin.** In 2017, the Company carried out miscellaneous works, comprising minor works to the property and garden, on a plot of land at Roseisle, near Elgin, owned by Sandy Adam. No written contract was entered into in respect of the works. The works were charged on a costs plus 5 per cent. basis and the total amount paid by Sandy Adam to the Company in respect of the works was £76,608.88.
- 12.14 **Offer to enter into option agreement to purchase land from City of Edinburgh Council in relation to The Wisp, Edinburgh.** The Company has entered into a conditional contract with Moray Land Farming Partnership, being a Scottish partnership owned by Innes Smith and The Adam Settlement Trust, dated 2 October 2017 and 5 October 2017 to enter into an option agreement for areas of land lying to the south of The Wisp, Edinburgh. The contract to enter into the option agreement is suspensively conditional upon (i) Moray Land Farming Partnership giving notice to the Company not later than 5pm on 1 September 2018 that Moray Land Farming Partnership has entered into a contract with the City of Edinburgh Council to purchase the subjects (which suspensive condition cannot be waived by either party); and (ii) the Company giving notice to Moray Land Farming Partnership on 1 October 2018 that the Company has received a satisfactory title report from its solicitor confirming Moray Land Farming Partnership's title to the subjects (which suspensive condition may be waived by the Company). Following the entering in to the option agreement, the option is exercisable within the option period (the date of entering into the contract until the 20th anniversary of the date of the grant of planning permission in principle (on terms satisfactory to the Company acting reasonably) in relation to the subjects). If planning permission in principle on the subjects for the development of residential homes on terms acceptable to the Company, acting reasonably, has not been obtained within 2 years of the option agreement being entered into (unless a planning application is under appeal, in which case the 2 year period will be extended to 3 years), or, the parties have not agreed or determined the retained land within 3 years of the option agreement being entered into, either party may terminate the option agreement. The price the Company must pay for an option area is 85 per cent. of the market value of the area less, in the case of the first exercise of the option only, all reasonable and properly vouched costs and fees incurred by the Company in the promotion of the subjects and obtaining satisfactory planning permission and the necessary consents. The price is payable 10 working days after the later of (i) service of the option notice, (ii) agreement or determination of the price and (iii) the date Moray Land Farming Partnership acquires a real right in the subjects. In the event that the Company or its successors obtain planning permission for any part of the subjects that when purchased by the Company was not determined as developable land for the purpose of ascertaining the price, the Company must pay to Moray Land Farming Partnership an overage payment representing the difference in the market value paid for the land by the Company and the market value of the now developable land. The Company will grant a security in favour of Moray Land Farming Partnership over any part of the subjects comprising non-developable land which is sold to the Company to secure the overage payment obligation. The overage payment is due upon the earlier of (i) the relevant planning permission being implemented and (ii) the land benefitting from such permission being disposed of with the benefit of that permission, in exchange for the seller's security being released over the relevant part of the subjects. The obligation to pay overage will subsist until a period of 5 years after the relevant part of the subjects was acquired by the Company or, if earlier, expiry of the option period.
- 12.15 **Sale of land at Netherton Farm, Falkirk.** The Company entered into a contract with Moray Land Farming Partnership dated 22 May 2017 and 31 May 2017 to purchase part of the area of ground on Netherton Farm, Maddiston, Falkirk. Pursuant to the terms of the purchase contract, the Company paid a purchase price of £240,000 to Moray Land Farming Partnership.

- 12.16 **Construction of office block at Linkwood, Elgin.** The Company entered into an agreement with the firm of AW & JG Adam, the partners of which are Sandy Adam and James Adam (Sandy's brother) for the construction of an office block at Linkwood, Elgin. Construction took place between 31 October 2014 and 30 April 2017. The contract price of £1,205,000 was agreed on a costs plus 10 per cent. basis. The firm of AW & JG Adam has paid all sums due to the Company under the contract. There is no building contract which documents the terms of the construction.
- 12.17 **Office rental, Elgin.** The Company leases an office at Alexander Fleming House, Southfield, Thornhill Road, Elgin pursuant to a 20 year lease which commenced on 13 September 2009 at an annual rent of £161,668 per annum from the firm of AW & JG Adam, the partners of which are Sandy Adam and James Adam (Sandy's brother). The annual rent is subject to review on the date of expiry of the first five year period of the term and thereafter each fifth anniversary of such date of expiry. The annual rent shall be reviewed to an amount applied and in line with the retail price index applicable for the period subject to a maximum increase of 10 per cent. per annum. The rent review on 8 July 2015 has not been implemented. The lease does not contain a break clause.
- 12.18 **Construction of flats at Powderhall, Edinburgh.** The Company entered into a building contract, as the contractor, with AW & JG Adam Limited (registered number SC367174 and being a company which is owned by Sandy Adam, James Adam, Innes Smith and Robert MacLeod (a shareholder of the Company)), as the employer. The contract form is an unamended standard form (SBCC Standard Form of Design and Build Contract 2011 Edition), is in standard terms and is a conventional form of contract for works of this nature and appropriate for an arms length transaction. The works are described as the design and construction of 52 flats in blocks A, D & E including all associated external works and services at Beaverhall Road, Edinburgh. The works commenced on 4 January 2016 and the contract completion date under the contract is 22 September 2017. There are liquidated damages payable for delay and a standard one year defects period in which the contractor is obliged to repair defects. The contract sum is £5,301,061.52. The contract is a fixed price lump sum contract and the contract sum will only be adjusted in accordance with stated grounds set out in the building contract.
- 12.19 **Intracompany loan to AW & JG Adam Limited.** During the financial year ended 31 May 2016, the Company advanced a £100,000 interest-free loan to AW & JG Adam Limited. There is no loan agreement documenting the terms of the loan. The loan was advanced to cover construction costs prior to the availability of a banking facility for construction of flats at Powderhall, Edinburgh. AW & JG Adam Limited repaid the loan in full prior to 31 May 2016.
- 12.20 **Construction of flats at Silver Birch Park, Motherwell.** The Company entered into an agreement with AW & JG Adam Limited for the construction of 11 flats at Silver Birch Park, Motherwell. Construction commenced in November 2016 and completed in June 2017. The contract price of £1,380,414 was agreed on a costs plus 10 per cent. basis. All sums due to be paid by AW & JG Adam Limited to the Company in respect of the contract have been received from AW & JG Adam Limited. There is no building contract which documents the terms of the construction.
- 12.21 **Development agreement in relation to the construction of homes at Meadowlea, Nairn.** The Company entered into a development agreement with Kaiteri Limited (a company of which Sandy Adam is a director) in relation to Meadowlea, Nairn in April 2013. Pursuant to the terms of the development agreement, the Company undertook to construct houses on the development site in return for completion payments calculated as follows: (i) in relation to affordable housing units, the Company received the proceeds of the net unit sale price less £10,000; and (ii) in relation to private housing units, the Company received the proceeds of the net unit sale price less £40,000. Construction work on the development site commenced on 26 April 2013. All sums due to be paid by Kaiteri Limited to the Company in respect of the contract to date have been paid and the completion deliverables in respect of the completed plots have been received from Kaiteri Limited. The Company acquired Kaiteri Limited's interest in the land to which the development agreement relates on 30 April 2017.
- 12.22 **Purchase of plots at Meadowlea, Nairn.** The Company acquired title to the subjects known as Balmakeith, Nairn (under exception of plots 3 and 72) from Kaiteri Limited (a company of which Sandy Adam is a director) on 28 April 2017. Notwithstanding that the disposition narrates that the

Company acquired the subjects pursuant to an agreement entered into between the Company and Kaiteri Limited, the Company has confirmed that a price of £3,376,000 was paid for the land.

- 12.23 **Director's loan from James Adam to the Company.** The Company has entered into two loan agreements with James Adam, being (i) a loan agreement dated 3 March 2016 pursuant to which James Adam advanced the sum of £400,000 to the Company and which loan is repayable on 3 March 2021 and (ii) a loan agreement dated 26 June 2017 pursuant to which James Adam advanced the sum of £3,000,000 and which loan is repayable on 1 July 2022. Interest on the loans was payable at a rate of 4.5 per cent. above base rate and 6 per cent. respectively and neither loan was secured. The total outstanding balance due by the Company to James Adam under the loan agreements was repaid on 29 August 2017. This loan agreement refinanced an historic loan from James Adam to the Company which was advanced pursuant to a loan agreement dated 1 July 2012. James Adam was formerly a director of the Company.
- 12.24 **Option agreement in relation to Elgin South.** The Company has entered into an option agreement with James Adam dated 23 August 2017 pursuant to which the Company has the option to purchase areas of land at Glassgreen, Elgin. The option is exercisable within the option period (from the date of signing of the contract until the 20th anniversary of the date on which planning permission in principle (on terms satisfactory to the Company) is received) provided planning consent has been granted for the area over which the option is to be exercised. The price the Company must pay for an option area is the aggregate of (i) 95 per cent. of the market value on the date the option notice is served and (ii) the open market agricultural value of each acre or part acre within the option area which is not developable land, but subject to the Company paying a minimum price of £17,500 per plot (multiplied by the multiplier being the index figure for the month preceding the date of entry in respect of that option area, divided by the index figure for the month preceding the date of signing of the option agreement). In the event that (i) the Company obtains an amendment to or variation of the planning permission which permits a greater number of plots on the option area than originally anticipated or (ii) the Company or its nominees or any successor in title obtains planning permission for any part of the option area which was not treated as developable land for the purposes of determining the price payable, then the Company must make an overage payment to James Adam. The masterplan has been approved and planning permission in principle has been approved subject to the Company and others entering into a Section 75 agreement with Moray Council. It is anticipated that the Company will undertake developer obligations of £5,655,000 pursuant to the Section 75 agreement.
- 12.25 **Rental of 19 Springfield Drive, Elgin.** During the financial year ended 31 May 2015, the Company rented a property at 19 Springfield Drive, Elgin from James Adam for a fee of £5,100. There is no lease or other rental agreement which documents the terms of the arrangement which has now ended.
- 12.26 **Purchase of Driving Range, Elgin.** On 31 March 2017, the Company purchased an area of ground lying to the east of Elgin Golf Club, Elgin from James Adam. Pursuant to the sale contract, the Company has agreed to pay James Adam a sum of £1,661,000 payable in two instalments as follows: (i) the first instalment of £200,000 to be paid in January 2018, on a date to be agreed between the parties and, if no agreement has been reached, on 26 January 2018; and (ii) the second instalment is to be by way of a *pro rata* payment of £1,461,000 divided by the number of residential homes granted planning permission following an application by the Company or a related party. Each *pro rata* payment will be made on the entry date for the sale of each home by the Company. The Company and James Adam have jointly undertaken to use all reasonable endeavours to agree, sign and register a development management scheme to record all access, development and service rights required for the development of the subjects for residential homes by 30 March 2018.
- 12.27 **Purchase of plot 13, Elgin.** On 22 March 2016, the Company transferred plot 13 of its development at Glassgreen Apartments, Thornhill Road, Elgin to Duncan William Adam (now deceased, father of Sandy Adam). The price paid for the property was £115,852.
- 12.28 **Director's loan from Anne Adam to the Company.** On 22 May 2017, the Company entered into a loan agreement with Anne Adam (wife of Sandy Adam) pursuant to which Anne Adam advanced the sum of £1,000,000 to the Company. The loan was repayable on 31 May 2022, but was prepaid in full by the Company on 7 August 2017. Interest on the loan was payable at a rate of 4.5 per cent.

above base rate and the loan was unsecured. The loan agreement refinanced an historic loan from Anne Adam to the Company which was advanced pursuant to a loan agreement dated 1 June 2012. Anne Adam was formerly a director of the Company.

12.29 **Loan from Margaret Rae to the Company.** On 1 July 2012 the Company entered into a loan agreement with Margaret Rae (Sandy Adam's sister) pursuant to which Margaret Rae advanced the sum of £1,000,000 to the Company. Interest on the loan was payable at a rate of 4.5 per cent. above base rate and the loan was unsecured. The loan was repaid in full on 26 October 2015.

12.30 **Cleaning and maintenance services by Screenautumn Limited.** Screenautumn Limited (a company in respect of which Anne Adam (Sandy's wife) is a director and the sole shareholder) provides cleaning and maintenance services for the Group's offices, site offices within active developments and rental properties. There is no written contract which document the terms of provision of such services. The amounts paid by the Company to Screenautumn Limited in the last three financial years were:

12.30.1 financial year ended 31 May 2015: £66,908;

12.30.2 financial year ended 31 May 2016: £60,863; and

12.30.3 financial year ended 31 May 2017: £57,674.

12.31 **Landscaping services by Screenautumn Limited.** In 2015, Screenautumn Limited provided landscaping services to the Company at Duncansfield, Duncanshill and Buckie alongside other North sites. No written contract was entered into which documents the terms of provision of these services. The total amount paid by the Company to Screenautumn Limited for the services was £108,111.

12.32 **Foundation Agreement in relation to Bertha Park.** In November 2016 the Company entered into a foundation agreement (as contractor) in relation to Bertha Park with Bertha Park Limited (a joint venture company of which Innes Smith and Sandy Adam are part-owners) (the developer) and Alistair Kilgour Ritchie and Margaret Warnock Clark Ritchie (the landowner) relating to the construction of a countryside community with 3,000 homes and supporting infrastructure, facilities and amenities. Pursuant to the terms of the foundation agreement, the Company undertook to: (i) enter into a construction contract with Bertha Park Limited; and (ii) provide funding of up to £5,000,000 to Bertha Park Limited (of which the material terms are agreed (including no interest charged on the loan)) if required to help fund the development or to help support a reasonable funding option. At the date of this document the Company has provided a loan to Bertha Park Limited in the amount of £950,000.00.

Under a related cost-sharing agreement, entered into on 31 October 2012 between the Company, Alistair Ritchie, Andrew Ritchie, James Ritchie and Bertha Park Farm in relation to the achievement of planning permission for Bertha Park, the Company has made the following payments:-

(a) £324,000 for year ending 31 May 2015;

(b) £49,667 for year ending 31 May 2016; and

(c) £23,199 for year ending 31 May 2017.

The Company entered into a building contract in respect of the site on 9 October 2017. The Company has confirmed to us that £541,736 was invoiced on 31 May 2017 in relation to the building contract.

12.33 **Construction of home at plot 1, Meadowlea, Nairn.** The Company and Innes Smith entered into an agreement pursuant to which the Company undertook to construct a residential property at plot 1, Meadowlea, Nairn for Innes Smith between April 2015 and December 2015. The contract price of £385,000 was agreed on a costs plus 10 per cent. basis and has been paid in full. There is no building contract which documents the terms of construction.

12.34 **Construction of home at plot 2, Roseisle, near Elgin.** The Company and Gordon Adam (son of Sandy Adam) entered into an agreement pursuant to which the Company undertook to construct a residential property at plot 2, Roseisle, near Elgin for Gordon Adam between 2013 and 2014. The

contract price of £237,531 was agreed on a costs plus 10 per cent. basis. The contract price has been paid in full, the final payment having been made on 29 May 2015.

- 12.35 **Purchase of plot 19, Knockomie, Forres.** On 13 April 2017, the Company sold plot 19 of its development known as 'Knockomie Apartments, Forres' to Donald Rae Properties Limited (a company wholly-owned by Donald Rae, nephew of Sandy Adam). The price paid to the Company for the plot was £106,950.
- 12.36 **Purchase of plot 2, Knockomie, Forres.** On 16 December 2016, the Company sold plot 2 of its development known as 'Knockomie Apartments, Forres' to Donald Rae Properties Limited. The price paid to the Company for the plot was £98,200.
- 12.37 **Property lettings services.** The Company provides basic maintenance services to Sandy Adam and Anne Adam trading as Springfield Lettings or to Springfield FURBS on an ongoing basis for lettings properties owned and managed by the Adam family. No written contract has been entered into in respect of these services. The services are charged on an hourly rate basis. The annual fees charged to the Adam family in each of the last three financial years ended 31 May 2017, 31 May 2016 and 31 May 2015 are less than £5,000. This arrangement will not continue after Admission.
- 12.38 **Hire of plant equipment from Glassgreen Hire Limited.** Glassgreen Hire Limited (a subsidiary of the Company) is the principal supplier of hire plant and equipment to the Company. The Company hired various plant and equipment from Glassgreen Hire Limited between 1 June 2016 and 31 March 2017 at a combined aggregate value of £2,412,156.29. No written contracts are in place, however the Company follows a standard tender process before contracting with Glassgreen Hire Limited.
- 12.39 **Marketing agreement in respect of six residential plots owned by the Company.** Pursuant to a letter of engagement between the Company and Rettie & Company Limited dated 10 February 2017, Rettie & Company Limited provided sales and marketing services to the Company in respect of six residential development plots owned by the Company. Matthew Benson, a director of the Company, is also a director and shareholder of Rettie & Company Limited. For each successful sale, Rettie & Company Limited receives commission of 1.85 per cent. (plus VAT) of the total sale price.
- 12.40 **Construction work at Rose Avenue, Elgin.** In November 2014, the Company carried out construction work at Rose Avenue, Elgin for Sara Adam (James Adam's wife). There is no written contract in place which documents the terms of construction. The price paid by Sara Adam to the Company for the work was £26,945.30 and payment has been made in full.
- 12.41 **Conditional purchase Ballingray, Fife.** The Company entered into a conditional contract dated 31 July and 24 August 2017 with Moray Land Farming Partnership to purchase an area of ground at Ballingray, Fife. The purchase contract is suspensively conditional upon the Company giving notice to Moray Land Farming Partnership not later than: (i) 5pm on the longstop date (planning) being 23 August 2027 or such other date as the parties may agree (both acting reasonably) that the Company has obtained satisfactory planning permission (being planning permission in terms entirely acceptable to the Company, acting reasonably, following an application or applications for planning permission for development of the subjects or part of it (on appeal if necessary) for residential property); and (ii) 5pm on the longstop date being 23 August 2027 or such other date as the parties may agree (both acting reasonably) that the Company has obtained the necessary consents (being all planning agreements and all consents required from the local roads authority, the relevant water and drainage authorities and a Scottish Environment Protection Agency and including those which may be required from third parties for providing services to the subjects either during or after the development of the same all to the Company's sole satisfaction (acting reasonably)). The Company is entitled to waive the suspensive conditions in whole or in part. Pursuant to the contract the Company has undertaken to: (i) pay, on the date of entry (being 21 days after the first business day occurring 2 months after the condition date (being the date of purification or waiver of the last to be purified or waived of the suspensive conditions) or such other date as the Company and Moray Land Farming Partnership may agree in writing), the price of 85 per cent. of the market value of the subjects as at the condition date less all reasonably and properly vouched costs and fees incurred by the Company in promotion of the subjects and obtaining satisfactory planning permission and the necessary consents; and (ii) indemnify Moray Land Farming Partnership against all actions,

losses, damages, liabilities, charges, claims, costs and expenses arising in connection with the presence of hazardous substances in, on or under the subjects or migrating to or from the subjects. No planning applications have been made as yet in respect of the subjects.

12.42 **Conditional purchase of Bedlay Estate, Glasgow.** The Company entered into a conditional contract dated 31 July and 24 August 2017 with Moray Land Farming Partnership to purchase an area of ground at Bedlay Estate, Moodiesburn, Glasgow. The purchase contract is suspensively conditional upon the Company giving notice to Moray Land Farming Partnership not later than: (i) 5pm on the longstop date (planning) being 23 August 2027 or such other date as the parties may agree (both acting reasonably) that the Company has obtained satisfactory planning permission (being planning permission in terms entirely acceptable to the Company, acting reasonably, following an application or applications for planning permission for development of the subjects or part of it (on appeal if necessary) for residential property); and (ii) 5pm on the longstop date being 23 August 2027 or such other date as the parties may agree (both acting reasonably) that the Company has obtained the necessary consents (being all planning agreements and all consents required from the local roads authority, the relevant water and drainage authorities and a Scottish Environment Protection Agency and including those which may be required from third parties for providing services to the subjects either during or after the development of the same all to the Company's sole satisfaction (acting reasonably)). The Company is entitled to waive the suspensive conditions in whole or in part. Pursuant to the contract the Company has undertaken to: (i) pay, on the date of entry (being 21 days after the first business day occurring 2 months after the condition date (being the date of purification or waiver of the last to be purified or waived of the suspensive conditions) or such other date as the Company and Moray Land Farming Partnership may agree in writing), the price of 85 per cent. of the market value of the subjects as at the condition date less all reasonably and properly vouched costs and fees incurred by the Company in promotion of the subjects and obtaining satisfactory planning permission and the necessary consents; and (ii) indemnify Moray Land Farming Partnership against all actions, losses, damages, liabilities, charges, claims, costs and expenses arising in connection with the presence of hazardous substances in, on or under the subjects or migrating to or from the subjects. No planning applications have been made as yet in respect of the subjects.

12.43 **Conditional purchase of Craigton Farm, Bishopton.** The Company entered into a conditional contract dated 31 July and 24 August 2017 with Moray Land Farming Partnership to purchase an area of ground at Craigton Farm, Greenock Road, Bishopton. The purchase contract is suspensively conditional upon the Company giving notice to Moray Land Farming Partnership not later than: (i) 5pm on the longstop date (planning) being 23 August 2027 or such other date as the parties may agree (both acting reasonably) that the Company has obtained satisfactory planning permission (being planning permission in terms entirely acceptable to the Company, acting reasonably, following an application or applications for planning permission for development of the subjects or part of it (on appeal if necessary) for residential property); and (ii) 5pm on the longstop date being 23 August 2027 or such other date as the parties may agree (both acting reasonably) that the Company has obtained the necessary consents (being all planning agreements and all consents required from the local roads authority, the relevant water and drainage authorities and a Scottish Environment Protection Agency and including those which may be required from third parties for providing services to the subjects either during or after the development of the same all to the Company's sole satisfaction (acting reasonably)). The Company is entitled to waive the suspensive conditions in whole or in part. Pursuant to the contract the Company has undertaken to: (i) pay, on the date of entry (being 21 days after the first business day occurring 2 months after the condition date (being the date of purification or waiver of the last to be purified or waived of the suspensive conditions) or such other date as the Company and Moray Land Farming Partnership may agree in writing), the price of 85 per cent. of the market value of the subjects as at the condition date less all reasonably and properly vouched costs and fees incurred by the Company in promotion of the subjects and obtaining satisfactory planning permission and the necessary consents; and (ii) indemnify Moray Land Farming Partnership against all actions, losses, damages, liabilities, charges, claims, costs and expenses arising in connection with the presence of hazardous substances in, on or under the subjects or migrating to or from the subjects. No planning applications have been made as yet in respect of the subjects.

12.44 **Conditional purchase of Forsyth Street, Hopeman, Elgin.** The Company entered into a conditional contract dated 31 July and 28 August 2017 with Sandy Adam and Anne Adam to

purchase an area of ground lying to the south of Forsyth Street, Hopeman, Elgin. The purchase contract is suspensively conditional upon the Company giving notice to Sandy Adam and Anne Adam not later than: (i) 5pm on the longstop date (planning) being 27 August 2027 or such other date as the parties may agree (both acting reasonably) that the Company has obtained satisfactory planning permission (being planning permission in terms entirely acceptable to the Company, acting reasonably, following an application or applications for planning permission for development of the subjects or part of it (on appeal if necessary) for residential property); and (ii) 5pm on the longstop date being 27 August 2027 or such other date as the parties may agree (both acting reasonably) that the Company has obtained the necessary consents (being all planning agreements and all consents required from the local roads authority, the relevant water and drainage authorities and a Scottish Environment Protection Agency and including those which may be required from third parties for providing services to the subjects either during or after the development of the same all to the Company's sole satisfaction (acting reasonably)). The Company is entitled to waive the suspensive conditions in whole or in part. Pursuant to the contract the Company has undertaken to: (i) pay, on the date of entry (being 21 days after the first business day occurring 2 months after the date of purification or waiver of the last to be purified or waived of the suspensive conditions or such other date as the Company and Sandy Adam and Anne Adam may agree in writing), the price of 85 per cent. of the market value of the subjects less all reasonably and properly vouched costs and fees incurred by the Company in promotion of the subjects and obtaining satisfactory planning permission and the necessary consents; and (ii) indemnify Sandy Adam and Anne Adam against all actions, losses, damages, liabilities, charges, claims, costs and expenses arising in connection with the presence of hazardous substances in, on or under the subjects or migrating to or from the subjects. No planning applications have been made as yet in respect of the subjects.

12.45 **Conditional purchase of Flora's Land, Knockomie Meadows, Forres.** The Company entered into a conditional contract with dated 31 July and 24 August 2017 Moray Land Farming Partnership to purchase an area of ground lying to the south of Knockomie Meadows, Forres. The purchase contract is suspensively conditional upon the Company giving notice to Moray Land Farming Partnership not later than: (i) 5pm on the longstop date (planning) being 23 August 2027 or such other date as the parties may agree (both acting reasonably) that the Company has obtained satisfactory planning permission (being planning permission in terms entirely acceptable to the Company, acting reasonably, following an application or applications for planning permission for development of the subjects or part of it (on appeal if necessary) for residential property); and (ii) 5pm on the longstop date being 23 August 2027 or such other date as the parties may agree (both acting reasonably) that the Company has obtained the necessary consents (being all planning agreements and all consents required from the local roads authority, the relevant water and drainage authorities and a Scottish Environment Protection Agency and including those which may be required from third parties for providing services to the subjects either during or after the development of the same all to the Company's sole satisfaction (acting reasonably)). The Company is entitled to waive the suspensive conditions in whole or in part. Pursuant to the contract the Company has undertaken to: (i) pay, on the date of entry (being 21 days after the first business day occurring 5 business days after the date of purification or waiver of the last to be purified or waived of the suspensive conditions or such other date as the Company and Moray Land Farming Partnership may agree in writing), the price of 85 per cent. of the market value of the subjects less all reasonably and properly vouched costs and fees incurred by the Company in promotion of the subjects and obtaining satisfactory planning permission and the necessary consents; and (ii) indemnify Moray Land Farming Partnership against all actions, losses, damages, liabilities, charges, claims, costs and expenses arising in connection with the presence of hazardous substances in, on or under the subjects or migrating to or from the subjects. No planning applications have been made as yet in respect of the subjects.

12.46 **Exclusivity Agreement in relation to Durieshill, Stirling and Dykes of Green, Dundee.** On 30 August 2017 the Company entered into an exclusivity agreement with Elgin Business Park Limited in relation to: (i) the property forming the commercial land at Durieshill, near Plean, near Stirling; and (ii) the property known as 'the village centre' at the Company's residential development at the western gateway, Dykes of Gray, Dundee. Pursuant to the terms of the exclusivity agreement, the Company has agreed to sell the properties to Elgin Business Park Limited subject to agreement being reached on all terms of the sale contract. For a period of 18 months from 30 August 2017 the Company has undertaken not to solicit, initiate or engage in, directly or indirectly, any discussions or negotiations in relation to the terms of any dealing with the properties (including by way of sale,

lease, option, licence or otherwise) with any person other than Elgin Business Park Limited or their agents.

12.47 **Disposal of Elgin Business Park Limited.** On 22 May 2017 the Company transferred the entire share capital of its then subsidiary, Elgin Business Park Limited to Sandy Adam, James Adam (Sandy's brother) and A. Esson (the "**Purchasers**"). No share purchase agreements were entered into with regards to the disposal. Sandy Adam paid £40 for the purchase of 40 ordinary shares in Elgin Business Park Limited, James Adam paid £40 for the purchase of 40 ordinary shares in Elgin Business Park Limited and A Esson paid £20 for the purchase of 40 ordinary shares in Elgin Business Park Limited. The Company has confirmed that no warranties, indemnities or agreements to pay tax were given by the Company in connection with the disposal of for the purchase of 40 ordinary shares.

### 13. United Kingdom Taxation

13.1 The following paragraphs are intended as a general guide only and are based on current United Kingdom legislation and HMRC published practice as at the date of this document. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time, possibly with retrospective effect. Except where the position of non-United Kingdom resident Shareholders is expressly referred to, these comments deal only with the position of Shareholders who are resident and, in the case of individuals, domiciled in the United Kingdom for tax purposes, who are the beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. They do not deal with the position of certain classes of Shareholders such as officers or employees of the Company, dealers in securities, broker-dealers, insurance companies, collective investment schemes, financial institutions, tax exempt organisations and holders that hold (either directly or indirectly) 10 per cent. or more of the shares in the Company. The following paragraphs are not exhaustive and are intended as a general guide only.

13.2 Any person who is in any doubt as to his or her own tax position, or is subject to taxation in a jurisdiction other than the United Kingdom, is strongly recommended to consult their professional tax adviser. The position of non-UK resident and non-UK domiciled Shareholders are not considered in this section and such Shareholders should consult their own tax advisers.

#### 13.3 **Taxation of Chargeable Gains**

- (a) For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a Shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.
- (b) The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.
- (c) A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant Shareholder give rise to a liability to UK taxation on chargeable gains. Shareholders will normally be subject to UK taxation of chargeable gains, unless such holders are not UK tax resident.

#### *Individuals*

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£11,300 for 2017/18) and after taking account of any exemptions and reliefs available to the individual.

For individuals, the starting rate for capital gains tax is 10 per cent. This rate applies where the individual's income and gains are less than the upper limit of the income tax basic rate band after taking into account the individual's personal allowance. To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 20 per cent.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount (for 2017/18, £11,300 for personal representative of deceased persons and trustees for disabled persons and £5,650 for other trustees) will be charged at a flat rate of 20 per cent.

Where an individual Shareholder disposes of the Ordinary Shares at a loss, the loss may be available to offset against other current year chargeable gains or carried forward to offset against future chargeable gains.

#### *Companies*

Where a Shareholder is within the charge to UK corporation tax, a disposal of Ordinary Shares may give rise to corporation tax on a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company which is currently 19 per cent. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

### 13.4 **Taxation of Dividends**

No tax is required to be withheld from dividend payments made by the Company.

#### *Individuals*

An individual Shareholder receiving a dividend from the Company whose total income from dividends in the relevant financial year does not exceed £5,000 (the "Tax Free Dividend Allowance") will not pay any income tax on such dividend. It should be noted that the draft Finance Bill 2017 originally contained provisions to reduce the Tax Free Dividend Allowance to £2,000, effective 1 April 2018. However, this change in legislation was delayed until the second Finance Bill of 2017, following the General Election, which is expected to receive Royal Assent in October 2017.

Based on current law at the date of this Admission Document, an individual Shareholder receiving a dividend from the Company whose total income from dividends in the relevant tax year does exceed £5,000 will be taxed as follows:

- (a) the individual Shareholders will not pay income tax on the first £5,000 of dividend income in any tax year;
- (b) to the extent that the individual's Total Income (as defined below) exceeds the personal allowance but does not exceed the basic rate tax band for that tax year, the individual will be liable to income tax on the Excess Dividend (as defined below) at the rate of 7.5 per cent.;
- (c) to the extent that the individual's Total Income (as defined below) exceeds the basic rate band but does not exceed the higher rate tax band for that tax year, the individual will be liable to income tax on the Excess Dividend (as defined below) at the rate of 32.5 per cent.;
- (d) to the extent that the individual's Total Income (as defined below) falls within the additional rate band for that tax year, the individual will be liable to income tax on the Excess Dividend (as defined below) at the rate of 38.1 per cent.;
- (e) "**Total Income**" means the total of the individual's dividend income and other taxable income for a tax year; and
- (f) "**Excess Dividend**" means the total of that individual's dividend income in that tax year less £5,000.

For the year 2017/18 in England and Wales, the basic rate band is the first £33,500 of income in excess of any personal allowance, the higher rate band is income between £33,500 and £150,000 in excess of any available personal allowance and the additional rate band applies to income in excess of £150,000 (these bands differ slightly in Scotland).

Where an individual's taxable income exceeds £100,000, their personal allowance is abated by £1 for every £2 of income such that individuals with income in excess of £123,000 will have no personal allowance.

Trustees of interest in possession trusts and representatives of deceased persons receiving dividends from shares are also liable to account for income tax at a rate of 7.5 per cent., unless the dividends are mandated directly to beneficiaries, in which case only the beneficiaries need to account for the income. In either case, the beneficiaries will be taxable at the rates detailed above. Trustees and personal representatives do not qualify for the £5,000 dividend allowance available to individuals.

#### *Companies*

Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of UK taxation of dividends) will not generally expect to be subject to tax on dividends from the Company.

Other Shareholders within the charge to UK corporation tax will not be subject to tax on dividends (including dividends from the Company) so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid on shares that are "ordinary share capital" for UK tax purposes and are not redeemable, and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that generally fall within an exempt class.

#### 13.5 **Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

No stamp duty or SDRT will be levied on the issue of Ordinary Shares in registered form.

The transfer of shares quoted on the small companies markets, such as AIM are not subject to SDRT or stamp duty. Accordingly, so long as the Ordinary Shares are admitted to trading on AIM and are not also listed on a recognised stock market, no stamp duty or SDRT will be payable on their transfer.

#### 13.6 **Inheritance Tax**

Individual and trustee Shareholders domiciled or deemed to be domiciled in any part of the UK may be liable on occasions to inheritance tax ("IHT") on the value of any Ordinary Shares held by them. IHT may also apply to individual Shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.

Under current law, the chief occasions on which IHT is charged are on the death of the Shareholder, on any gifts made during the seven years prior to the death of the Shareholder and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.

However, a relief from IHT known as business property relief ("BPR") may apply to the Ordinary Shares once these have been held for two years, provided that all the relevant conditions for the relief are satisfied at the appropriate time. This relief applies notwithstanding that the Company's Ordinary Shares will be admitted to trading on AIM. BPR operates by reducing the value of shares by 100 per cent. for IHT purposes.

**Any person who is in any doubt as to his tax position or who may be subject to tax in any other jurisdiction should consult his professional adviser.**

#### 14. **Share Dealing Code**

The Directors intend to comply with Rule 21 of the AIM Rules and article 19 of the Market Abuse Regulation (No. 596/2014) relating to Directors' and applicable employees' dealings in Ordinary Shares and, to that end, the Company has adopted an appropriate share dealing code.

The Company and the Directors, officers and employees will also be subject to legislation prohibiting market abuse and insider dealing under the Market Abuse Regulation (No. 596/2014) and the Criminal Justice Act 1993.

## 15. Working Capital

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company and the Group, taking into account the estimated net proceeds of the Placing, will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## 16. Litigation

16.1 Save as disclosed in paragraph 16.2 of this Part IV below, the Group is not, nor has at any time in the 12 months immediately preceding the date of this document, been engaged in any governmental, legal or arbitration proceedings and the Directors are not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this document in each case which may have, or have had in the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability.

16.2 As noted in the risk factor in Part II of this document entitled "*The Group is exposed to liability claims from third parties*", there is uncertainty regarding the outcome of a potential health and safety prosecution arising out of allegations made by one of the Company's contractors in connection with the removal of cladding/coating containing asbestos from internal surfaces of seemingly derelict buildings at the Group's Milton of Campsie site in 2013. As the Company awaits a decision from the Fiscal in respect of whether or not it intends to proceed with a prosecution, the Company is not in a position to confirm the likely outcome, however, the legal advice received by the Group is that, if the Fiscal decides to prosecute the Company, in a best case scenario, a fine could be in the range of £100,000 to £250,000 and in the worst case scenario, a fine could be in the range of £1,000,000 to £2,000,000. Whilst the Company expects that any fine would be covered by its existing insurance policies, the incurring of a significant fine which is not covered by insurance could have a material adverse effect on the Group as a whole.

## 17. Consents

17.1 PKF Littlejohn LLP has given and not withdrawn its written consent to the inclusion of its report set out in Part III of this document and the references to such report in the form and context in which they appear and has authorised the contents of its report for the purposes of schedule two of the AIM Rules.

17.2 N+1 Singer has given and not withdrawn its consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

## 18. General

18.1 The total costs and expenses of, or incidental to, the Placing and Admission, all of which are payable by the Company, are estimated to be approximately £1.7 million (exclusive of value added tax). The expected net proceeds of the Placing, after deduction of such costs and expenses, are £23.3 million.

18.2 Save as disclosed in this document, no person (other than the Company's professional advisers named in this document and trade suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.

18.3 The Placing is not being underwritten.

18.4 The Placing Price of 106 pence per share represents a premium of 105.875 pence above the nominal value of 0.125 pence per Ordinary Share. The Placing Price is payable in full on application.

18.5 The auditors of the Company who audited the Company's accounts for the years ended 31 May 2017, 31 May 2016 and 31 May 2015 are Johnston Carmichael LLP of Commerce House, South Street, Elgin IV30 1JE. The audit reports were unqualified and did not contain a statement under sections 498(2) or (3) of the Act.

- 18.6 Save for the acquisition of shares in Glassgreen Limited described at paragraph 11.5 of Part IV of this document, the Group made no other principal investments in the financial years ended 31 May 2017, 31 May 2016 and 31 May 2015. Save as disclosed in this document, the Group currently has no significant investments in progress and the Group has not made any firm commitments concerning future investments which are significant to the Group.
- 18.7 Save as described in paragraph 12.9 of this Part IV, the Directors are not aware of any patents or other intellectual property rights, licences, industrial, commercial or financials contracts or new manufacturing processes on which may be of material importance to the Group's business or profitability.
- 18.8 Save in connection with the application for Admission, none of the Ordinary Shares has been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.
- 18.9 Save as disclosed in this document, there has been no significant change in the trading or financial position of the Group since 31 May 2017, the date to which the last consolidated accounts of the Company were prepared.
- 18.10 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's recent activities.
- 18.11 Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 18.12 There are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 18.13 There have been no significant recent trends in production, sales and inventory and costs and selling prices since 31 May 2017, being the date of the Company's latest consolidated accounts.
- 18.14 There has been no public takeover bid for the whole or any part of the share capital of the Company or any member of its Group prior to the date of this document.

## **19. Documents Available For Inspection**

- 19.1 Copies of the following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Company for a period of one month from the date of this document:
- 19.1.1 the Articles;
  - 19.1.2 a copy of this document; and
  - 19.1.3 the audited consolidated financial statements of the Group set out in Part III of this document.
- 19.2 A copy of this document is also available on the Company's website, [www.springfield.co.uk](http://www.springfield.co.uk)

Dated: 10 October 2017

