Company Registration No. SC031286 (Scotland)

SPRINGFIELD PROPERTIES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2022

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COMPANY INFORMATION

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STRATEGIC REPORT

The Directors present their strategic report for Springfield Properties plc (the "Company") and its Group of companies ("Springfield", "The Springfield Group" or the "Group") for the year ended 31 May 2022.

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 MAY 2022

Group Revenue	Group Completions	Group Adjusted PBT*	Private Homes Revenue	Affordable Homes Revenue	Contracting Homes Revenue
2022: £257.1m	**2022: 1,242 homes**	**2022: £20.8m**	**2022: £174.5m**	**2022: £64.3m**	**2022: £16.5m**
2021: 216.7m	**2021: 973**	**2021: £18.5m**	**2021: 138.6m**	**2021: £52.9m**	**2021: £8.1m**

Group	**2021/22 £m**	**2020/21 £m**	**Change %**
Revenue	257.1	216.7	+18.6%
Gross profit	43.1	38.8	+11.1%
Gross margin	16.8%	17.9%	-110bps
Adjusted profit before tax*	20.8	18.5	+12.4%
Statutory profit before tax	19.7	17.9	+10.1%
Earnings per share	14.74p	13.79p	+6.9%
Net debt**	38.1	20.8	+83.2%

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

Strategic and Operational Highlights

- Highest ever annual turnover and substantial increase in profit before tax
- Land bank 16,652 plots – 52.1% with planning achieved
- Gross development value of land bank of £3.5bn
- Acquisition of Tulloch Homes Group
- Post year end acquisition of Mactaggart & Mickel's Scottish housebuilding business
- Development of our first ESG Strategy, which launched post period

STRATEGIC REPORT

EXECUTIVE CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MAY 2022

This is the fifth set of annual accounts that we have published since we floated on AIM in 2017. I am delighted with the progress that we are able to present. In five years, we have increased our turnover by 132.5% to £257.1m, our profit before tax and exceptional items by 210.4% to £20.8m and our profit before tax by 194.0% to £19.7m. We have also grown our land bank by 34% to 16,652 plots at 31 May 2022.

This year has seen excellent growth for the Springfield Group with significant revenue growth across the business. Our build and private sales activity has remained strong throughout the year and we have continued to execute on our growth strategy – most notably, with the acquisition of Tulloch Homes during the year and, post year-end, of the Scottish housebuilding business of Mactaggart & Mickel. We also reached another milestone during the year with the first families moving into homes we have developed for the private rented sector ("PRS") with Sigma Capital plc ("Sigma"). Whilst achieving record growth in revenue from affordable housing in the year, the inflationary pressures impacting fixed price contracts in affordable housing delivery across the industry have resulted in a reassessment of cost projections in that part of the business in the short term and steps are being taken to manage that going forward.

Today, we are a business with almost 900 employees, with developments in all key regions of Scotland, and delivering a range of housing across every tenure. We are one of the largest housebuilders in Scotland, with the Springfield Group now operating through six well-established and respected brands: Springfield (private housing), Springfield Partnerships (our affordable and PRS housing business), Dawn Homes, Walker Group, Tulloch Homes and Mactaggart & Mickel. We are proud that we have been recognised by both customers and the industry and in particular, were delighted to be awarded Housebuilder of the Year at the Scottish Home Awards 2022.

While the scale of our business has increased substantially, our values and our culture have been sustained. At our core, we believe that everyone in Scotland deserves a good home, and our entire business is underpinned by a strong ethos of building quality homes and looking after our customers, our employees, our sub-contractors and the communities in which we operate. To this end, we have taken significant steps to formalise our activities into a defined ESG Strategy that we have published alongside this report.

People

Since establishing Springfield and throughout its journey of growth, our ethos as a quality employer has been at the fore. We care for our employees and pride ourselves in creating an environment where everyone can thrive. We are particularly proud to pay males and females the same, having effectively closed the pay gap (as disclosed in our Gender Pay Gap Report published in February 2022). In addition, over 54% of employees are signed up to our Save As You Earn (SAYE) scheme, which is well above the industry average of 28% and a great testament to the motivation of our employees towards the aims of the Company.

We have a great package of benefits for our employees to ensure that we retain, reward and support, as well as attract, the best people. We have now introduced private medical insurance to all of our employees no matter where they work in the business – whether on site, in a sales office, at our kit factories or in our offices. Looking after the mental health of our employees is also firmly on our radar, with mental health awareness courses being offered to all employees and some of those who have done the course going on to be fully trained as mental health first aiders. Going forward, we have committed to offer mental health first aid courses annually. In addition to this, we have entered into a partnership with The Lighthouse Club, a mental health support charity exclusively for those within the construction sector and their families.

As a Group, we are a major employer in the housebuilding industry across all of Scotland. We have extensive expertise in the sector and believe we have a responsibility to support the next generation to develop their own skills and forge their career paths. As we continue to expand as a business, the development of employees during their early years only grows in importance and we have committed significant investment into the training of our people. Over the years, we have supported hundreds of people to achieve their qualifications and today we operate one of the largest apprentice programmes in Scotland. This year, 151 employees (nearly 20%) were undertaking an apprenticeship or formal education with Springfield at 31 May 2022.

During the pandemic, apprenticeship figures across the industry dropped significantly. However, through our community engagement efforts and involvement with schools, interest in Springfield's programme remained strong. Since 2009, we are proud to have supported over 200 young people to achieve a vocational qualification and this year marks our largest apprenticeship to date with over 30 apprentices joining the Group in one intake.

Markets

The demand for the type of housing that we offer remains strong. Across our brands, we provide an excellent product in highly desirable areas. Families continue to be particularly attracted to spacious homes with added room to work and entertain and with private gardens and plenty of access to green space. There also remains an undersupply of housing in Scotland, which can only be satisfied through the building of new homes.

In private housing, our core business, the demand continues to be supported by a competitive mortgage market. New build homes are increasingly attractive to lenders who are keen to support the delivery of higher energy efficient homes as part of their own contribution towards the road to net zero. Notably, we have seen national lenders offer discounted interest rates for higher energy performance and higher loan to value mortgages on new builds to make greener homes more attainable for first time buyers, reflecting the attractiveness of the significantly lower running costs of new build homes, particularly given the current high energy prices.

Key differences between the Scottish legal system and the rest of the UK continue to result in us having strong visibility over the homes we deliver. The Scottish missive system, which ensures that customers are contracted into the purchase much earlier in the build programme, supports supply chain management, reduces risk and also enables buyers to customise their homes at an early stage in the build process.

Building affordable homes transforms lives. This year marks our 20th year in the delivery of affordable homes for Scotland and I am exceptionally proud of what this part of our business has achieved. Whilst demand remains extremely strong with 178,000 applicants on Local Authority housing lists, the inflationary and regulatory environments are impacting the ability of the industry to deliver new homes for these tenures. The level of price inflation for materials and labour being experienced poses challenges for our affordable business given the fixed price nature of our contracts. We have reassessed the costs to completion for our ongoing affordable housing projects, taking a prudent approach to anticipated cost changes. We are also being cautious about entering new, large, long-term affordable-only contracts until conditions normalise.

In addition, the Scottish Government's 'Programme for Government' announced earlier this month, that emergency legislation to protect tenants will be introduced thereby freezing rents and imposing a moratorium on evictions until at least 31 March 2023, has put on hold the Group's strategy to expand its PRS activity with Sigma at this time. However, this regulatory change is temporary, designed to support families facing fuel poverty this winter, and we believe opportunities in PRS housing remain significant.

The Scottish Government's target to deliver 110,000 energy efficient affordable homes by 2032 continues to provide the long-term commitment that will allow the Group to build on its strong partnerships with local authorities and housing associations. In addition, an inflation-based review of the Scottish Government's affordable housing investment benchmarks, which determine the amount of grant available to our partners for each affordable home built, is expected to be announced in November 2022. With a strong lobby pointing to the current challenges and the resultant impact on housing supply in Scotland, there is pressure on the Scottish Government to respond.

Supporting thriving communities

At Springfield, the concept of sustainable community is at our core. Across all our developments we are committed to doing all we can to create sustainable communities for families to enjoy for years to come. We engage and consult the local community and residents at all stages of development from planning to post build. During the year, we strengthened our community engagement with the appointment of a dedicated Community Engagement Co-ordinator whose primary focus is to ensure residents feel part of their neighbourhood and is a point of contact for all members of the community.

The creation of sustainable communities is most evident at our Springfield Village developments, designed with housing across a variety of tenures and with everything a community needs to thrive, including local shops and green spaces. All of our Villages are thriving and we continuously take action to support the growth of our Village communities.

Key to creating sustainable communities is engagement with the generations to come, and we are particularly strong in our engagement with local schools. We are committed to raising awareness of career opportunities within housebuilding, supporting the development of practical skills such as preparing school leavers for the recruitment processes and mentoring young people who are seeking additional support or work experience in their transition from school or further education into the workplace. This is in addition to our apprenticeship scheme.

We also continued our charitable activities, donating £49,154 to local charities and community groups during the year. As we ramp up our engagement with local communities, we will be increasing our commitment to supporting community groups and charities across Scotland.

Our commitment to Environmental, Social, Governance (ESG)

Springfield has always been committed to sustainability and already has an excellent reputation within the sector as a progressive builder.

During the year, and since year-end, we have taken considerable steps to formalise our approach to ESG and to bring together all the good practice from across the brands and regions, whilst also challenging ourselves to continue to improve. We undertook a rigorous process to determine our strategic objectives and priorities across the ESG spectrum, identifying those that are critical to the future success of our organisation and important to our varied stakeholders. Alongside this, we developed clear goals for moving forward and a framework for measuring and reporting performance.

This has culminated in the publication, alongside this annual report, of our first ESG strategy with a focus on environment and people. Our CEO is leading a new, dedicated ESG Committee of the Board to ensure delivery of this strategy is led from the top, and we look forward to offering you an update on progress with our results each year.

Dividends

During the year to 31 May 2022, we made £4.6m in dividend payments relating to the distribution for the prior year. We were also pleased to pay an interim dividend of 1.5 pence (£1.8m) in April 2022 and to now propose a final dividend for 2022 of 4.7 pence per ordinary share, an increase of 15% and 6% over the interim and final dividends for 2021 respectively. This takes total dividends for the year to 6.2 pence (2021: 5.8 pence), and an increase of 7.8% over the prior year.

Looking to the future

We are one of the largest housebuilders in Scotland, with a diversified offering through our range of products and established brands.

The undersupply of homes in Scotland is only becoming more acute and demand across all tenures continues to rise. We are set to benefit from this trend in the coming year as we deliver on our record order book and, longer term, as we build out our significant, high-quality land bank. This provides us with solid foundations for moving forward.

During the year, we experienced some exceptional circumstances in our affordable housing business, with inflationary challenges on fixed price contracts resulting in some delays and pressure on profitability. We have undertaken a thorough review of all existing fixed-price contract projects to reassess costs to completion, and we have taken a prudent approach in doing so. In addition, we are being cautious about entering into any new large, affordable-only developments until pricing is amended to make them economically viable.

Whilst this will have a short-term impact on the affordable and contracting side of our business, as a result of the strength of our private housing division and the long-term need for more housing across tenures in Scotland, we are highly confident in the future of our business and in our ability to deliver further growth for our shareholders.

EXECUTIVE CHAIRMAN'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

I would like to reserve the final word to show appreciation for the outstanding contribution of our Board members, management team and employees. This year we have once again delivered record completions, revenue and profit, during an extremely challenging inflationary environment, and have successfully undertaken two significant acquisitions in a period of less than seven months. This would not have been achievable without the incredible dedication of our people. I would also like to give special thanks to our customers, our subcontractors, our suppliers and our shareholders: their support is critical to our business and is very much appreciated. We look forward to continuing to provide great homes for our customers and sustainable new places for our communities whilst creating value across our business.

Sandy Adam
Chairman
19 September 2022

STRATEGIC REPORT

CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 31 MAY 2022

This has been another great year for the Springfield Group. In 2022, we have delivered our highest level of completions and revenue and, despite experiencing some short-term challenges due to cost inflation on our affordable contracts, have still managed to deliver our highest ever profit. This is our fifth annual report since floating on AIM in 2017 and we have exceeded our stated goal of doubling in size every five years. At £257.1m, our revenue for 2022 is more than double the £110.6m of 2017 while this year's profit before tax and exceptional items of £20.8m is more than triple the £6.7m of 2017.

We have continued to expand our business both organically and with the acquisition of Tulloch Homes during the year, which has significantly strengthened our position in the high growth area of the Scottish Highlands in and around Inverness. In addition, post year-end, we acquired the Scottish housebuilding business of Mactaggart & Mickel, which brought another premium brand into the Group, as well as a substantial land bank, with planning permission, in areas of significant demand. Today, we have almost 900 employees compared with approximately 600 this time last year.

During 2022, total revenue increased by 18.6% to £257.1m (2021: £216.7m). This reflects growth in revenue from private housing of 25.9% to £174.5m (2021: £138.6m), growth in affordable housing revenue of 21.6% to £64.3m (2021: £52.9m) and contracting revenue more than doubling to £16.5m (2021: £8.1m). Profit before tax (excluding exceptional items) increased to £20.8m (2021: £18.5m). This was slightly lower than we had originally anticipated, primarily due to the impact in affordable housing of cost inflation on our fixed-price contracts. We have now taken a thorough review of our ongoing projects and reassessed our costs to completion taking a prudent approach. In private housing, however, our margins for 2022 were maintained when excluding regional and housing-type mix. Our net debt position was £38.1m as at 31 May 2022 (31 May 2021: £20.8m), which primarily reflects the cost of funding the Tulloch Homes acquisition.

I am also proud of the work that we have undertaken that has resulted in the publication of our first ESG strategy as well as registering with the New Homes Quality Board Code of Practice well before the December 2022 deadline.

Our efforts were recognised this year when we were named Housebuilder of the Year at the Scottish Home Awards 2022. This is great industry validation of our outstanding performance and the strength of our business.

Operational Review

This year we completed 1,242 homes, an increase of 27.6% from the 973 completions in 2021, marking the first time we have delivered over 1,000 homes in a single year. We also delivered our first PRS housing, which further diversifies our revenue streams and continued our expansion with the acquisition of Tulloch Homes during the year and, post year-end, of the Scottish housebuilding business of Mactaggart & Mickel.

The cost-of-living crisis is affecting every business and, as with the rest of the housebuilding industry, we continued to face material and labour supply constraints and inflationary cost pressures. In addition, three of our subcontractors went out of business and, while we were able to source materials and labour elsewhere, it was at a higher price and delayed some of our build programmes. This particularly affected recognised revenue and gross margin in affordable housing, which was also impacted by the contribution from two large construction contracts that had been signed in early 2020 and, accordingly, modelled on much lower estimated costs.

However, we were largely successful in our management of the material and labour supply challenges and were able to mitigate much of the impact during the year. As a result, in private housing, gross margins were maintained taking into account regional and housing mix. The high proportion of fixed price contracts for materials that we had in place during the year as well as house price inflation served to mitigate the impact of increased costs. Similarly, our strong, established relationships with subcontractors, together with a large directly employed workforce, helped us maintain our labour force.

Land Bank

This year we significantly expanded our large, high-quality land bank with the acquisition of Tulloch Homes, comprising 1,791 plots of which 91% were owned and paid for, and 87% had planning permission. This particularly strengthened our presence in the Highlands region of Scotland, in and around Inverness.

At 31 May 2022, we had 51 active developments (31 May 2021: 45 active developments) and during the year:

- 15 developments were completed;
- 23 new active developments were added to the land bank (of which 11 were under Tulloch Homes);
- planning was granted on 255 plots on five developments and we received 1,558 plots with planning through the Tulloch Homes acquisition, with the total consented land bank increasing to 8,680 plots, representing 52.1%, at 31 May 2022 (31 May 2021: 8,010 plots and 52.4%); and
- the land bank consisted of 16,652 plots (31 May 2021: 15,281).

Post year-end, our land bank was further strengthened with the acquisition of the Scottish housebuilding business of Mactaggart & Mickel, comprising a total of 17 sites, 11 of which will transfer to Springfield as homes are sold. In addition, we have established a strategic alliance with an agreement that gives us opportunities for future purchases of sites from Mactaggart & Mickel's remaining land bank of approximately 2,300 acres across Scotland.

Our substantial land bank across Scotland also provides us with opportunities for land sales. With demand expressed for the popular locations and quality sites in our control, we are confident that our previous experience of selling or swapping elements of our strategic land bank could be repeated.

Private Housing

The number of private home completions increased by 27.4% to 712 (2021: 559). This reflects growth across most of our brands and regions as well as the contribution from Tulloch Homes, following the acquisition. Business remained buoyant, with an increase in the number of homes missived or reserved at 31 May 2022 compared with 31 May 2021. We currently have homes delivered, missived or reserved representing approximately 75-80% of forecast private housing revenue for 2023, in line with the visibility at the same point last year.

The average selling price ("ASP") for private housing was £245k (2021: £248k) reflecting the regional and housing-type mix, with a larger proportion of revenue and completions in regions of Scotland that typically have lower house prices. On an underlying basis, we experienced a general increase in sales prices, which offset cost price inflation to ensure gross margins were maintained.

At 31 May 2022, we were active on 31 private housing developments (31 May 2021: 24), with 15 active developments added during the year and 8 developments completed. In total, as at 31 May 2022, the private housing land bank was 11,565 plots on 74 developments (31 May 2021: 10,426 plots on 56 developments).

Planning consent was granted for 240 plots on 4 developments for private housing. As at 31 May 2022, 52.2% (6,030 plots) of private housing plots had planning consent (31 May 2021: 48.7%), with 24.7% going through the planning process and 23.1% at the pre-planning stage.

In particular, during the year we submitted a planning application for a new, large development of up to 1,000 homes. This development is to be built on land that we purchased in the previous year in Midlothian in the Edinburgh commuter belt. The proposed development is designed as a new neighbourhood with a distinct identity, which will, following the Scottish government's 20-minute neighbourhood model, integrate into existing settlements where residents can easily access high quality services and amenities.

Village developments

Springfield Villages are standalone developments that include infrastructure and neighbourhood amenities. Each Village is designed with the potential to deliver up to approximately 3,000 homes, with ample green space and community facilities. They primarily offer private housing, but also include affordable housing and, beginning with Bertha Park, include PRS housing. We have three Villages that are already home to growing communities; one Village that has received planning permission and with the Section 75 agreement to follow; and a further Village going through the planning process.

Total completions at Springfield Villages – including private, affordable and contract housing – increased. In private housing, there was an increase in completions at Dykes of Gray and also at Bertha Park, which is delivered under contract. At Elgin South (formerly 'Linkwood') Village, there were fewer completions than in the previous year, which reflects the phasing of homes being made available for sale.

There was also a continued expansion of amenities and strengthening of community engagement at the Village developments. This includes the hosting of community events, the establishment of a school bus route and a public service through Dykes of Gray, and Bertha Park and Dykes of Gray each gaining their own post box, being symbolic of a 'place' being created. In addition, Bertha Park was recognised as Development of the Year at the Scottish Home Awards.

Affordable Housing

During the year under review, we achieved our highest ever affordable housing revenue. The number of affordable home completions increased by 11.6% to 405 (2021: 363). Average selling price increased to £159k (2021: £146k) as a result of a change in housing mix. However, revenue and margin in affordable housing was impacted by price inflation. This was partly due to key subcontractors going out of business, which necessitated us finding replacement subcontractors that led to some delays and higher costs. In particular, our margin suffered from the delivery of two large, long-term contracts that had been signed in early 2020 and therefore based on expectations of lower material and labour costs.

In affordable housing, we receive a fixed price for the land sale and design and build contract. Revenue is recognised over time as development progresses. The amount of revenue recognised depends on the stage of completion, which is based on the development costs incurred as a proportion of the total expected development costs. This provides strong cash flow dynamics with high visibility and low capital exposure. However, revenue recognition and gross margin is impacted when costs increase. Post year-end, the Group has undertaken a thorough review of all existing contracted projects to reassess the projected costs to completion, and the Group has taken a prudent approach to this reassessment. As a result of this reassessment, the margin and revenue recognised on some affordable contracts during the year was lower than previously expected. The delivery of the large contracts that Springfield signed in early 2020 are now nearing completion. As a result of the action taken in affordable housing, the Group is well positioned for when the market normalises.

We have also taken the pragmatic decision to temporarily pause entering into new large, long-term affordable contracts in order to protect our margins. However, the longer-term fundamentals of affordable housing remain strong and we expect to recommence signing contracts when more normal market conditions resume and following the Scottish Government's next affordable housing investment benchmark review to reflect inflation, which is expected to be announced in November 2022.

The number of active affordable housing developments was 18 at 31 May 2022 (31 May 2021: 19), with 8 active developments added during the year and 9 developments completed. As at 31 May 2022, the total affordable housing land bank was 4,412 plots on 60 developments (31 May 2021: 4,055 plots on 48 developments).

We expanded our partnership network with the signing of our first contract with Aberdeenshire Council, for 38 homes at Banff, which, as a relatively short-term project, is less exposed to inflationary pressure. We also joined the Supplier Network of hub South West Scotland, a public-private partnership for the construction of community infrastructure, with a view to providing affordable housing in a region spanning six local authority areas in South West Scotland. Whilst we are currently being cautious about entering new projects, the expansion of our partnership network strengthens our prospects for when normal affordable housing activity resumes.

We continued to make progress under our local authority framework agreement with Moray Council for 10 affordable-only developments. The handover of two developments was completed during the year, bringing the total number delivered under this agreement to five.

As at 31 May 2022, 44.8% (1,975 plots) of affordable housing plots had planning (31 May 2021: 52.7%), with 28.6% of plots going through the planning process and 26.6% at the pre-planning stage.

Contract Housing

In contract housing, we provide development services to third party private organisations (compared with affordable housing where our services are delivered to local authorities, housing associations or other public bodies). To date, our contract housing delivery has consisted of services provided to Bertha Park Limited, the developer of the Bertha Park Village, under a framework agreement. We perform development services and receive revenue based on costs incurred plus a fixed mark up. At Bertha Park, we are delivering private, affordable and PRS housing. We have reported contract housing revenue this year as a separate revenue stream because of the increased materiality of revenue now being generated from the provision of development services to Bertha Park Limited, particularly due to beginning the delivery of PRS housing.

At 31 May 2022, the contract housing land bank with planning consent consisted of 675 plots (31 May 2021: 742). The 125 homes completed during the year (2021: 51) comprised 49 private homes, 31 affordable homes and 45 PRS homes at Bertha Park Village. We also commenced construction on the first Mid-Market Rent housing to be offered at Bertha Park, which is a form of affordable housing for those in work where housing associations utilise grants to enable market rents to be discounted.

A key milestone was achieved with the delivery of our first PRS housing with Sigma, a high-quality PRS provider specialising in suburban, family homes. We are delivering 75 purpose-built homes for families to rent privately at Bertha Park, which, following handover, will be owned, let and managed by Sigma. To date, 45 PRS homes at Bertha Park have been completed and families have already moved in. The delivery of PRS housing is expected to increase the build out rate for the Village and underscores our commitment to develop mixed-tenure Villages that meet everyone's housing needs.

Notwithstanding delivery of our contract at Bertha Park, our strategy to expand our PRS activity with Sigma is currently on hold due to the introduction of emergency legislation in Scotland to protect tenants by freezing rents and imposing a moratorium on evictions until at least 31 March 2023. This is a temporary measure designed to support families facing fuel poverty this winter, and we continue to believe that the delivery of PRS housing offers a viable revenue stream in the longer term. Whilst this does not impact our existing agreement to deliver 75 PRS homes, any decisions on the expansion of this activity will wait until the policy environment is clearer.

Acquisitions

During the year, we continued to execute on our stated strategy of expanding via acquisition and into new territories to accelerate growth. In December 2021, we acquired Tulloch Homes, an Inverness-based housebuilder focused on building high-quality private housing in the Scottish Highlands, for a net consideration of £54.4m (being £77.9m less cash acquired of £23.5m) of which £13.0m is deferred consideration. Tulloch Homes has performed well since the acquisition and has met all of the targets and expectations that we set at the time of purchase.

Tulloch Homes is a profitable, cash generative and well-run housebuilder with significant land ownership in the Scottish Highlands, in and around Inverness. The acquisition expanded our land bank in an area of high and growing demand where we have been strategically building a presence over the last few years. We also gained a strong, established management team and the acquisition has reinforced our supply chain capabilities with access to labour and subcontractors in the local area.

Since year-end, as announced on 22 June 2022, we acquired the Scottish housebuilding business of Mactaggart & Mickel for a total consideration of £46.3m. Mactaggart & Mickel is a premium brand housebuilder that has been delivering high-quality housing across the central belt of Scotland for almost 100 years. Under the terms of the acquisition, we acquired six live private and affordable sites with work in progress, and acquired a brand licence to build homes as Mactaggart & Mickel on a further 11 private and affordable sites, which will transfer to Springfield as homes are sold in line with the payments of the deferred consideration. The acquisition also included Timber Systems, a timber frame factory near Glasgow. The addition of a second timber frame factory, which complements our existing facility in Elgin, will secure kit supply and increase capacity for future growth while further reducing our carbon footprint.

Customer Satisfaction

Springfield strives for excellence in customer service through all stages of the house buying process and the quality of the houses we build. We are proud to offer customers a high level of specification as standard as well as significant choice. This year we achieved an overall customer satisfaction rating of 93% customer satisfaction (2021: 92%) and an increased net promoter score of 59 (2021: 52). We strive to ensure that 100% of our customers are happy with their homes and feel well looked after and, within our new ESG strategy, we have set this as our target to ensure customer satisfaction increases year on year.

Quality management systems have continued to be a focus as we aim to ensure continuous improvement and drive up standards across our brands. ISO 9001 was recertified within the Springfield brand following an in-period audit and plans are in place for these quality processes to be rolled out across Group operations.

We welcomed the publication, during the year, of the New Homes Quality Board Code of Practice ("NHQB Code"), which aims to improve consumer protection covering important aspects of the new home construction, inspection and sales process. Post year end, in July, we registered with the New Homes Quality Board – well ahead of the December 2022 deadline.

Environment & People

At Springfield, we have always placed great importance on behaving responsibly and instilling sustainability across our operations. This time last year we committed to formalising our activity under the broad spectrum of 'sustainability' in an ESG strategy and I am very pleased to be launching that alongside these annual results. Within our strategy entitled 'Environment & People', we have identified areas of focus under 'Environment', 'Social' and under 'Governance' that matter to our stakeholders and customers and are critical to our future success. For each area, we have set new goals and committed to measuring performance to ensure we continually improve.

This includes a commitment to achieving net zero by 2045, in line with the Scottish Government aspirations, and we will aim to achieve this sooner. We are already well established on the route map to net zero with timber frame construction already being used in over 90% of homes and vast experience gained in delivering alternative energy technologies, such as air-source heating, with over 50 developments having been completed, or being under construction, without gas. We now have two off-site timber frame factories and the timber used is sourced responsibly and accredited by the Forest Stewardship Council or the Programme for the Endorsement of Forest Certification.

During the year, the first electric van was introduced for Springfield's timber kit factory, as part of the phasing in of a fully electric fleet; all company cars are now zero emissions; and we began providing the option of zero emission electric vehicles for staff under the car allowance scheme. We have also increased our support for communities with the appointment of a full-time Community Engagement Co-ordinator. This resource will facilitate stronger engagement during the planning process and support the creation of new communities within our larger developments, in particular the Springfield Villages.

Outlook

While the current economic environment poses certain industry-wide challenges, the fundamentals of the housing market in Scotland remain strong. There is an undersupply of housing across all tenures, and demand continues for the types of homes that the Group provides in popular locations across the country. There continues to be good mortgage availability to support home buyers, with a notable preference from lenders for high energy performance that is achieved from new build homes. The Scottish Government maintains its commitment to investing in the delivery of more affordable homes and our high-quality land bank lends itself very well to the emerging suburban build-to-rent sector.

Springfield entered the 2023 financial year with a strong order book in private housing. We have excellent visibility over full year private housing revenue, with homes already delivered, missived and reserved representing approximately 75-80% of 2023 private housing revenue forecasts. In addition, the Group will benefit from the full year contribution of Tulloch Homes and Mactaggart & Mickel. Accordingly, the Group is on track to deliver significant growth in private housing in 2023, reflecting sustained demand and the expansion of the business.

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

In affordable housing, the Group has paused the signing of new long-term fixed price contracts until appropriate inflationary accommodations are introduced. We have undertaken a thorough review of all existing projects and reassessed costs to completion. Accordingly, we are well positioned for when market conditions normalise in affordable housing.

In addition, the temporary rent freeze announced by the Scottish Government has halted our strategy to expand PRS activity with Sigma at this time. Consequently, the Group expects contract housing (PRS) revenue to be lower in 2023. However, the Group expects to be able to mitigate part of this reduction through the sale of some land that had been allocated for PRS.

Overall, the Group expects to deliver significant growth for the year to 31 May 2023, with record revenue driven by the contribution from private housing. Accordingly, with the solid foundations that the Group has in place, the Board remains confident in Springfield's prospects and in its ability to deliver shareholder value, and continues to look to the future with confidence.

Innes Smith
Chief Executive Officer
19 September 2022

STRATEGIC REPORT

CHIEF FINANCIAL OFFICER'S REVIEW
FOR THE YEAR ENDED 31 MAY 2022

The financial year ended 31 May 2022 was strong, once again, for Springfield with record sales and profit levels.

In summary, for the year ended 31 May 2022, revenue increased by 18.6% to £257.1m (2021: £216.7m), adjusted profit before taxation and exceptional items by 12.4% to £20.8m (2021: £18.5m) and statutory profit before tax by 10.1% to £19.7m (2021: £17.9m). Year-end net debt was £38.1m (2021: £20.8m), with the increase in debt primarily reflecting the cost of funding the Tulloch Homes acquisition.

The significant increase in revenue reflected strong growth across private, affordable and contract housing as well as the results including a six-month contribution from Tulloch Homes, which was acquired during the year.

Private housing remained the largest contributor to Group revenue, accounting for 67.9% (2021: 64.0%) of total sales, and increased by £35.8m to £174.5m. This significant growth was driven mainly by the contribution from the Tulloch Homes acquisition as well as increased sales on an organic basis.

Affordable housing achieved its highest ever revenue as the Group delivered the substantial backlog of contracts that it had signed towards the end of the prior year with revenue increasing by 21.6% to £64.3m (2021: £52.9m). This was, however, slightly lower than originally anticipated as a result of cost inflation - with recognised revenue based on the stage of completion driven by development costs incurred as a proportion of total expected development costs (see Note 2.5).

Starting from this year, we are presenting contract housing separately owing to the increased significance of revenue now being generated on this basis from services to Bertha Park Limited, particularly due to the delivery of PRS housing. For the prior year, the relevant amounts have been reclassified into contract housing to allow a like-for-like comparison, with £5.9m having been moved from private housing and £2.2m from affordable housing.

There was a reduction in other revenue, which primarily consists of land sales, owing to the two significant strategic land sales that the Group completed in the prior year.

Revenue	**2022 £'000**	**2021 £'000**	**Change**
Private housing	174,442	138,646	+25.9%
Affordable housing	64,251	52,939	+21.6%
Contract housing	16,494	8,142	+102.6%
Other*	1,908	16,965	-88.8%
TOTAL	**257,095**	**216,692**	**+18.6%**

*Primarily land sales

Gross profit increased by 11.1% to £43.1m (2021: £38.8m) due to the significant growth in revenues noted above. Gross margin was 16.8% (2021: 17.9%), with margins largely maintained when excluding the impact of regional or housing mix. There was an impact on gross margin in affordable housing (where we work under fixed price construction contracts) due to the contribution to revenue from two large, long-term contracts that had been signed in early 2020 as well as from three key subcontractors going out of business, which necessitated finding replacements that were at a higher cost.

Administrative expenses, excluding exceptional items, were £20.9m (2021: £19.4m). This reflects cost savings achieved from the closure of our Livingston office, which was offset by the additional overheads for the Tulloch Homes business. Accordingly, administrative expenses, excluding exceptional items, as a proportion of revenue was 8.1% in 2022 compared with 9.0% in 2021.

Exceptional items were £1.1m (2021: £0.6m). This mainly relates to the cost of the Tulloch Homes acquisition.

Operating profit grew by 12.6% to £21.5m (2021: £19.1m). Excluding exceptional items, operating profit increased by 14.1% to £22.6m (2021: £19.8m). Adjusted profit before tax and exceptional items increased by 12.4% to £20.8m (2021: £18.5m) and statutory profit before tax by 10.1% to £19.7m (2021: £17.9m).

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

Basic earnings per share (excluding exceptional items) increased by 8.5% to 15.63 pence (2021: 14.41 pence). Statutory basic earnings per share grew by 6.9% to 14.74 pence (2021: 13.79 pence). Return on capital employed (profit before interest and taxation divided by average capital employed, which is calculated as the average of 2022 and 2021 total assets less current liabilities) was 13.6% (2021: 14.3%).

During the year, on 1 December 2021, the Group acquired Tulloch Homes for a total consideration of £77.9m less cash acquired of £23.5m being a net consideration of £54.4m, which comprised an initial consideration of £41.4m and deferred consideration of £13.0m which is payable in two equal instalments in November 2022 and July 2023. Total acquisition costs were £859k.

The initial consideration of £41.4m was funded through an equity raising and an increased bank revolving credit facility. In December 2021, the Group raised gross proceeds of £22.0m from the issue of 15,714,286 new ordinary shares at a placing price of 140 pence per share. The Group's revolving credit facility with the Bank of Scotland of £64.5m, which was put in place for three years in September 2021 with an expiry date in January 2025, was extended in November 2021 to £87.5m to help part fund the Tulloch Homes acquisition on similar terms to the existing facility.

Net debt at 31 May 2022 was £38.1m compared to £20.8m at 31 May 2021. This increase primarily reflects the cost of funding the Tulloch Homes acquisition. Net debt to EBITDA was 1.6 times (2021: 1.0 times).

The Group continues to have a strong relationship with the Bank of Scotland - the revolving credit facility of £64.5m, which was put in place for three years in September 2021 with an expiry date in January 2025 was extended in November 2021 to £87.5m to help part fund the Tulloch acquisition on the same terms as the existing facility.

In order to support the going concern period to 30 September 2023, the first two years (to May 2023 and May 2024) of the Board approved 3-year plan to May 2025 forms the basis of the assessment (base case forecast) to confirm the appropriateness of the going concern basis being adopted for the preparation of the May 2022 Annual Report and Financial Statements.

The year to May 2023 has been updated to reflect the actual months results for June and July 2022 as well as factoring in margin changes on certain affordable developments. The forecasts for May 2023 and May 2024 do not include any PRS revenues that were not contracted at the date of the May 2022 Annual Report and Financial Statements. There will be opportunities for PRS revenues in the future.

Sensitivities have been run based on the updated May 2023 and May 2024 numbers noted above. These involved increasing Private and Affordable build costs by 5% and 7.5% (on an underlying basis this represents a higher percentage increase due to the fact that for most developments a number of subcontractor packages have a fixed price period) offset by removing land purchases that were not contracted and that had no associated revenues in May 2023 or May 2024, other non-contracted payments were reviewed with some removed as a mitigating action. In each of the scenarios run the Group was still able to operate within existing banking facilities and covenants.

Under the base case forecast the peak borrowing utilises 92.5% of the bank facilities however by the year end in May 2023 the facility utilisation is forecast to drop to around 60%. The Group also has a large and high-quality land bank which provides another source of comfort with the projections containing no land sales despite a number of opportunities over the next 12 months.

Alternative performance measures

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

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Michelle Motion
Chief Financial Officer
19 September 2022

Environmental

Our homes are designed to be energy efficient. We adopt measures to make them more environmentally sustainable, taking designs beyond the latest environmental standards to reduce the environmental impact of our homes. We develop sites taking account of natural resources, in order to protect biodiversity in the area for future generations.

Within the regulatory requirements when designing homes, we work to optimise the following: improving profitability, reducing environmental impact and minimising energy bills for customers. Regular audits and inspections of our construction activities are carried out to ensure (i) statutory obligations are met; and (ii) we continually reduce our environmental impact.

Our first group-wide ESG strategy has been published alongside this report and this period we appointed a dedicated Group Environment, Quality and Sustainability Manager. We were also the first housebuilder to sign-up to the new Next Generation Core Sustainability Benchmark following collaboration with JLL and Lloyds Banking Group. We aim to be ISO 14001:2015 certified by the end of the 2022/2023 financial year.

Quality Management

The Group continues to be accredited to ISO 9001:2015 Standard. As the Group grows, we have taken the opportunity to undergo a full review of all business processes with an aim to align department procedures across the Group. The review is well underway with improvements to operational processes and systems to drive consistency and reduce business risk. The implementation of a new Group intranet will improve communication of the Quality Management System and allow existing manual processes to become automated and more efficient, while retaining records for future audits.

Key Risks and Uncertainties

The principal risks and uncertainties identified and mitigated against include:

- Market risk;
- Credit risk;
- Liquidity risk;
- Changes in consumer demand;
- Cash Flow risk;
- Resources risk;
- Legal and regulatory risk;
- Health and safety risk;
- Land supply risk;
- Planning risk; and
- Funding risk.

Market, credit and liquidity risk are dealt with in Note 30 of the consolidated financial statements.

Changes in Consumer Demand

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

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

Future Cash Flow Risk

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

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

Resources Risk

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

- Annual remuneration and reward review;
- Conducting an interim pay review in March 2022 to help combat cost of living increases;
- Annual training review for every employee;
  Developing the workforce by maintaining the percentage of employees in training, further education or apprenticeships at 15% or above;
- A Board led culture of empowerment;
- Post period private health care introduced for all staff;
- Satellite television discount and gym membership;
- Long standing local market recruitment has reduced the potential effect of labour market changes due border changes; and
- Continuing our commitment to employee wellbeing by recently launching an intranet with useful links, support services and internal contacts.

Upward pressure on materials prices is being managed by:

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

Legal and Regulatory Risk

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

Health and Safety Risk

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

- Monitoring health and safety standards across sites with regular visits;
- Taking action where required;
- Advising on safe practice at the outset of projects;
- Initiating training;
- Introducing or updating applicable policies or procedures; and
- Ensuing Health Surveillance is carried out across the Group.

Land Supply Risk

The risk of securing sufficient land is reduced by a healthy and growing supply of land owned or secured by contract in a growing spread of geographic locations which will appeal to our range of customers. This ensures that the Group can bring forward land even if market conditions are unfavourable for immediate acquisitions. Prospective sites are brought forward from the land bank, through the planning system, in tranches considered by the Board to be sufficient to allow the Group to achieve its plans for growth. Recent acquisitions have also significantly strengthened the Group's access to land in different geographical locations and also at different stages of the planning process.

Planning Risk

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

Financial Risk Management Objectives

Details of the Group's financial risk management objectives are set out in Note 30 to these consolidated financial statements.

Future Developments

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

Charitable Donations and Community Support

During the year the Group made payments of £49,154 (2021: £25,477) to charities. These donations included:

- New Elgin JFC – 300 building blocks to help build dugouts at stadium;
- Christmas trees for Bertha Park, Dykes of Gray and Linkwood Primary School (including solar-powered lights for Bertha Park and Dykes of Gray);
- Sponsorship of Springfield Scottish Squash Open;
- Main sponsor for The Baillie Cup – an athletics championship for primary school children in the Highlands; and
- Sponsorship of various highland games including Forres and Glen Urquhart.

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

Mentoring programmes also see young people join us for work placements and we support Developing the Young Workforce and staff act as mentors for Career Ready students. We sponsor youth sports teams and some individual young athletes and we support the Duke of Edinburgh's Award in Moray.

Springfield is the headline sponsor of Scottish Squash, which enabled the resurrection of the Scottish Squash Open, now the Springfield Scottish Squash Open. The sponsorship is also enabling Scottish Squash to develop the game in communities around Scotland and to support its elite players.

Section 172 Statement

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

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

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

COMPANY OVERVIEW AND RISKS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

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

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

Information about our stakeholders and how the Board has discharged its duties are included on page 21–22.

The Group is required by the Companies Act 2006 to include a Strategic Report in its Annual Report and Financial Statements. The information that fulfils this requirement can be found from pages 4 to 20.

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

Sandy Adam
Executive Chairman

19 September 2022

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Sandy Adam, Executive Chairman
(Sits on Nomination Committee)

Sandy is the grandson of the founder of Springfield and has worked for the Company since the 1980s. Sandy led the Company during its change from a market garden business into a housebuilder in 1988. Sandy has been Chairman of the Company since 2004 and has been the driver behind many key commercial decisions including the focus on affordable housing, the geographic expansion out of Moray in 2010, the acquisition of Redrow's Scottish assets/operations in 2011, the listing of Springfield on AIM in 2017 and the acquisition of Dawn Homes in 2018, Walker Group in 2019, Tulloch Homes in 2021 and, most recently, Mactaggart & Mickel's Scottish housebuilding business (post-period). Sandy has over 30 years of experience in the Scottish housing and property markets, including his role as Chairman of Homes for Scotland between 2014 and 2015.

Innes Smith, Chief Executive Officer

After graduating from Heriot Watt University in 1991, Innes qualified as a Chartered Accountant with KPMG before moving into industry as financial controller at SGL Technic, a subsidiary of RK Carbon Fibres (now called SGL Carbon Fibres Limited), a NASDAQ and Deutsche Börse listed Company. Subsequently Innes was promoted to Finance Director at SGL Technic and after five years moved to Gael Force. Innes joined Springfield in 2005 as Finance Director and was appointed Chief Executive Officer at Springfield in October 2012 after seven years with the Company. Innes was appointed to the Board of Homes for Scotland in 2016.

Michelle Motion, Chief Financial Officer

Michelle joined Springfield as Finance Director in 2013. Michelle has over 20 years of experience within the property and construction industry, previously working for Morrison Developments Limited, a subsidiary of AWG plc, a FTSE 250 Company, and the housebuilder Avant Group, previously known as Gladedale Group. Michelle graduated with a BA in Accounting, has an MBA and is a qualified accountant with the Chartered Institute of Management Accountants.

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

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

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

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

CORPORATE GOVERNANCE

BOARD OF DIRECTORS (CONTINUED)

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

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

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

Colin is a Chartered Quantity Surveyor with significant experience in the construction and housebuilding industries. From 2002 to 2019, he held leadership positions at Places for People one of the largest development, regeneration, property management and leisure companies in the UK. Most recently he was Group Executive Development Director responsible for a UK-wide mixed tenure development programme of c.£200 million. Previous experience includes project management roles at The EDI Group, and Woolwich Homes Ltd, as well as surveyor positions at Millar Brown Associates and Gibson & Simpson. Colin is a former director of Homes for Scotland, he is a Member of the Royal Institution of Chartered Surveyors (MRICS) and holds a BSc in Quantity Surveying from Napier University. Colin was appointed to the Board in 2019 as a Non-Executive Director and, among other positions, sits as a founding member of our Environmental, Social and Governance (ESG) Committee.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE AND SECTION 172 STATEMENT
FOR THE YEAR ENDED 31 MAY 2022

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

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

Additionally, the Group complies with section 172 of the Companies Act 2006. This report along with pages 38 – 40 sets out how the Board has discharged its duties.

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

1. Strategy and Business Model

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

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

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

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

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

With over 178,000 applicants to local authority housing lists in March 2021 there is a substantial need for affordable housing in Scotland. The Scottish Government has set a target of building 110,000 affordable homes by 2032. We have built over 1,725 affordable houses in the last five years and this year we achieved our highest ever revenue from our affordable housing business.

Further details on our strategy and business model are discussed in the Chairman's statement on pages 5-8.

Private Rental Sector (PRS):
The Group has a strong working relationship with Sigma, for whom it develops purpose-build PRS homes. This period saw families move into the first homes for private rent at Bertha Park in Perth.

2. Statement and Understanding Shareholder Needs and Expectations

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

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

We maintain a corporate website (www.thespringfieldgroup.co.uk). It contains a range of information required by AIM Rule 26 including our annual and half year reports, trading statements and all regulatory announcements. We regularly distribute press releases to national and local press with news and updates on the Group's current projects. All press releases can be found at www.thespringfieldgroup.co.uk.

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

3. Wider Stakeholder and Social Responsibilities

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

Employees (current):

The Group had 766 employees as at 31 May 2022. The post period acquisition of Mactaggart & Mickel's Scottish housebuilding business added a further 112 employees to the Group. We are proud that many of our employees have remained with Springfield on a long-term basis with the average length of service being 6.3 years.

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

Employees received an annual pay review at June 2021, where there was an increase of 2.5% across the Group. Management also decided to carry out an interim pay review in March 2022 due to the rising cost of living, where all employees (excluding plc Directors) received an additional 3% increase. This was in addition to the annual review in June 2022 when a further 3% increase was awarded across the board. As our craft-based apprentices follow rates set by the Scottish Building Apprenticeship and Training Council (SBATC), they were given a bonus payment instead. Current employees were paid at least 3% above minimum wage. Those 23 and over receive at least the national living wage.

Springfield creates a climate where everyone can thrive and is proud to have reported this year that the gender pay gap has effectively been closed. In a commitment to formalise what we do and ensure that this parity remains, we have committed to publishing an Equality, Diversity and Inclusion (EDI) policy in 2023 as part of our ESG strategy.

In November 2021 we won the Highland Business Award for Employee Wellbeing, being recognition of the work the Group does to support employees and their families.

In addition, the Group places an emphasis on internal promotion. During the period the Group awarded 52 internal promotions, illustrating our culture of coaching, mentoring and giving employees the opportunities to develop their careers within Springfield.

The Group has a series of data protection policies which have been updated, along with providing training for staff, to ensure compliance with the General Data Protection Regulation (GDPR). The Board undertook data protection training from our in-house legal department in the period.

Employees (training & education): As at May 31 2022 we supported 151 employees (19.7%). in further education, training, and apprenticeships. This includes 129 apprenticeships. With the ongoing skills shortage within the industry, the Springfield Group continue to commit to providing apprenticeship and training opportunities seriously.

Employees (future): The Group has a strong focus on education and training. We won the 2021 S1 Recruitment Awards for 'Best Early Careers Employers (Apprentice/Graduate). We encourage student placement programmes and we have placed 7 university students in a variety of work experience roles over the past two years.

Customers: Customer views are sought via In-house Research Limited who contact our customers around nine weeks after handover of their home and gather feedback. Each Managing Director actions any points required because of this feedback. As discussed above, of those customers responding, 93% say they would recommend one of the Group's homes to friends or family. In addition, our Customer Feedback Group, with representatives from across the business, meets regularly to consider the qualitative feedback received through the surveys and considers what improvements could be made.

Suppliers: The Group's commercial and purchasing teams communicate closely with suppliers. This is vitally important through 2021/22 as material supply issues were raised throughout our supply chain. We believe our close relationship with suppliers and strong communication has helped mitigate against disruption from shortages experienced across the construction industry. As the Group has grown, its purchasing power and access to materials has increased.

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

Communities: For individual projects, we work with local communities as part of the planning process. Any new development that has more than 50 homes or covers two hectares requires us to hold a community consultation. This event allows members of the local community to gather information on the proposed development, ask questions and provide their feedback on the proposals. We can then reflect any comments within our applications. During lockdown these events have been held virtually rather than in-person.

Environment: We developed and published our first Group-wide ESG strategy and appointed a dedicated Group Environment, Quality and Sustainability Manager for the first time. We were the first housebuilder to sign-up to the new Next Generation Core Sustainability Benchmark following collaboration with JLL and Lloyds Banking Group. A Committee of the Board for ESG has been created to monitor progress against the ESG Strategy with the CEO as Chair.

4. Embedding Risk Management

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

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

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

5. Maintaining a Well-Functioning Board

The skills and experience of the Board are set out in their biographical details on pages 21-22. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The Board meets at least bi-monthly. The non-executive directors time commitment is approximately 20 days a year to attend to board matters.

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE AND SECTION 172 STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

The Board consider Colin Rae and Nick Cooper to be independent Directors for the purpose of the QCA Code. From 13 November 2022, Roger Eddie will have completed fourteen years' service as a Director. From 1 September 2022, Matthew Benson will have completed 11 years' service as a Director. Having considered both Roger and Matthew's independence in the context of the QCA Code, the Board is satisfied that Mr Roger Eddie and Mr Matthew Benson will remain independent notwithstanding their length of service.

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

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

6. Director Skills and Capabilities

As mentioned under principle 5, all Directors and their professional experience, are set out on pages 21-22. The skills, experience and knowledge of each Director gives them the ability to constructively challenge strategy and decision making and scrutinise performance. All Directors are offered appropriate coaching and training to develop their knowledge and ensure they remain up to date in relevant matters for which they have responsibility as a member of the Board. The Board were given GDPR training by our in-house legal department in the period. Recognising the importance of the emerging ESG agenda, Colin Rae as ESG lead for the Board passed the University of Cambridge Sustainability Management course.

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

7. Evaluation of Board Performance

The Board implemented a formal review process in 2021/22. Springfield's human resources department prepared a self-evaluation criterion which was issued and approved by the Board. All Directors completed self-evaluation reports in the first quarter of 2021/22 and the results of the exercise were reviewed by the Chairman and actioned. Actions included updates to information received by directors and greater opportunities to meet with operational directors. A formal review will also take place in 2022/23.

8. Corporate Culture

The Board believes that everyone has the right to a decent home. There is a pressing need for good quality housing in Scotland. Where this need is not met, Springfield aims to provide high quality homes for private sale to first time buyers and those already on the housing ladder, affordable homes through its partnership arm which works with housing associations and local authorities and, through its strategic partnership with Sigma, homes for families to rent privately.

Dedication to customers is at the heart of the Springfield culture. Customer satisfaction statistics are an integral part of how we manage our business and incentivise our key people. Our CEO presents our customer satisfaction statistics at each Board meeting.

The Group was delighted to be recognised for our hard-work by winning prestigious awards such as the Large Housebuilder of the Year and Large Development of the Year (Berth Park) at the Scottish Home Awards. Each brand across the Group achieved the "In House Gold Award for Customer Satisfaction" over the last year, meaning that over 90% of our customers would recommend us to their friends and family.

9. Maintaining Good Governance

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

CORPORATE GOVERNANCE

QCA CODE COMPLIANCE AND SECTION 172 STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

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

The Board is supported by the Audit, Remuneration, Nomination and newly-formed ESG Committees.

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

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

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

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

Further information can be found in the Audit and Remuneration Committees' reports on pages 28-37.

10. Communicating Governance and Performance

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

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

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

Andrew Todd
Company Secretary
19 September 2022

AUDIT COMMITTEE REPORT
FOR THE YEAR ENDED 31 MAY 2022

Statement from the Chairman of the Audit Committee

On behalf of the Board, I am pleased to present the Audit Committee Report for the year to 31 May 2022. This report provides shareholders with an overview of the activities carried out by the Committee during the year. The Committee ensures the financial performance of the Group is properly measured and reported.

Committee Members

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

Responsibilities

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

Meetings

In the year to 31 May 2022, the Committee met six times. The meetings cover the planning of the statutory audit and review of the Group's full year results prior to Board approval and to consider the external auditor's detailed reports. Other members of the Board occasionally attend Committee meetings when requested by invitation. In the year to 31 May 2022 the Chief Financial Officer attended all six Committee meetings and the Chief Executive attended two meetings and the Chairman attended one meeting.

Internal Audit

The Group does not currently have an internal audit function. The Committee has considered the size and nature of the Group and believes that given the recent acquisitions of Tulloch Homes and the housebuilding business of Mactaggart & Mickel the timing is right to implement a Business Assurance function to further support and derive assurance on the adequacy of the internal control and risk management systems of the Group. The position has Board approval and will be put in place in the current financial year.

Risk Management and internal controls

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

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

Anti-bribery

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

The Board is ultimately responsible for ensuring this policy complies with the Group's legal and ethical obligations.

External Audit

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

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

External Audit process

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

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

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

Issue	How it was addressed by the Committee
Revenue recognition - Private Revenue from private housebuilding is recognised when the house is handed over although the timing may require management judgement in determining when ownership has transferred.	With a large number of homes handed over in the final month of the financial year due to material supply delays, the Committee reviewed the revenue recognised throughout the year and around the year end. The Committee satisfied itself that there is no issue with revenue recognition.
Revenue recognition - Affordable Revenue from affordable housebuilding is recognised over time depending on the stage of completion with cashflows received in excess of revenue recognised included as payments on account.	The Group policy is based on stage of completion being determined by the development cost incurred as a proportion of the total expected development cost as this is considered to be in line with the satisfaction of the underlying performance obligations.
Profit recognition The Group enters into construction contracts the performance under which takes place over a period of time. There is a significant element of judgement involved in estimations of these construction contracts surrounding costs to complete and the overall expected profit margin.	The Committee monitors the cost value report process and the effectiveness of the internal controls exercised over these processes.
Valuation of inventories and work in progress The largest asset on the Group balance sheet is inventory which includes land and work in progress. The Group values inventory at the lower of cost and net realisable value which is dependant of judgement and estimates of total build and land costs and future selling prices. The allocation of inventory to cost of sales also involves estimates which impact on the timing and amount of profit margin recognised.	The Committee reviews the work in progress balances through monthly finance reports and the cost value report process and is satisfied that the carrying value of inventories and work in progress remains appropriate.
Going concern It is the Directors' responsibility to make an assessment of the Group's ability to continue as a going concern to support the basis of preparation for the financial statements.	The Committee is satisfied, based on the going concern paper written and financial modelling undertaken, that the Group has adequate resources to continue in operation for the foreseeable future and will be able to operate within the existing bank facility limits which are in place until January 2025.
Acquisition of Tulloch Homes Holdings Limited The Group acquired Tulloch Homes on 1 December 2021. Under IFRS3 the business combination is accounted for using the acquisition method and requires assets acquired and liability assumed to be measured at the fair values at the acquisition date.	The Committee is satisfied based on the detailed papers and workings produced that the acquisition has been accounted for correctly.

Matthew Benson
Chairman of the Audit Committee
19 September 2022

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT

Introduction

This report outlines the Group's remuneration policy for its Directors and shows how that policy was applied during the financial year ended on 31 May 2022.

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

Committee Members and Meetings

In the period of twelve months to 31 May 2022, the Committee comprised:

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

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

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

Committee Responsibilities

The main responsibilities of the Committee are:

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

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

Remuneration Policy for Executive Directors

The overarching aim of the Group's remuneration policy is to attract and retain the highest calibre individuals as Executive Directors and ensure they are appropriately and fairly rewarded for performance in a manner that is both as straightforward as possible and appropriate for Springfield's size and stage of development.
During the financial year to 31 May 2022, the overall remuneration package for Executive Directors consisted of the following elements:

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

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

Basic Salaries

Increases effective from 1 June 2021
Each Executive Director receives a base salary, the level of which reflects the particular individual's experience and performance, the nature and complexity of their work and the market in which the Group operates.

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)

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

With effect from 1 June 2021, the annual rates of base salaries for the Executive Directors were set at:

- Sandy Adam - £115,313;
- Innes Smith - £230,625; and
- Michelle Motion - £184,500.

The above increases represented an uplift of 2.5% from the salaries that were paid to the Executive Directors for the financial year to 31 May 2021. This reflected the average annual increase that was awarded to the broader workforce at that time.

Increases effective from 1 December 2021

Part way through the year to 31 May 2022, the Committee undertook a fundamental review of the rate of basic salaries paid to the Company's management team, including the Executive Directors. This exercise took into account a range of factors including:

- the material change to the size and complexity of the business following the acquisition of Tulloch Homes that was announced on 1 December 2021 and the resulting increase in the responsibilities of those senior team members, including the Executive Directors, who perform a Group-wide role;

- the importance of retaining the Company's key senior leaders in an increasingly competitive environment;

- the experience gained, and performance delivered, by the Executive Directors since the previous detailed salary review was undertaken by the Committee; and

- up-to-date benchmarking information provided to the Committee by an independent third party.

On completion of the above exercise, the Committee concluded that, rather than wait for the normal annual review process in 2022, it would be appropriate for immediate adjustments to be applied to the salaries of the Executive Directors. As a result, and with effect from 1 December 2021, the annual rate of base salaries for the relevant individuals were set at:

- Sandy Adam - £142,500;
- Innes Smith - £285,000; and
- Michelle Motion - £215,000.

At the same time as these salary changes were implemented, increases were also made to other members of the senior leadership team who were included within the above noted review.

Annual Bonus

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

For the financial year to 31 May 2022, the maximum bonus opportunities for Innes Smith and Michelle Motion were 125% of salary and 100% of salary respectively (with each individual's "salary" for these purposes being the annual rate payable to them on 1 June 2021). The following table identifies the measures used, their respective weightings and the bonus award derived from the level of achievement over the year:

Measure	Weighting (as a % of maximum opportunity)		Bonus earned as a result of performance against specific measure in the relevant year[1] (as a % of maximum opportunity)	
	Innes Smith	*Michelle Motion*	*Innes Smith*	*Michelle Motion*
Profit before tax	50%	50%	47.1%	47.6%
Return on capital employed	30%	30%	23.8%	24.8%
Gross margin	10%	20%	0%	0%
Customer satisfaction	10%	N/A	8.8%	N/A
	Total bonus (% of maximum opportunity) = (a)		79.7%	72.4%
	Maximum opportunity (% of salary) = (b)		125%	100%
	Total bonus earned (% of salary) = (a) x (b)		99.6%	72.4%

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

Under the terms of the Group's annual bonus scheme for Executive Directors, the Committee has the discretion to reduce or defer the awards that would otherwise be payable to the relevant individuals in accordance with the above table where it is appropriate having regard to the health and safety performance of the Company over the period in question. No such reduction or deferral was deemed necessary in respect of the financial year to 31 May 2022.

Pensions

During the year, the Group made contributions to pension plans for the Executive Directors. These contributions were at a rate of 5% of basic salary in respect of Sandy Adam, and at the rate of 10% of basic salary in respect of both Innes Smith and Michelle Motion. (For the avoidance of doubt, the rate of pension contribution payable to Innes Smith and Michelle Motion is equal to the amount paid to the wider employee population.)

Long Term Incentive Plan

Introduction

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

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

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

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

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

Exercises by Executive Directors during the year to 31 May 2022

On 9 June 2021, Michelle Motion exercised an option over 28,301 shares that had originally been granted to her under the CSOP on 16 October 2017. The exercise price payable under this option was 106p per share and the closing share price on the date of exercise was 167p. Michelle Motion elected to retain all the shares acquired as a result of this exercise.

Grants made to Executive Directors during the year to 31 May 2022

Since the adoption of the PSP in early 2020, the policy of the Committee has been to grant awards to Executive Directors (and other senior employees) on an annual basis. However, the appropriateness of this approach was assessed at the same time as the Committee carried out its further review of Executive Directors' salaries that is described on page 31.

The conclusion reached by the Committee was that, for the following reasons, it would be more appropriate to adopt a revised policy that involves making more substantial grants of PSP awards to Executive Directors once every three years:

- it allows awards to be more closely aligned to the medium term strategy of the business that is in place at the time of the grants;
- over the three year vesting period applicable to each award, it more closely aligns the interests of the senior management team with those of our shareholders; and
- it is more straightforward from an administrative perspective.

Details of the PSP grants to Innes Smith and Michelle Motion that were made under this new approach during the financial year to 31 May 2022 are included in the table set out on page 36. The performance conditions applicable to these awards will be assessed following the expiry of the financial year to 31 May 2024 and will require the achievement of stretching targets relating to earnings per share (75% weighting) and the Company's net debt / total assets gearing (25% weighting). The precise terms of these targets are commercially sensitive but full details will be disclosed following their final assessment by the Committee at the expiry of the applicable performance period. For the avoidance of doubt, it is the Committee's intention that no further PSP awards will be granted to the Executive Directors until the financial year ending on 31 May 2025.

Save As You Earn ("SAYE")

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

During the financial year to 31 May 2022 (and as disclosed in the table set out on page 36), both Michelle Motion and Innes Smith continued to hold the options granted to them under the SAYE Scheme on 29 April 2021. No further options were granted under this arrangement during the year.

Remuneration in the Year

During the year to 31 May 2022, the directors received the following remuneration:

	Basic salary/fees[1] £000	Annual Bonus[2] £000	Taxable benefits[3] £000	Pension contributions £000	2022 Total £000	2021 Total £000
Executive Directors						
Sandy Adam	129	-	8	6	143	128
Innes Smith	258	230	4	26	518	456
Michelle Motion	200	134	5	20	359	309
Non-Executive Directors						
Matthew Benson	41	-	-	-	41	40
Roger Eddie	41	-	-	-	41	40
Nick Cooper	41	-	-	-	41	40
Colin Rae	41	-	-	-	41	40
	751	364	17	52	1,184	1,053

Notes:
[1]Additional information relating to the salaries paid to the Executive Directors during the financial year to 31 May 2022 is set out on page 31.
[2] Further details of the Company's annual bonus scheme for the financial year to 31 May 2022 are set out on page 32.

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

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

CORPORATE GOVERNANCE

REMUNERATION COMMITTEE REPORT (CONTINUED)

Share Options and PSP awards

Details of options over the Group's shares that have been granted to Executive Directors under the CSOP, ESOP, SAYE Scheme and PSP and which were outstanding during the year to 31 May 2022 are as follows:

Director	Scheme	No. of shares under option at 1 June 2021	Exercised[3]	Granted	Lapsed	No. of shares under option at 31 May 2022	Exercise price	Date of Grant	Date from which normally exercisable	Expiry date
Innes Smith	CSOP	28,301	-	-	-	28,301	106p	16/10/2017	16/10/2020	16/10/2027
	ESOP	208,019	-	-	-	208,019	106p	16/10/2017	16/10/2020	16/10/2027
	ESOP	257,142	-	-	-	257,142	122.5p	01/10/2018	01/10/2021	01/10/2028
	PSP	127,828	-	-	-	127,828	0.125p	09/01/2020	09/01/2023	09/01/2030
	PSP	202,000	-	-	-	202,000	0.125p	30/10/2020	30/10/2023	30/10/2030
	SAYE	13,793	-	-	-	13,793	130.05p	29/04/2021	01/06/2024	30/11/2024
	PSP	-	-	401,408		401,408	0.125p	22/12/2021	22/12/2024	22/12/2031
		837,083	-	401,408	-	1,238,491				
Michelle Motion	CSOP	28,301	(28,301)	-	-	-	106p	16/10/2017	16/10/2020	16/10/2027
	ESOP	84,906	-	-	-	84,906	106p	16/10/2017	16/10/2020	16/10/2027
	ESOP	129,795	-	-	-	129,795	122.5p	01/10/2018	01/10/2021	01/10/2028
	PSP	68,176	-	-	-	68,176	0.125p	09/01/2020	09/01/2023	09/01/2030
	PSP	107,650	-	-	-	107,650	0.125p	30/10/2020	30/10/2023	30/10/2030
	SAYE	13,793	-	-	-	13,793	130.05p	29/04/2021	01/06/2024	30/11/2024
	PSP	-		227,112		227,112	0.125p	22/12/2021	22/12/2024	22/12/2031
		432,621	(28,301)	227,112	-	631,432				

REMUNERATION COMMITTEE REPORT (CONTINUED)

Notes:

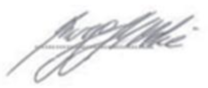
[1] An overview of the performance conditions that must be satisfied before options granted under the PSP during the financial year to 31 May 2022 vest and become exercisable is provided on page 33. For PSP options granted in previous years, high level details of the applicable performance conditions are set out in the Remuneration Committee's report for the year in which such grants took place. Options granted under the CSOP, ESOP and SAYE Scheme are not subject to performance conditions.

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

[3] Further information in relation to the exercise of CSOP options by Michelle Motion during the financial year to 31 May 2022 are set out on page 34 above.

Directors' Interests in the Group's Shares

Directors' interests in the Group's shares are disclosed in the Directors' Report (page 40).



Roger Eddie
Chairman of the Remuneration Committee
19 September 2022

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2022

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 May 2022.

Principal Activity and Business Review

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

Directors

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

Name	Position
Sandy Adam	Executive Chairman
Innes Smith	Chief Executive Officer
Michelle Motion	Chief Financial Officer
Roger Eddie	Non-Executive Director
Matthew Benson	Non-Executive Director
Nick Cooper	Non-Executive Director
Colin Rae	Non-Executive Director

Results and Dividends

The results for the year are set out on page 54.

The Board is proposing a final dividend of 4.7p per share subject to shareholder approval at the next Annual General Meeting to be held on 31 October 2022.

Taking into account the interim dividend of 1.5p per share already declared and paid, this equates to a total dividend of 6.2p (2021: 5.8p) per share.

Employee Consultation

The Group's policy is to consult and discuss with employees' representatives matters likely to affect their interests.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Group.

Disabled Persons

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

Equal Opportunities

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

Going Concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and are satisfied that the Group will generate sufficient cash to meet its liabilities as and when they fall due for a period of 12 months from signing these financial statements. The Directors therefore consider it appropriate to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 2.4 of the consolidated financial statements.

Disclosure of Information to the Auditor

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

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

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

Board of Directors

The Group supports the concept of an effective Board of Directors leading and controlling the Group. The Board of Directors is responsible for approving Group policy and strategy. It meets regularly and has a schedule of matters specifically reserved to it for decision. All Directors have access to advice from independent professionals at the Group's expense. Training is available for all Directors as necessary. Biographical details are set out on pages 21-22.

Internal Control

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

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

Auditor

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

Remuneration

The remuneration of the Executive Directors has been fixed by the Remuneration Committee as a whole. The Board seeks to provide appropriate reward for the skill and time commitment required so as to retain the right calibre of Director at a cost to the Group which reflects current market rates.

Details of Directors' fees and of payments made for professional services rendered are set out in the Remuneration Report on page 35.

Directors' Interests in Shares

Name of Director	Number of ordinary shares	% of ordinary share capital and voting rights
Sandy Adam		
- Direct	22,118,300	18.7%
- Indirect	15,671,820	13.2%
Innes Smith		
- Direct	812,735	0.7%
- Indirect	110,919	0.1%
Michelle Motion		
- Direct	50,326	0.0%
- Indirect	52,000	0.0%
Roger Eddie		
- Direct	22,170	0.0%
- Indirect	25,000	0.0%
Nick Cooper		
- Indirect	14,895	0.0%
Matthew Benson	28,302	0.0%
Colin Rae	20,000	0.0%
	38,926,667	32.9%

Financial Risk Management Objectives and Policies

Details of the Group's financial risk management objectives and policies are set out in Note 30 to these consolidated financial statements.

Strategic Report

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

The Group will make its first Taskforce on Climate-Related Financial Disclosures (TCFD) compliant disclosure within our 31 May 2023 Annual Report and Accounts. The disclosures are required to disclose the steps we have taken to incorporate climate-related risks and opportunities into our risk management and strategic planning processes. It will provide information on four elements of our organisation's operations, namely governance, strategy, risk management and matrices and each element is being considered as part of our ESG strategy development in preparation.

CORPORATE GOVERNANCE

DIRECTORS' REPORT (CONTINUED)

STREAMLINED ENERGY AND CARBON REPORTING
FOR THE YEAR ENDED 31 MAY 2022

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

The first ESG Strategy for the Springfield Group was developed this period and published alongside our Annual Report. The Strategy outlines the Group's aspiration to be net zero carbon by at least 2045 which is line with the Scottish Government's aspirations. A route map detailing our journey to net zero carbon will be developed.

The environmental impact of our homes

Scottish Building Standards are amongst the highest in Europe and Springfield has gone beyond current regulations in our homes to ensure we are delivering the best for our customers now and into the future.

The Springfield approach to building a home is 'fabric first'. Over 90% of Springfield homes are built using timber from Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) sources. We believe that opting for thick, quality insulation first and foremost is key to achieving energy efficiency and provides the most direct benefit to the customer, providing a comfortable temperature, reducing energy costs, and lowering impact on the environment.

With fossil fuelled heating in new build homes due to be outlawed in Scotland from 2024, we have strategically gained early experience in the use of air-source technology. By making the switch to heat pump technology, customers enjoy a warm home and save money, all while reducing their carbon emissions. To date we have, over 50 developments that are complete or under construction with homes heated by full-air source.

As part of our ESG strategy we have committed to explore further fossil fuel alternatives by undertaking research to understand the impact of capital cost, running cost and carbon reduction over the life of a home.

The environmental impact of our operations

We recognise our responsibility to mitigate the impact of our operations on climate change and are taking steps to reduce this wherever possible.

Our key focus for 2022 beyond the continued roll out of Electric Vehicles within the Group's 'commercial fleet' and 'grey fleet' has been determining our new ESG strategy. The ESG Strategy has a significant focus on the reduction of both our own scope 1 and 2 Greenhouse Gas Emissions and also widens the focus of our supply chain impact beyond identifying sustainable products to beginning discissions with our suppliers to understand their own approach to sustainability.

Springfield's first timber kit factory opened over twenty years ago in Elgin in the north of Scotland. This year we opened a second timber kit factory in the central belt of Scotland. The addition of a second timber kit factory secures supply and further reduces our carbon footprint as we reduce the transport distances of the kits produced.

Within the ESG strategy we recognise the importance of MMC in building quality homes with less waste, higher productivity and better environmental and safety outcomes overall. We have already started developing our methodology to calculate the level of MMC utilised across our operations and will set targets to incrementally improve.

CORPORATE GOVERNANCE

DIRECTORS' REPORT (CONTINUED)

STREAMLINED ENERGY AND CARBON REPORTING (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

Energy Use and Greenhouse Gas Emissions

For the financial year ended 31 May 2022	Energy Use kWh 31 5 22	Tonnes CO_2e 31 5 22	*Energy Use kWh 31 5 21*	*Tonnes CO_2e 31 5 21*
Scope 1 energy use & emissions from stationery combustion gas, and generator construction site fuel use	3,185,137	779.49	*2,683,951*	*646.65*
Scope 1 energy use & emissions from mobile combustion, transport, and plant construction site fuel use	8,466,137	2,130.91	*6,341,069*	*1,598.22*
Scope 2 energy use & emissions from electricity use	2,582,939	548.44	*1,710,678*	*398.83*
Scope 3 energy use & emissions from business mileage from staff's own vehicles	1,716,539	429.36	*1,324,412*	*329.11*
Total energy use & greenhouse gas emissions	15,950,752	3,888.20	*12,601,110*	*2,972.81*
Greenhouse gas emissions per home sold		3.13		*3.06*

Note the 2022 figures include Tulloch Homes for 1 December 2021 to 31 May 2022 being the period during the financial year that they belong to the Group.

Homes sold	Total	Private	Affordable	Contracting
Actual 2022	1,242	712	405	125
Actual 2021	973	559	363	51

Methodology
Our Scope 1, Scope 2 and Scope 3 energy use and greenhouse gas emissions data for 2022 has been independently produced from information provided by the Group to an external consultancy with expertise in this area.

To calculate the footprint, data was collated from across the Group and from our suppliers to identify the amount of energy used in our operations. The Group uses the most robust and accurate data source available for each component of its energy use and carbon emission calculations. Assumptions and estimations are only used when strictly necessary by means of the most robust data and assumptions available.Where actual emissions for the financial year are not available by the reporting date, then the Group applies the use of estimates for the last one to two months of the period.

Where actual emissions data from energy consumption is not available for an individual site, the Group calculates an average energy consumption for its show homes, plots and site cabins across the actual population that full data is held for and this average is then used. We do not consider refrigerant losses on our air conditioning units to be material and as such these are not reported in our emissions data.

For vehicle emissions, the Group analyses fuel card usage, mileage information, expense claims and fuel invoices with the government conversion factor for the fuel type and engine size of vehicle applied.

For site diesel, usage is based on litres delivered to site within the financial period.

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

Greenhouse gas (GHG) emissions are calculated in line with GHG Reporting Protocol – Corporate standard and reported in line with the UK Government's Guidance on Streamlined Energy and Carbon Reporting and mandatory GHG reporting guidance. Conversion factors are taken from the UK Governments conversion factors 2021.

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

Innes Smith
Chief Executive Officer
19 September 2022

CORPORATE GOVERNANCE

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MAY 2022

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group and company financial statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

Website publication

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

Sandy Adam
Executive Chairman
19 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC FOR THE YEAR ENDED 31 MAY 2022

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Springfield Properties plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2022 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

- understanding the processes relating to the assessment of the appropriateness of the going concern assumptions for both the Group and Parent Company;
- analysing the current and forecast performance of the Group, which incorporates the Parent Company, including working capital requirements, by assessing Directors' assumptions against market data and post year end performance;
- re-performing the Directors' sensitivity testing and reverse stress testing on Directors' forecasts over the going concern period and assessing the likelihood of the scenario occurring and mitigating actions available to the Board
- assessing the financing options that are available, including the utilisation, headroom and expiration date of the revolving credit facility detailed in note 22;
- recalculating the existing loan covenants in order to assess compliance over the going concern period;
- using various external data sources to identify indicators of potential risk at the entity and industry level; and
- assessing that the going concern disclosures are appropriate, comply with the reporting standards, and accurately reflect the Director's assessment.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

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

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

Overview

Coverage[1]	*98% of Group profit before tax* *98% of Group revenue* *96% of Group total assets*		
Key audit matters		**2022**	**2021**
	Revenue recognition – construction contracts	☐	☐
	Valuation and impairment of work in progress	☐	☐
	Accounting for acquisitions	☐	
Materiality	*Group financial statements as a whole* £1,100,000 (2021: £735,000) based on 5% (2021: 5%) of Profit before tax		

An overview of the scope of our audit

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

The Group has historically managed its operations from a single location in the UK with common financial systems, processes and controls covering all significant components. The acquisition of Tulloch Homes Group increased the number of key management locations to two and, during the year under audit Tulloch Homes Group had its own financial systems, processes and controls in place.

We determined that four significant components, Springfield Properties Plc, Tulloch Homes Holdings Limited, Walker Group (Scotland) Limited and Dawn Homes Limited, represented the principal business units within the Group. A full scope audit was undertaken on these components by the Group audit team, who also carried out analytical review procedures on the non-significant components.

Key audit matters

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

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

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Revenue recognition – construction contracts

Refer Accounting policies Note 2.5 (page 60) and Note 4 of the consolidated financial statements (page 66).</td><td>Revenue from construction contracts is recognised based on stage of completion measured in reference to the costs incurred as a proportion of total costs ('input method').
Measured stage of completion is based on actual costs incurred to date on each project and requires management to forecast the estimated total costs required to complete the development. The estimation process is inherently complex and significant management judgement is required

There is a potential risk of fraud as revenue could be manipulated through management bias in estimating costs to complete, through incorrect allocation of costs to each development to skew the margins on individual developments and through the posting of manual journals.

Revenue recognition on construction contracts is an area of focus for our audit in considering possible areas of management bias and fraud and therefore we determined this to be a key audit matter.</td><td>For all construction revenue, we recalculated the revenue to be recognised based on the stage of completion using the input method.

We tested controls around sub-contractor procurement, approval of purchases and allocation of costs to developments and performed testing over validity and accuracy of costs incurred to date.

We performed procedures over a sample of cost to complete estimates included as part of the cost value reconciliation ('CVR') process. This included gaining an understanding of movements against original appraisals, testing a sample of estimated costs to complete to corroboratory evidence and assessing the forecasting accuracy of prior year CVRs against projects completed during the year and since year end.

We performed a review of the most recent CVRs available after year end for any indication of margin decline and, where a margin decline was noted, challenged whether the reasons for the decline in margin relate to conditions that exists at year end and should be factored into the stage of completion calculation used in determining the revenue to be recognised in the year.

We performed journal entry testing, applying a particular focus to individually unusual and/or material manual journals posted to the revenue account throughout the year. We agreed journals meeting predetermined criteria to supporting evidence to confirm that the revenue recognised was appropriate, had an appropriate business rationale and was in line with the Group's accounting policy.

We considered the application of the accounting standards to the Group's revenue recognition policies and practices.

Key observations:
Based on the procedures performed we consider that revenue from construction contracts has been recognised appropriately.</td></tr>
</table>

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and impairment of work in progress *Refer, Accounting policies Note 2.16 (page 63) and Note 18 of the consolidated financial statements (page 75).*	The value of work in progress is the most significant asset on the balance sheet (page 55). Inventory and work in progress comprises land and work in progress in relation to private housing. The relevant proportion of land and work in progress is recognised in cost of sales upon sale of a unit. There is inherent complexity and significant judgement in the valuation of work in progress as the correct valuation of each development project is dependent on accurate cost allocation, projected profitability of the overall development, including forecast revenue and costs to complete, and where the work in progress is for undeveloped land, an assessment on whether planning permission will be achieved. The valuation of work in progress, the risk of impairment and the costs recognised in cost of sales are therefore areas of audit focus and was determined to be a key audit matter.	We tested controls around sub-contractor procurement, approval of purchases and allocation of costs to developments and performed testing over validity and accuracy of costs capitalised to work in progress. We recalculated the release to cost of sales for a sample of sites with reference to the total project margin as referenced in the cost value reconciliation (CVR). We performed procedures over the cost to complete estimates included as part of the CVR process. This included gaining an understanding of movements against original appraisals, testing a sample of estimated costs to complete to corroboratory evidence and assessing the forecasting accuracy of prior year CVRs against projects completed during the year and since year end. We reviewed management's impairment assessment against estimated costs to complete and projected margins to assess whether there was any indication of impairment, and, where any impairment indicators had been noted, these had been correctly treated. For a sample of work in progress balances relating to undeveloped land we obtained proof that planning permission had been achieved and that the prospective development is estimated to be profitable. **Key observations:** Based on the procedures performed we consider the judgements made by management in valuing work in progress are appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

Key audit matter		**How the scope of our audit addressed the key audit matter**
Accounting for acquisitions *Refer Note 17 of the consolidated financial statements (pages 74-75)*	On 1 December 2021 the Group completed its acquisition of Tulloch Homes Group for a total consideration of £77.9m. The Group has recorded the assets and liabilities acquired at fair value. attributing fair values to assets acquired and liabilities assumed as part of business combinations is considered to be a key judgement and, together with the calculated purchase consideration directly impact the calculation of any goodwill recognised upon acquisition. Furthermore, the financial statement disclosure requirements associated with acquisitions are extensive and there is a risk that the disclosures within the financial statements do not comply with the requirements of the accounting standards. The acquisition accounting is therefore an area of audit focus and was determined to be a key audit matter in the current year.	We obtained and reviewed the agreement for the sale and purchase of Tulloch Homes, signed by both parties, together with any related documents to determine whether the Group had obtained the requisite control over all entities to be included upon consolidation. We agreed the consideration to be paid to the agreement for the sale and purchase of the Tulloch Homes Group. We recalculated the discounting of deferred consideration included as part of the transaction and tested the discount rate used against appropriate independent comparators. We involved internal auditor's experts to assist us in challenging the assumptions used by management and management's expert in determining the fair value of work in progress acquired within the Tulloch Homes Group. We challenged the analysis and assumptions used by management and management's expert in identifying and determining the fair value of intangible assets which had not previously been recognised within Tulloch Homes Group. We assessed the recognition of the intangible assets with reference to the requirements and guidance detailed in the relevant accounting standards to asses whether intangible assets recognised are appropriate and engaged an internal auditor's expert to assist in challenging the assumptions and methodology used by management to determine the fair value against recognised valuation techniques and independent industry benchmarks. We assessed the disclosures within the financial statements with reference to the accounting standards. **Key observations:** Based on the procedures performed we consider the judgements made by management in accounting for the acquisition of the Tulloch Homes Group and the related disclosures to be appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

Our application of materiality

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

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

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

	Group financial statements		**Parent company financial statements**	
	2022 £	2021 £	2022 £	2021 £
Materiality	1,100,000	735,000	520,000	700,000
Basis for determining materiality	5% of Profit before tax at planning stage	5% of Profit before tax	9% of Profit before tax	3% of Net Assets
Rationale for the benchmark applied	Principal consideration in assessing financial performance of the business	Principal consideration in assessing financial performance of the business	Principal consideration in assessing financial performance of the business	Holding company
Performance materiality	660,000	435,000	312,000	420,000
Basis for determining performance materiality	Performance materiality is set at 60% of materiality to reflect our assessment of the risk that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.		Performance materiality is set at 60% of materiality to reflect our assessment of the risk that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	

Component materiality

We set materiality for each component of the Group based on a percentage of between 23% and 55% (2021: 15% and 50%) of Group materiality dependent on the relative size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £258,000 to £604,000 (2021: £105,000 to £360,00). In the audit of each component, we further applied performance materiality levels of 60% (2021: 60%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £44,000 (2019: £29,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Identifying and assessing potential risks related to irregularities, including fraud

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

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

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in revenue recognition, in work in progress valuation, including margin recognition and in accounting for acquisitions.

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

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

Audit response to risks

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

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

- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatement due to fraud and carrying out testing accordingly;
- reading minutes of management meetings and of those charged with governance, reviewing correspondence with regulatory bodies, such as HMRC, and reviewing other internal documentation, such as claims logs and risk registers, for indications of non-compliance with laws and regulations;
- assessing whether the accounting policies, treatments and presentation adopted in the financial statements is in accordance with applicable law and accounting standards and whether there are instances of potential bias in areas with significant degrees of judgement;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRINGFIELD PROPERTIES PLC (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2022

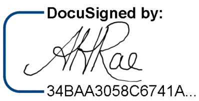
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- engaging with auditor's experts to assist us in challenging key areas of management judgement to test that they are free from bias;
- carrying out tests of management controls in certain areas or functions, such as the authorisation of business expenditure and the approval of payments to suppliers;
- vouching balances and reconciling items in management's key control account reconciliations to supporting documentation as at 31 May 2022; and
- carrying out detailed testing, on a sample basis, of material transaction, financial statement categories and balances to appropriate documentary evidence to verify the completeness, occurrence and accuracy of the reported financial statements.

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

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

Use of our report

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



Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Edinburgh, UK
19 September 2022

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

Company Registration No. SC031286 (Scotland)

FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2022

	Note	2022 £000	2021 £000
Revenue	4	257,095	216,692
Cost of sales	6	(213,960)	(177,895)
Gross profit		**43,135**	**38,797**
Administrative expenses before exceptional items		(20,950)	(19,422)
Exceptional items	10	(1,100)	(622)
Total administrative expenses		(22,050)	(20,044)
Other operating income		396	375
Operating profit	6	**21,481**	**19,128**
Finance income	5	134	367
Finance costs	8	(1,889)	(1,607)
Profit before taxation		**19,726**	**17,888**
Taxation	9	(3,652)	(4,178)
Profit for the year and total comprehensive income		**16,074**	**13,710**
Profit for the year and total comprehensive income is attributable to:			
Owners of the parent company		16,074	13,710
		16,074	**13,710**
Earnings per share			
Basic earnings on profit for the year	12	14.74p	13.79p
Diluted earnings on profit for the year	12	14.37p	13.55p
Adjusted earnings per share			
Basic earnings on profit for the year	12	15.63p	14.41p
Diluted earnings on profit for the year	12	15.24p	14.16p

Adjusted earnings per share is a non-GAAP measure.

The Group has no items of other comprehensive income.

The accompanying notes on pages 57 to 88 form an integral part of these financial statements.

FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 MAY 2022

	Note	2022 £000	2021 £000
Non-current assets			
Property, plant and equipment	**13**	5,799	4,539
Intangible assets	**15**	5,758	1,649
Investments	**16**	520	-
Deferred taxation	**24**	2,133	539
Accounts receivables	**19**	5,641	5,411
		19,851	**12,138**
Current assets			
Inventories	**18**	230,095	156,774
Trade and other receivables	**19**	21,363	23,683
Cash and cash equivalents	**28**	16,390	15,826
		267,848	**196,283**
Total assets		**287,699**	**208,421**
Current liabilities			
Trade and other payables	**20**	68,513	51,646
Short-term bank borrowings	**22**	-	34,000
Deferred consideration	**25**	6,119	-
Short-term obligations under lease liabilities	**23**	1,284	760
Provisions	**26**	821	-
Corporation tax		273	901
		77,010	**87,307**
Non-current liabilities			
Long-term bank borrowings	**22**	50,486	-
Long-term obligations under lease liabilities	**23**	2,670	1,854
Deferred taxation	**24**	3,726	2,920
Deferred consideration	**25**	6,455	-
Contingent consideration	**26**	2,000	3,900
Provisions	**26**	1,825	1,210
		67,162	**9,884**
Total liabilities		**144,172**	**97,191**
Net assets		**143,527**	**111,230**
Equity			
Share capital	**27**	148	128
Share premium	**27**	78,744	56,761
Retained earnings		64,635	54,341
Equity attributable to owners of the parent company		**143,527**	**111,230**

These financial statements were approved and authorised for issue by the Board of Directors on 19 September 2022. Signed on behalf of the Board by:

Sandy Adam - Executive Chairman

Company number: SC031286

The accompanying notes on pages 57 to 88 form an integral part of these financial statements.

FINANCIAL STATEMENTS

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2022**

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Total £000
1 June 2020		122	52,330	43,412	95,864
Share issue		6	4,431	-	4,437
Total comprehensive income for the year		-	-	13,710	13,710
Share based payments	**27**	-	-	493	493
Dividends	**11**	-	-	(3,274)	(3,274)
31 May 2021		**128**	**56,761**	**54,341**	**111,230**
Share issue	**27**	20	21,983	-	22,003
Total comprehensive income for the year		-	-	16,074	16,074
Share based payments	**27**	-	-	554	554
Dividends	**11**	-	-	(6,334)	(6,334)
31 May 2022		**148**	**78,744**	**64,635**	**143,527**

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

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

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

The accompanying notes on pages 57 to 88 form an integral part of these financial statements.

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR TO 31 MAY 2022

Cash flows generated from operations	Note	2022 £000	2021 £000
Profit for the year		16,074	13,710
Adjusted for:			
Exceptional items	10	1,100	622
Taxation charged	9	3,652	4,178
Finance costs	8	1,889	1,607
Finance income		(134)	(367)
Adjusted operating profit before working capital movement		**22,581**	**19,750**
Exceptional items	10	(1,100)	(622)
Gain on disposal of tangible fixed assets	6	(187)	(148)
Share based payments	27	554	493
Non-cash movement		100	81
Amortisation of intangible fixed assets	6	161	61
Depreciation and impairment of tangible fixed assets		1,724	2,175
Operating cash flows before movements in working capital		**23,833**	**21,790**
(Increase)/decrease in inventory		(16,505)	17,498
Decrease/(increase) in accounts and other receivables		4,253	(14,321)
Increase in accounts and other payables		7,503	32,037
Net cash from operations		**19,084**	**57,004**
Taxation paid		(3,522)	(4,227)
Net cash inflow from operating activities		**15,562**	**52,777**
Investing activities			
Purchase of property, plant and equipment		(376)	(206)
Proceeds on disposal of property, plant and equipment		247	218
Deferred consideration paid on acquisition of subsidiary		(2,362)	-
Acquisition of subsidiary, net of cash acquired		(41,525)	304
Interest received		-	13
Purchase of intangible assets		(84)	-
Net cash (used in)/from investing activities		**(44,100)**	**329**
Financing activities			
Proceeds from issue of shares		22,728	2,249
Costs relating to share raise		(724)	-
Proceeds from bank loans	33	16,486	-
Repayment of bank loans		-	(35,000)
Payment of lease liabilities	33	(1,437)	(1,480)
Dividends paid	11	(6,334)	(3,274)
Interest paid		(1,617)	(1,297)
Net cash inflow/(outflow) from financing activities		**29,102**	**(38,802)**
Net increase in cash and cash equivalents		**564**	**14,304**
Cash and cash equivalents at beginning of year		15,826	1,522
Cash and cash equivalents at end of year	28	**16,390**	**15,826**

The accompanying notes on pages 57 to 88 form an integral part of these financial statements.

1. Organisation and trading activities

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

2. Summary of significant accounting policies

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

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

2.1 Basis of accounting

The financial statements of Springfield Properties PLC have been prepared in accordance with UK adopted international accounting standards. The Group has adopted all the standards and amendments to existing standards which are mandatory for accounting periods beginning on 1 June 2021.
The financial statements have been prepared under the historical cost convention except for contingent consideration.

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

- Amendments to IFRS 9, IAS 39 and IFRS 7 ‘Interest Rate Benchmark Reform 2’

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 June 2021 and have not been early adopted:

- Amendments to IAS 1 ‘Classification of Liabilities as Current or Non-current’
- Amendments IAS 16 ‘Property, Plant and Equipment’
- Amendments to IAS 37 ‘Onerous Contracts’
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 ‘Reference to the Conceptual Framework’
- Definition of Accounting Estimates (Amendments to IAS 8)
- Amendments to IAS 1 ‘Presentation of Financial Statements’ and IFRS Practice Statement 2 Making Materiality Judgements
- IFRS 17 'Insurance Contracts'

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

2.2 Basis of consolidation

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

All financial statements are made up to 31 May 2022.

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

2. Summary of significant accounting policies (continued)

2.3. Functional and presentation currencies

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

2.4. Going concern

The financial year ending 31 May 2022 was an excellent one for the Group with record sales and profit levels.

The Group continues to have a strong relationship with the Bank of Scotland - the revolving credit facility of £64.5m, which was put in place for three years in September 2021 with an expiry date in January 2025 was extended in November 2021 to £87.5m to help part fund the Tulloch acquisition on the same terms as the existing facility.

Post year end, as announced on 22 June 2022, the Group acquired the Scottish housebuilding business of Mactaggart & Mickel. The Group's annual budget for the year ending 31 May 2023 was approved at Board level on Wednesday the 25th of May 2022. In advance of the completion of the Mactaggart & Mickel acquisition an updated 3-year plan was prepared and approved by the Board on the 20th of June 2022.

In order to support the going concern period to 30 September 2023, the first two years (to May 2023 and May 2024) of the Board approved 3-year plan to May 2025 forms the basis of the assessment (base case forecast) to confirm the appropriateness of the going concern basis being adopted for the preparation of the May 2022 Annual Report and Financial Statements.

The year to May 2023 has been updated to reflect the actual months results for June and July 2022 as well as factoring in margin changes on certain affordable developments. The forecasts for May 2023 and May 2024 do not include any PRS revenues that were not contracted at the date of the May 2022 Annual Report and Financial Statements. There will be opportunities for PRS revenues in the future.

Sensitivities have been run based on the updated May 2023 and May 2024 numbers noted above. These involved increasing Private and Affordable build costs by 5% and 7.5% (on an underlying basis this represents a higher percentage increase due to the fact that for most developments a number of sub-contractor packages have a fixed price period) offset by removing land purchases that were not contracted and that had no associated revenues in May 2023 or May 2024, other non-contracted payments were reviewed with some removed as a mitigating action. In each of the scenarios run the Group was still able to operate within existing banking facilities and covenants.

Under the base case forecast the peak borrowing utilises 92.5% of the bank facilities however by the year end in May 2023 the facility utilisation is forecast to drop to around 60%. The Group also has a large and high-quality land bank which provides another source of comfort with the projections containing no land sales despite a number of opportunities over the next 12 months.

The Directors are confident that the Group has adequate resources to continue in operational existence for the foreseeable future and are satisfied that the Group will generate sufficient cash to meet its liabilities as and when they fall due for a period of 12 months from signing these financial statements. The Directors therefore consider it appropriate to adopt the going concern basis in preparing the financial statements.

2. Summary of significant accounting policies (continued)

2.5. Revenue and profit recognition

Sale of private homes

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

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

Revenue on contracts recognised over time

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

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

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

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

Land Sales

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

Plant Hire Revenue

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

2. Summary of significant accounting policies (continued)

2.6. Grants

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

2.7. Employee benefits

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

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

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

2.8. Retirement benefits

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

2.9. Net finance costs

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

2.10. Taxation

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.11. Exceptional items

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

In the prior year the furlough grant income received from the government was separately disclosed within the consolidated profit and loss account as exceptional, due to its incremental nature. The direct furlough payroll costs were considered abnormal costs in the prior year and consistent with previous years, any direct payroll costs reflecting employee down time (abnormal production) is expensed to the profit and loss account. The administrative furlough payroll costs disclosed as exceptional are considered to be interdependent with the related government grant income and while not being incremental or abnormal in nature, the government support measures were key in protecting these jobs. See Note 11.

2.12. Property, plant and equipment

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

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

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

2.13. Intangible fixed assets

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

Market related assets

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

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

Goodwill on acquisition

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

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

2. Summary of significant accounting policies (continued)

2.14. Fixed asset investments

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

2.15. Impairment of fixed assets

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

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

2.16. Inventories and work in progress

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

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

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

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

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

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

2.17. Financial instruments

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

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

Financial assets at amortised cost

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

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

2. Summary of significant accounting policies (continued)

2.17. Financial instruments (continued)

Impairment of financial assets

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

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

Derecognition of financial assets

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

Financial liabilities

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

Other financial liabilities

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

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

Derecognition of other financial liabilities

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

2.18. Deferred consideration

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

2.19. Cash and cash equivalents

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

2.20. Dividends

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

2. Summary of significant accounting policies (continued)

2.21. Leases

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

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

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

2.22. Equity instruments

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

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

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

2.23. Share-based payments

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

2.24. Provisions

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

3. Critical accounting estimates and judgements in applying accounting policies

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

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

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

3.1. Carrying value of inventories

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

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

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

3.2. Contract revenue

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

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

3.3. Cost allocation

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

3.4. Fair value assessment

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

3.5 Acquisition of Tulloch Homes group

The acquisition of Tulloch Homes Group included the indirect acquisition of companies that are subject to put and call agreements that severely restrict the Group’s ability to direct the relevant activities of the acquired subsidiary. Judgement has been applied in determining that the restrictions result in the Group not having control of the relevant companies. Companies determined not to be controlled by the Group have not been consolidated into the Group’s financial statements.

4. Revenue

Analysis of the Group's revenue is as follows:

Revenue	2022 £000	2021 £000
Private residential properties	174,442	138,646
Affordable housing	64,251	52,939
Contracting housing	16,494	8,142
Other revenue	1,908	16,965
Revenue from the sale of goods and services as reported in the profit and loss account	**257,095**	**216,692**

For presentation purposes this year we have separated out contract housing revenues because of the increased significance of revenue now being generated from services to Bertha Park Limited, particularly due to the delivery of PRS housing – the relevant prior year amounts included in Private housing (£5.9m) and Affordable housing (£2.2m) have been moved into the Contract housing line to allow a like for like comparison.

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

	2022 £000	2021 £000
Amounts included in trade receivables	13,179	11,708
Amounts included within other payables	(10,781)	(5,454)

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

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

5. Segmental reporting

A segment is a distinguishable component of the Group's activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operational decision makers to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available. In identifying its operating segments, management generally follows the Group's service line which represent the main products and services provided by the Group. The Directors believe that the Group operates in one segment:

- Housing building activity

As the Group operates solely in the United Kingdom segment reporting by geographical region is not required.

Revenue	2022 £000	2021 £000
Private residential properties	174,442	138,646
Affordable housing	64,251	52,939
Contract housing	16,494	8,142
Other	1,908	16,965
Total revenue	**257,095**	**216,692**

	2022 £000	2021 £000
Gross profit	**43,135**	**38,797**
Administrative expenses	(20,950)	(19,422)
Exceptional items	(1,100)	(622)
Other operating Income	396	375
Finance income	134	367
Finance expenses	(1,889)	(1,607)
Profit before tax	**19,726**	**17,888**
Taxation	(3,652)	(4,178)
Profit for the period	**16,074**	**13,710**

6. Operating profit

Operating profit is stated after charging / (crediting):

	Notes	2022 £000	2021 £000
Depreciation of tangible fixed assets	**14**	1,129	1,688
Depreciation of right of use assets	**14**	595	487
Amortisation of intangible assets	**15**	161	61
Gain on disposal of tangible fixed assets		(187)	(148)
Cost of inventories recognised as an expense		213,960	177,895
Exceptional items	**11**	1,100	622
Expenses relating to short term and low value leases		110	82

Auditor's remuneration

	2022 £000	2021 £000
Fees payable to the Group's auditor for the audit of the Group and Company annual financial statements	74	60
Fees payable to the Group's auditor for the audit of the Company's subsidiaries	119	38
Fees payable to the Group's auditor and their associates for other services to the Group and Company - other non-audit services	5	5
	198	103

7. Staff costs

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

	2022	2021
Building staff	532	398
Administrative staff	232	252
	764	650

	2022 £000	2021 £000
Wages and salaries	29,267	26,405
Share based payments	555	493
Social security costs	3,135	2,850
Pension costs	1,176	1,128
	34,133	30,876

Full details of the Directors' remuneration is provided in the Remuneration Committee Report on page 31.
The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The charge to the profit and loss account in respect of defined contribution schemes was £1,176k (2021: £1,128k). Contributions totalling £265k (2021: £182k) were payable to the fund at the year-end and are included in creditors.

8. Finance costs

	2022 £000	2021 £000
Interest on bank overdrafts and loans	1,579	1,172
Interest on lease liabilities	272	244
Other interest	38	191
	1,889	1,607

9. Taxation

	2022 £000	2021 £000
Current tax		
UK corporation tax on profits for the current period	3,358	4,016
Adjustments in respect of prior periods	(311)	(10)
	3,047	4,006
Deferred tax		
Origination and reversal of timing differences	486	158
Adjustments in respect of prior periods	119	14
	605	172
	3,652	4,178

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

	2022 £000	2021 £000
Profit before tax	19,726	17,888
Tax at the UK corporation tax rate of 19% (2021: 19%)	3,748	3,399
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	181	19
Exceptional items – no deductions	-	-
Adjustments in respect of prior years	(311)	(10)
Depreciation on assets not qualifying for tax allowances	(48)	17
Amortisation	(26)	-
Deferred tax adjustments in respect of prior years	119	14
Land remediation relief	(1)	-
Other timing differences	23	(105)
Adjust deferred tax to closing average rate	(33)	844
Tax charge for period	3,652	4,178

10. Exceptional items

	2022 £000	2021 £000
Redundancy costs	141	389
Acquisition and other transaction related costs (1)	859	-
Other acquisition and other transaction related costs (2)	100	-
Wages costs for furloughed employees (3)	-	2,318
	1,100	2,707
Grant furlough income (3)	-	(2,085)
	1,100	622

(1) Acquisition and other transactions related costs for the acquisition of Tulloch Homes Group Limited and its subsidiary companies.
(2) Other acquisition and other transactions related costs relate to the planning being achieved at Carlaverock which had previously been assessed as 95% likely.
(3) The wages costs for furlough employees £nil (2021: £2,318k) is the Company cost of all employees who were on furlough during the prior year. The grant furlough income £nil (2021: £2,085k) is the furlough grant income received from the UK Government in relation to the furloughed employees for the prior year.

11. Dividends

On 9 December 2021, a final dividend of 4.5p (2021: 2.0p) per share was paid to shareholders, amounting to £4,557,827 (2021: £1,957,644). In respect of the current year, on 1 April 2022, an interim dividend of 1.5p (2021: 1.3p) per share was paid to shareholders, amounting to £1,775,716 (2021: £1,316,186). The Directors propose that a dividend of 4.7p per share will be paid to shareholders on 16 December 2022. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed final dividend for 2022 is payable to all shareholders on the Company's Register of Members on the record date of 4 November 2022.

12. Earnings per share

The basic earnings per share is based on the profit for the year divided by the weighted average number of shares in issue during the year. The weighted average number of ordinary shares for the year ended 31 May 2022 assumes that all shares have been included in the computation based on the weighted average number of days since issue.

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

	2022 £000	2021 £000
Profit for the year attributable to owners of the Company	16,074	13,710
Adjusted for the impact of tax adjusted exceptional costs in the year	970	622
Adjusted earnings	17,044	14,332
Weighted average number of ordinary shares for the purpose of basic earnings per share	109,022,146	99,436,929
Effect of dilutive potential shares: share options	2,797,323	1,767,609
Weighted average number of ordinary shares for the purpose of diluted earnings per share	111,819,469	101,204,538
Earnings per ordinary shares		
Basic earnings on profit for the year	14.74p	13.79p
Diluted earnings on profit for the year	14.37p	13.55p
Adjusted earnings per ordinary shares (1)		
Basic earnings on profit for the year	15.63p	14.41p
Diluted earnings on profit for the year	15.24p	14.16p

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

13. Property, plant and equipment

	2022 £000	2021 £000
Property, plant and equipment	2,760	2,952
Right of use assets	3,039	1,587
Property, plant and equipment	**5,799**	**4,539**

	Land & buildings £000	Plant & machinery £000	Fixtures, fittings & equipment £000	Motor vehicle £000	Total £000
Cost					
At 1 June 2020	980	7,927	2,084	549	11,540
Additions	6	477	129	-	612
Disposals	-	(1,693)	(51)	(162)	(1,906)
At 31 May 2021	986	6,711	2,162	387	10,246
Additions	-	609	288	-	897
Acquisition of subsidiary	-	43	19	20	82
Disposals	-	(405)	(776)	(165)	(1,346)
At 31 May 2022	986	6,958	1,693	242	9,879
Accumulated depreciation					
At 1 June 2020	93	4,970	1,675	471	7,209
Depreciation charge	27	1,446	181	34	1,688
Disposals	-	(1,407)	(51)	(145)	(1,603)
At 31 May 2021	120	5,009	1,805	360	7,294
Depreciation charge	27	887	197	18	1,129
Disposals	-	(374)	(765)	(165)	(1,304)
At 31 May 2022	147	5,522	1,237	213	7,119
Net book value					
At 31 May 2022	839	1,436	456	29	2,760
At 31 May 2021	866	1,702	357	27	2,952
At 31 May 2020	887	2,957	409	78	4,331

14. Property, plant and equipment (continued)

Right of use assets	Land & buildings £000	Fixtures, fittings & equipment £000	Motor vehicle £000	Total £000
Cost				
At 1 June 2020	2,220	29	252	2,501
Additions	-	41	81	122
Disposals	(92)	(5)	(85)	(182)
At 31 May 2021	2,128	65	248	2,441
Additions	420	-	1,454	1,874
Acquisition of subsidiary	258	-	61	319
Disposals	(235)	(34)	(110)	(379)
At 31 May 2022	2,571	31	1,653	4,255
Accumulated depreciation				
At 1 June 2020	357	9	124	490
Depreciation charge	357	9	121	487
Disposals	(35)	(3)	(85)	(123)
At 31 May 2021	679	15	160	854
Depreciation charge	352	6	237	595
Disposals	(122)	(1)	(110)	(233)
At 31 May 2022	909	20	287	1,216
Net book value				
At 31 May 2022	1,662	11	1,366	3,039
At 31 May 2021	1,449	50	88	1,587
At 31 May 2020	1,863	20	128	2,011

Fixed assets with the carrying value of £3,903k (2021: £2,875k) are pledged as security.

15. Intangible fixed assets

	Goodwill	Website	Marketing-related assets	Total
	£000	£000	£000	£000
Cost				
At 1 June 2020	1,057	-	600	1,657
Additions	61	-	-	61
At 31 May 2021	1,118	-	600	1,718
Additions	-	84	-	84
Disposals	-	(144)	-	(144)
Acquisition of subsidiary	513	79	3,700	4,292
At 31 May 2022	1,631	19	4,300	5,950
Amortisation				
At 1 June 2020	8	-	-	8
Amortisation charge in year	61	-	-	61
At 31 May 2021	69	-	-	69
Amortisation charge in year	-	38	123	161
Amortisation on disposals	-	(38)	-	(38)
At 31 May 2022	69	-	123	192
Net book value				
At 31 May 2022	1,562	19	4,177	5,758
At 31 May 2021	1,049	-	600	1,649
At 31 May 2020	1,049	-	600	1,649

Goodwill of £1,562k (2021: £1,049k) relates to the prior acquisition of Walker Holdings (Scotland) Limited and the current year acquisition of Tulloch Homes Holdings Limited (£513k) and is subject to annual impairment reviews. The recoverable amount of Walker Holdings (Scotland) Limited goodwill has been determined based on a value in use calculation using cash flow projections based on the actual results for Walker Holdings (Scotland) Limited for the year ended 31 May 2022 and the financial budget approved by the Board covering the period to 31 May 2023, with projected cash flows for the years ending 31 May 2024 to 31 May 2026 based on a growth rate of 0% per annum. The recoverable amount of the Tulloch Homes Holdings Limited goodwill has been determined based on a value in use calculation using cash flow projections based on the actual results for the Tulloch Group for the six months ended 31 May 2022 and the financial budget approved by the Board covering the period to 31 May 2023, with future PRS revenues removed, with projected cash flows for the years ending 31 May 2024 to 31 May 2026 based on a growth rate of 5% per annum.

Marketing-related assets of £4,177k (2022: £600k) comprise of Springfield Properties PLC trademark asset (£600k) which has been measured at cost and the Tulloch Homes brand (2022: £3,577k). The trademark asset is expected to have an indefinite useful life. The brand intangible (£3,577k) relates to the brand name of Tulloch Homes Holdings Limited and is being amortised over its economic useful life (15 years). The recoverable amount of the Springfield trademark intangible has been determined based on a value in use calculation using cash flow projections based on the actual results for Springfield Properties PLC company only for the year ended 31 May 2022 and the financial budget approved by the Board covering the period to 31 May 2023, adjusted for affordable margin reductions and future PRS revenues being removed, with projected cash flows for the years ending 31 May 2024 to 31 May 2026 based on a growth rate of 5% per annum. The recoverable amount of the Tulloch Homes Holdings Limited brand name intangible has been determined based on a value in use calculation using cash flow projections based on the actual results for the Tulloch Group for the six months ended 31 May 2022 and the financial budget approved by the Board covering the period to 31 May 2023, with future PRS revenues removed, with projected cash flows for the years ending 31 May 2024 to 31 May 2026 based on a growth rate of 5% per annum.

Website costs are stated at cost less amortised cost. The economic useful life of website costs is 3 years.

The discount rate applied to cash flows is 12% based on an estimated market rate of interest applied. As a result of the impairment review, there has been no impairment to the carrying value of the intangible assets. The Directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

16. Fixed assets investments

	2022	2021
	£000	£000
Cost		
Other investments	520	-
	520	**-**

On 1 December 2021, Springfield Properties PLC acquired the entire share capital of Tulloch Homes Holdings Limited and its subsidiaries and other investments. Other investments amounted to £519,675. See business combination Note 17 for further information.

Movement in fixed asset investments

	Investment in joint venture	Other	Total
	£000	£000	£000
Cost			
At 1 June 2020	202	-	202
Reclassification to investment in subsidiary	(202)	-	(202)
At 31 May 2021	-	-	-
Additions		520	520
At 31 May 2022	**-**	**520**	**520**

17. Acquisition of Tulloch Homes Holdings Limited

	Book value	Revaluation adjustment	Fair Value to Group
Net assets at date of Acquisition	**£000**	**£000**	**£000**
Investment	-	520	520
Property, plant and equipment	401	-	401
Intangible fixed asset	79	3,700	3,779
Inventories	45,017	11,693	56,710
Accounts receivable	2,049	-	2,049
Cash and cash equivalent – acquired cash	23,485	-	23,485
Accounts payable	(9,998)	-	(9,998)
Provisions	(796)	-	(796)
Obligation under lease liabilities	(301)	-	(301)
Corporation tax	153	-	153
Deferred tax	2,317	(925)	1,392
At 1 December 2022	62,406	14,988	**77,394**

Discharged by:	
Consideration paid - Cash	65,010
Deferred consideration	12,897
	77,907
Less Goodwill	513
Total at 1 December 2022	**77,394**

17. Acquisition of Tulloch Homes Holdings Limited (continued)

A fair value assessment has been performed resulting in an adjustment of £11,693k to inventory. The deferred consideration has been discounted in the financial statements.

Tulloch Homes Holdings Limited was purchased as it was a good opportunity to acquire a well-run business with an excellent reputation and to accelerate growth with live sites in new areas and with a healthy land bank pipeline. Tulloch Homes Holdings Limited has contributed revenue of £32,026,206 and profit before tax of £4,096,435 from the acquisition date of 1 December 2021 to 31 May 2022. If the acquisition of Tulloch Homes Holdings Limited had taken place at 1 June 2021 then the acquisition would have produced a combined revenue of £57,884,397 and loss after exceptional items and before tax of £2,265,811.

18. Inventories

	2022 £000	2021 £000
Work in progress	230,095	156,774
	230,095	**156,774**

19. Trade and other receivables

Amounts falling due within one year

	2022 £000	2021 £000
Trade receivables	10,036	9,652
Other receivables	5,771	10,718
Amounts recoverable on contract	4,497	2,524
Prepayments and accrued income	1,059	789
	21,363	**23,683**

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

The Group's exposure to credit risk is limited by the fact that the Group generally receives cash at the point of legal completion of its sales. There are certain categories of revenue where this is not the case; for instance, affordable housing revenues, contracting housing revenues or land sales where management considers that the ratings of these various debtors are good and therefore credit risk is low. Loans to related parties have also been assessed as low credit risk based on the expected profitability of their future contracts. The Group has low concentration of credit risk, with exposure spread over a large number of customers and developments. The maximum exposure to credit risk at 31 May 2022 is represented by the carrying amount of each financial asset.

Amounts falling due after one year

	2022 £000	2021 £000
Shared equity receivables	641	365
Other receivables	5,000	5,046
	5,641	**5,411**

Shared equity receivables

	2022 £000	2021 £000
At 1 June 2021	365	415
Acquisition of subsidiary	715	-
Repaid during the year	(447)	(58)
Finance income	8	8
At 31 May 2022	**641**	**365**

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

19. Trade and other receivables (continued)

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

20. Trade and other payables

	2022 £000	2021 £000
Trade creditors	39,262	22,514
Other taxation and social security	1,308	880
Other creditors	2,207	4,158
Payments on account	8,117	3,206
Accruals and deferred income	17,619	20,888
	68,513	**51,646**

Revenue recognised in the year ended 31 May 2022 included £3,206k (2021: £2,774k) that was included in the contract liability balance at 31 May 2021. The Directors consider the carrying amount of the accounts payable approximates to their fair value.

21. Financial assets and liabilities

Assets	**2022 £000**	**2021 £000**
Financial assets at amortised cost	36,589	39,264
Total	**36,589**	**39,264**

Liabilities	**2022 £000**	**2021 £000**
Measured at amortised cost	121,230	86,696
Total	**121,230**	**86,696**

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

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

22. Bank borrowings

	2022	2021
Secured borrowings:	**£000**	**£000**
Bank loans	50,486	34,000
	50,486	34,000
Less: payable within one year	-	34,000
Payable after one year	**50,486**	**-**

The bank loan comprises of a revolving credit facility of £64.5m, which was put in place for three years in September 2021 with an expiry date in January 2025 and was extended in November 2021 to £87.5m to part fund the Tulloch acquisition on the same terms as the existing facility and is secured over certain of the Company's properties. The facility attracts an interest rate of 2.15% per annum above Bank of England Sonia (Sterling overnight index average response rate). The amount payable within one year in the prior year related to a Term loan which was drawn down on 24 April 2020 and repaid in full in April 2021.

23. Obligations under leases

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

	2022	2021
Future minimum payments due:	**£000**	**£000**
Not later than one year	1,506	897
After one year but not more than five years	2,540	1,506
After five years	542	692
	4,588	3,095
Less finance charges allocated to future periods	(634)	(481)
	3,954	**2,614**
Present value of minimum lease payments:		
Not later than one year	1,284	760
After one year but not more than five years	2,192	1,251
After five years	478	603
	3,954	**2,614**

24. Deferred taxation

	2022	2021
	£000	**£000**
The movement in the deferred taxation provision during the year was:		
Provision brought forward	2,381	2,210
On acquisition	(1,393)	-
Timing differences	486	(687)
Change of rate	-	844
Prior year adjustment	119	14
Provision carried forward	**1,593**	**2,381**

	2022	2021
	£000	**£000**
Deferred tax liability	3,726	2,920
Deferred tax assets	(2,133)	(539)
	1,593	**2,381**

	2022	2021
	£000	**£000**
The elements of deferred taxation are as follows:		
Fixed asset timing differences	76	-
Available losses	(801)	-
Other timing differences	2,318	2,381
	1,593	**2,381**

25. Deferred consideration

As part of the purchase agreement of Tulloch Homes Holdings Limited, there was a further £13,000,000 of deferred consideration payable. This can be broken down into: (i) £362,330 payable on 24 April 2022 (ii) £6,137,670 payable on 1 November 2022 and (iii) £6,500,000 payment on 1 July 2023 – see Note 13. The outstanding discounted amount payable at the period end is £12,574,228 (2021: £nil).

	2022 £000	2021 £000
Deferred consideration < 1 year	6,119	-
Deferred consideration > 1 year	6,455	-
	12,574	**-**

26. (a) Contingent consideration

As part of the purchase agreement of Walker Group Springfield Holdings Limited, there was a further £6,000,000 payable which is included within liabilities. £4,000,000 is payable when outline planning is granted at Carlaverock and £2,000,000 payable when detailed planning is granted at Carlaverock the probability of which was assessed at 98% and 95% respectively. The outstanding discounted amount payable at the year-end is £nil (2021: £1,900,000). £2,000,000 was paid during the year.

As part of the purchase agreement of Dawn Homes Holdings Limited there was a further £2,500,000 payable for an area of land if (i) we make a planning application when we reasonably believe the council will recommend approval; or (ii) it is zoned by the council. The directors have assessed the likelihood of the land being zoned and have included a liability of £2,000,000 based on 80% probability. The outstanding amount payable at the period end included within liabilities is £2,000,000 (2021: £2,000,000). The remaining £500,000 (20% on the £2,500,000 still to be paid) has been treated as a contingent liability due to the uncertainty over the future payment.

	2022 £000	2021 £000
Acquisition of Dawn Homes Holdings Limited (“Dawn”)	2,000	2,000
Acquisition of Walker Group Springfield Holdings Limited (“Walker”)	-	1,900
	2,000	**3,900**

26. (b) Provisions

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

	2022 £000	2021 £000
Dilapidation provision	150	185
Onerous lease provision	-	200
Maintenance provision	2,496	825
	2,646	**1,210**

	2022 £000	2021 £000
Provisions < 1 year	821	-
Provisions > 1 year	1,825	1,210
	2,646	**1,210**

27. Share capital

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

Ordinary shares of 0.125p - allotted, called up and fully paid	**Number of shares**	**Share capital £000**	**Share premium £000**
At 1 June 2021	102,077,526	128	56,761
Share issue	16,391,873	20	21,983
At 31 May 2022	**118,469,399**	**148**	**78,744**

During the year 677,587 shares (2021: 2,539,270) were issued in satisfaction of share options exercised for consideration of £727,647. On 21 December 2021, 15,714,286 shares were issued as part of the acquisition of Tulloch Homes Holdings Limited at 140p per share for a consideration of £22,000,000. Expenses of £723,816 are included within share premium relating to this share raise.

Share based payments

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

Share related share options scheme

The Group operates a Savings related Share Option Scheme which is open to all employees. Grant options were made in May 2021 and become exercisable after 3 years, subject to employees remaining in continuous employment. Employees enter into a savings contract with the Yorkshire Building Society who administers the scheme. The options are granted at a 10% discount of the share price at the date of grant and lapse if not exercised within six months of maturity. Special provisions apply to employees who leave their employment for ill health, redundancy or retirement.

Long-Term Incentive Plan (LTIP)

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

Fair value of share options

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

27. Share capital (continued)

Share based payments (continued)

CSOP

	2022		2021	
	Number of shares	**Weighted average exercise price (pence)**	**Number of shares**	**Weighted average exercise price (pence)**
Options at the beginning of the year	801,745	114.89	1,240,111	111.95
Lapsed during the year	(17,741)	108.50	(41,451)	109.29
Exercised during the year	(156,446)	113.84	(396,915)	106.31
Options at the year end	627,558	115.33	801,745	114.89

Share option	**Grant Price (p)**	**Number of shares at year end**	**Exercise price (p)**	**Vesting period (years)**
CSOP – 16th October 2017	106.00	307,821	106.00	3
CSOP – 8th December 2017	111.00	27,027	111.00	3
CSOP – 3rd May 2018	134.00	22,388	134.00	3
CSOP – 16th May 2018	134.00	110,008	134.00	3
CSOP – 1st October 2018	122.50	115,079	122.50	3
CSOP – 4th June 2019	108.50	45,235	108.50	3

	2022		2021	
ESOP	**Number of shares**	**Weighted average exercise price (pence)**	**Number of shares**	**Weighted average exercise price (pence)**
Options at the start of the year	2,024,836	119.38	2,167,027	119.23
Lapsed during the year	(187)	122.50	(95,579)	122.50
Exercised during the year	(278,079)	119.31	(46,612)	106.17
Options at the year end	1,746,570	118.84	2,024,836	119.38

Share option	**Grant Price (p)**	**Number of shares at year end**	**Exercise price (p)**	**Vesting period (years)**
ESOP – 16th October 2017	106.00	446,402	106.00	3
ESOP – 3rd May 2018	134.00	72,761	134.00	3
ESOP – 16th May 2018	134.00	11,157	134.00	3
ESOP – 1st October 2018	122.50	1,216,250	122.50	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS YEAR TO 31 MAY 2022

27. Share capital (continued)

Share based payments (continued)

SAYE	2022 Number of shares	2022 Weighted average exercise price (pence)	2021 Number of shares	2021 Weighted average exercise price (pence)
Options at the start of the year	2,192,995	128.45	2,436,799	84.80
Granted during the year	-	-	2,094,548	130.50
Lapsed during the year	(112,186)	130.50	(242,609)	84.80
Exercised during the year	(243,062)	86.79	(2,095,743)	84.80
Options at the year end	1,837,747	130.50	2,192,995	128.45

Share option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting period (years)
SAYE – 29th April 2021	145.00	1,837,747	130.50	3

PSP	2022 Number of shares	2022 Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at start of the year	1,006,633	0.13	376,936	0.13
Granted during the year	1,396,481	0.13	648,422	0.13
Lapsed during the year	(34,933)	0.13	(18,725)	0.13
Options at the year end	2,368,181	0.13	1,006,633	0.13

Share option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting Period (years)
PSP – 9th January 2020	0.13	348,636	0.13	3
PSP – 30th October 2020	0.13	623,064	0.13	3
PSP – 21st December 2021	0.13	1,396,481	0.13	3

Inputs used to determine fair value of options

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

27. Share capital (continued)

Share based payments (continued)

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

CSOP – 156,466 (2021: 396,915) of options were exercised during the year and 582,323 (2021: 587,369) shares were exercisable.

ESOP – 278,079 (2021: 46,612) of options were exercised during the year and 1,746,570 (2021: 538,009) shares were exercisable.

SAYE – 243,062 (2021: 2,095,743) of options were exercised during the year and nil (2021: 15,668) shares were exercisable.

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

Charge for share based incentive schemes

The total charge for the year relating to employee share-based plans were £554k (2021: £493k), all of which related to equity-settled share-based payment transactions.

28. Cash and cash equivalents

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

	2022 £000	2021 £000
Cash at bank and in hand	16,390	15,826
	16,390	**15,826**

At 31 May 2022, the Group had available £39,000k (2021: £33,000k) of undrawn committed borrowing facilities.

29. Capital risk management

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

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

30. 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.

30.1. 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.

30.2. Interest risk

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

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

	2022 £000	2021 £000
Financial liabilities at fixed rate	16,528	2,613
Financial liabilities at floating rate	50,486	34,000
Non-interest-bearing financial liabilities	54,216	50,083
	121,230	86,696

Interest rate sensitivity analysis

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

	Bank of England base rate 31 May 2022		Bank of England base rate 31 May 2021	
	Interest rate +0.5% £000	Interest rate –0.5% £000	Interest rate +0.5% £000	Interest rate –0.5% £000
(Loss) / profit	(252)	252	(170)	170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2022

30. Financial risk management (continued)

30.2. Interest risk (continued)

Limitations of sensitivity analysis

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

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

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

Management believe that fair value of the loans, borrowings and finance lease obligations approximates their carrying amounts as the majority of obligations bear interest rates approximating market rates at 31 May 2022.

30.3. Liquidity risk

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

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

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

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

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

30. Financial risk management (continued)

30.3. Liquidity risk (continued)

31 May 2021	Carrying amount £000	Total minimum future payment £000	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000	Greater than 5 years £000
Accounts payable	50,083	50,083	50,083	-	-	-
Borrowings	34,000	34,000	34,000	-	-	-
Leases	2,613	3,095	897	725	781	692
	86,696	**87,178**	**84,980**	**725**	**781**	**692**

30.4 Credit risk

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

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

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

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

	31 May 2022		31 May 2021	
	Total book value £000	Allowance for impairment £000	Total book value £000	Allowance for impairment £000
Current	10,441	-	9,815	-
Overdue 90 days	236	-	202	-
	10,677	**-**	**10,017**	**-**

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

The ageing profile of other receivables was:

	31 May 2022		31 May 2021	
	Total book value £000	Allowance for impairment £000	Total book value £000	Allowance for impairment £000
Current	5,771	-	18,288	-
Non-current	5,000	-	-	-
	10,771	**-**	**18,288**	**-**

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

31. Transactions with related parties

Other related parties include transactions with retirement schemes in which Directors and close family members of key management personnel are beneficiaries. During the year dividends totalling £2,343k (2021: £1,415k) were paid to key management personnel (Board of Directors and the members of the Operational Board). Dividends were paid to Board of Directors as follows:

Name of Director	2022 £000	2021 £000
Mr Sandy Adam	2,249	1,353
Mr Innes Smith	55	32
Ms Michelle Motion	6	2
Mr Matthew Benson	2	1
Mr Roger Eddie	3	2
Mr Colin Rae	1	1
Mr Nick Cooper	1	-
	2,317	**1,391**

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

	2022 £000	2021 £000
Short-term employee benefits	3,537	3,539
Share-based payments	404	356
Post-employment benefits	169	181
	4,110	**4,076**

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

	Sale of goods		Purchase of goods	
	2022 £000	2021 £000	2022 £000	2021 £000
Bertha Park Limited (1)	18,691	8,989	371	-
Other entities which key management personnel have control, significant influence or hold a material interest in	83	118	45	33
Key management personnel	176	44	11	-
Other related parties	29	121	332	313
	18,979	**9,272**	**759**	**346**

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

	Rent paid	
	2022 £000	2021 £000
Entities which key management personnel have control, significant influence or hold a material interest in	170	176
Key management personnel	-	11
Other related parties	107	128
	277	**315**

31. Transactions with related parties (continued)

	2022 £000	2021 £000
Interest received:		
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	125	355
	125	**355**

The following amounts were outstanding at the reporting end date:

	2022 £000	2021 £000
Amounts receivable:		
Bertha Park Limited (1)	9,167	6,772
Other entities which key management personnel have control, significant influence or hold a material interest in (short-term)	54	3
Key management personnel	39	3
Other related parties	1	3
	9,261	**6,781**

	2022 £000	2021 £000
Accounts payable:		
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	-	8
Other related parties	52	58
	52	**66**

Amounts owed to/from related parties are included within creditors and debtors respectively at the year-end. No security has been provided on any balances.

Transactions between Group companies have been eliminated on consolidation and are not disclosed in this note.

(1) Bertha Park Limited is a Company in which Sandy Adam and Innes Smith are Directors. During the year the Group made sales to Bertha Park Limited of £18,226k (2021: £8,989k) in relation to a build contract. At the year-end £3,983k (2021: £1,772k) is included in trade debtors and included within other debtors is a loan of £5,125k (2021: £5,000k) at the year-end. During the year the Group had purchases from Bertha Park Limited of £371k (2021: £nil) in relation to a build contract. These were paid in full during the year.

32. Commitments and guarantees

In the ordinary course of the Group's business the Group is required to enter into performance bond arrangements. At 31 May 2022, the Group had bonds of £35,358k (2021: £28,500k) provided by financial institutions.

32. Commitments and guarantees (continued)

32.1. Capital commitments

	2022 £000	2021 £000
Call and put options for the purchase of plots for development	-	1,600

33. Analysis of net debt

The Analysis of net debt is as follows:

	2022 £000	2021 £000
Cash in hand and bank	16,390	15,826
Bank borrowings	(50,486)	(34,000)
	(34,096)	(18,174)
Lease liability	(3,954)	(2,613)
Net debt	**(38,050)**	**(20,787)**

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

	At 1 June 2021 £000	New leases £000	On acquisition £000	Cashflow £000	Fair value £000	At 31 May 2022 £000
Cash and cash equivalents	15,826	-	23,485	(22,921)	-	16,390
Bank Borrowings	(34,000)	-	-	(16,486)	-	(50,486)
Lease	(2,613)	(2,396)	(301)	1,437	(81)	(3,954)
Net Debt	**(20,787)**	**(2,396)**	**23,184**	**(37,970)**	**(81)**	**(38,050)**

	At 1 June 2020 £000	New leases £000	On acquisition £000	Cashflow £000	Fair value £000	At 31 May 2021 £000
Cash and cash equivalents	1,522	-	-	14,304	-	15,826
Bank Borrowings	(69,000)	-	-	35,000	-	(34,000)
Lease	(3,443)	(525)	-	1,480	(125)	(2,613)
Net Debt	**(70,921)**	**(525)**	**-**	**50,784**	**(125)**	**(20,787)**

FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2022

34. Subsequent events

Since year end, as announced on 22 June 2022, the Group acquired the Scottish housebuilding business of Mactaggart & Mickel for a total consideration of £46.3m. Mactaggart & Mickel is a premium brand housebuilder that has been delivering high-quality housing across the Central belt of Scotland for almost 100 years.

Under the terms of the acquisition, we acquired six live private and affordable sites with work in progress for a consideration of £15.0m and acquired a brand licence to build homes as Mactaggart & Mickel on a further 11 private and affordable sites, which will transfer to Springfield as homes are sold in line with the payments of the deferred consideration of £30.8m.

The acquisition also included Timber Systems, a timber frame factory near Glasgow, for a consideration of £0.5m The addition of a second timber frame factory, which complements our existing facility in Elgin, will secure kit supply and increase capacity for future growth while further reducing our carbon footprint.

The housebuilder's fixed assets and WIP were purchased by Springfield M&M Homes Limited. Employees have been transferred under a TUPE agreement.

The timber kit fixed assets and stock were purchased by Springfield Timber Kit Systems Limited. Employees have been transferred under a TUPE agreement and Springfield Timber Kit Systems have taken over the lease of the building.

At the date of this report the fair value assessment of assets and liabilities acquired has not been completed. As such the required disclosures relating to the fair value of assets acquired and liabilities assumed at the acquisition date and the required disclosures relating to revenue and profit has not been included.

FINANCIAL STATEMENTS

COMPANY BALANCE SHEET
AS AT 31 MAY 2022

	Note	2022 £000	2021 £000
Non-current assets			
Property, plant and equipment	**1**	2,727	2,843
Intangible assets	**2**	619	600
Investments	**3**	132,697	54,467
Deferred taxation	**10**	162	459
Trade and other receivables	**5**	5,000	5,046
		141,205	**63,415**
Current assets			
Inventories	**4**	104,916	91,306
Trade and other receivables	**5**	31,446	22,184
Cash and cash equivalents	**14**	1,073	4,615
		137,435	**118,105**
Total assets		**278,640**	**181,520**
Current liabilities			
Trade and other payables	**6**	106,334	55,961
Short-term bank borrowings	**8**	-	34,000
Deferred consideration	**11**	6,119	-
Short-term obligations under lease liabilities	**9**	222	166
Provision	**12**	364	-
Corporation tax		343	428
		113,382	**90,555**
Non-current liabilities			
Long-term bank borrowings	**8**	50,486	-
Long-term obligations under lease liabilities	**9**	1,262	1,149
Deferred consideration	**11**	6,455	-
Contingent consideration	**12**	2,000	3,900
Provisions	**12**	852	950
		61,055	**5,999**
Total liabilities		**174,437**	**96,554**
Net assets		**104,203**	**84,966**
Equity			
Share capital	**13**	148	128
Share premium	**13**	78,744	56,761
Retained earnings		25,311	28,077
Total equity		**104,203**	**84,966**

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £3,014,280 (2021: £1,453,685).

These financial statements were approved by the Board of Directors on 20 September 2022.
Signed on behalf of the Board by:

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

Company accounting policies are in line with Group – See Group Note 2. The accompanying notes on pages 92 to 110 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MAY 2022

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Total £000
1 June 2020		**122**	**52,330**	**29,404**	**81,856**
Issue of share capital		6	4,431	-	4,437
Total comprehensive income for the year		-	-	1,454	1,454
Dividends		-	-	(3,274)	(3,274)
Share based payments		-	-	493	493
31 May 2021		**128**	**56,761**	**28,077**	**84,966**
Issue of share capital	**13**	20	21,983	-	22,003
Total comprehensive income for the year		-	-	3,014	3,014
Dividends		-	-	(6,334)	(6,334)
Share based payments		-	-	554	554
31 May 2022		**148**	**78,744**	**25,311**	**104,203**

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

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

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

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

The accompanying notes on pages 92 to 110 form an integral part of these financial statements.

FINANCIAL STATEMENTS

COMPANY STATEMENT OF CASH FLOWS
YEAR TO 31 MAY 2022

	Note	2022 £000	2021 £000
Cash flows generated from operations			
Profit for the year		2,691	1,453
Adjusted for:			
Exceptional items		564	409
Taxation charged		806	94
Finance costs		1,719	1,465
Finance income		(125)	(355)
Adjusted operating profit before working capital movement		**5,655**	**3,066**
Gain on disposal of tangible fixed assets		(32)	(32)
Exceptional items – cash movement		(564)	(409)
Depreciation and impairment of tangible fixed assets	**1**	783	1,225
Share based payments	**13**	554	493
Non-cash movement		100	81
Operating cash flows before movements in working capital		**6,496**	**4,424**
(Increase)/decrease/in inventory		(13,610)	7,505
Increase in accounts and other receivables		(8,086)	(11,501)
Increase in accounts and other payables		52,237	45,316
Net cash generated from operations		**37,307**	**45,744**
Taxation paid		(3,220)	(3,957)
Net cash inflow from operating activities		**33,817**	**41,787**
Investing activities			
Purchase of property, plant and equipment	**1**	(284)	(135)
Proceeds on disposal of property, plant and equipment		50	2
Purchase of intangible fixed assets		(19)	-
Purchase of subsidiary Company		(67,372)	-
Net cash used in investing activities		**(67,625)**	**(133)**
Financing activities			
Proceeds from issue of shares	**13**	22,728	2,249
Costs relating to share raise		(724)	-
Proceeds from bank loans	**18**	16,486	-
Repayment of bank loans		-	(35,000)
Payment of lease liabilities	**18**	(318)	(573)
Dividends paid		(6,334)	(3,274)
Interest paid		(1,572)	(1,235)
Net cash inflow/(outflow) from financing activities		**30,266**	**(37,833)**
Net (decrease)/ increase in cash and cash equivalents		**(3,542)**	**3,821**
Cash and cash equivalents at beginning of year		4,615	794
Cash and cash equivalents at end of year	**14**	**1,073**	**4,615**

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

The accompanying notes on pages 92 to 110 form an integral part of these financial statements.

1. Property, plant and equipment

	2022 £000	2021 £000
Property, plant and equipment	1,380	1,643
Right of use assets	1,347	1,200
Total property, plant and equipment	**2,727**	**2,843**

	Land and buildings £000	Plant and machinery £000	Fixtures, fittings & equipment £000	Total £000
Cost				
At 1 June 2020	980	3,507	1,706	6,193
Additions	6	-	129	135
Disposals	-	(1,286)	(45)	(1,331)
At 31 May 2021	986	2,221	1,790	4,997
Additions	-	6	278	284
Disposals	-	-	(435)	(435)
At 31 May 2022	**986**	**2,227**	**1,633**	**4,846**
Accumulated depreciation				
At 1 June 2020	94	2,106	1,324	3,524
Depreciation charge	27	761	170	958
Disposals	-	(1,084)	(44)	(1,128)
At 31 May 2021	121	1,783	1,450	3,354
Depreciation charge	27	335	184	546
Disposals	-	-	(434)	(434)
At 31 May 2022	**148**	**2,118**	**1,200**	**3,466**
Net book value				
At 31 May 2022	**838**	**109**	**433**	**1,380**
At 31 May 2021	**865**	**438**	**340**	**1,643**
At 31 May 2020	**886**	**1,401**	**382**	**2,669**

1. Property, plant and equipment (continued)

Right of use assets

	Land and buildings £000	Fixtures, fittings & equipment £000	Total £000
Cost			
At 1 June 2020	1,736	29	1,765
Additions	-	29	29
Disposals	(92)	(5)	(97)
At 31 May 2021	1,644	53	1,697
Additions	420	-	420
Disposals	(16)	(22)	(38)
At 31 May 2022	**2,048**	**31**	**2,079**
Accumulated depreciation			
At 1 June 2020	259	9	268
Depreciation charge	258	9	267
Disposals	(35)	(3)	(38)
At 31 May 2021	482	15	497
Depreciation charge	231	6	237
Disposals	(1)	(1)	(2)
At 31 May 2022	**712**	**20**	**732**
Net book value			
At 31 May 2022	**1,336**	**11**	**1,347**
At 31 May 2021	**1,162**	**38**	**1,200**
At 31 May 2020	**1,477**	**20**	**1,497**

2. Intangible fixed assets

	Marketing-related assets £000
Cost	
1 June 2020 and 31 May 2021	600
Additions	19
At 31 May 2022	619
Amortisation	
At 1 June 2020 and 31 May 2021 and 31 May 2022	-
Net book value	
At 31 May 2022	**619**
At 1 June 2020 and 31 May 2021	600

2. Intangible fixed assets (continued)

Marketing-related assets comprises of the Springfield trademark asset which has been measured at cost. Market-related assets are expected to have an indefinite useful life. The recoverable amount of the marketing intangible has been determined based on a value in use calculation using cash flow projections based on the actual results for Springfield company only for the year ended 31 May 2022 and the financial budget approved by the Board covering the period to 31 May 2023, adjusted to reflect affordable margin changes and removing future site PRS revenues, with projected cash flows for the years ending 31 May 2024 to 31 May 2026 based on a growth rate of 5% per annum.

The discount rate applied to cash flows is 12% based on an estimated market rate of interest applied. As a result of the impairment review, there has been no impairment to the carrying value of the intangible assets. The Directors believe that any reasonably possible further change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

3. Fixed asset investments

	2022 £000	2021 £000
Cost		
Investment in subsidiaries	169,697	91,467
Provision for impairment		
Impairment	(37,000)	(37,000)
Net book value	**132,697**	**54,467**

On 1 December 2021, the company acquired the entire share capital of Tulloch Homes Holdings Limited and its subsidiaries, Tulloch Homes Group Limited, Tulloch Homes Limited, Tulloch Limited, Tulloch Homes Express Limited, Tulloch Homes (Drumossie) Limited, Argyll Developments (Scotland) Limited and Argyll Homes (Hamilton) Limited for an initial consideration of £77,907k.

The deferred consideration payment of £13,000,000 has been discounted to present value. At 1 December 2021, this was calculated as £12,898,008 with first payment of £362,330 paid in April 2022 and deemed interest of £38,550 has been charged to the company profit and loss account to 31 May 2022. This has resulted in deferred consideration being £12,574,228 at 31 May 2022 (Note 11).

3. Fixed asset investments (continued)

Movement in fixed asset investments

	Share in Group undertakings £000	Total £000
Cost		
At 1 June 2020	91,431	91,431
Additions	36	36
At 31 May 2021	91,467	91,467
Additions	78,230	77,907
At 31 May 2022	169,697	169,374
Provisions for impairment		
At 1 June 2020	(37,000)	(37,000)
Impairment	-	-
At 31 May 2021 and 31 May 2022	(37,000)	(37,000)
Net book value		
At 31 May 2022	**132,697**	**132,374**
At 31 May 2021	54,467	54,467
At 31 May 2020	54,431	54,431

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

3. Fixed asset investments (continued)

Details of the Company's subsidiaries and jointly owned entities at 31 May 2022 are as follows:

Name of undertaking	Nature of business	Class of shares held	% Held
Glassgreen Hire Limited	Hire of plant and machinery	Ordinary	100%
Dawn Homes Holdings Limited (formerly known as DHomes 2014 Holdings Limited)	Holding Company	Ordinary	100%
Dawn Homes Limited *	Housebuilder/Construction	Ordinary	100%
Dawn Homes (Residential) Limited (formerly known as DHPL Limited) *	Buying and selling of own real estate	Ordinary	100%
Dawn Homes (Cambuslang) Limited (formerly known as DHHG 1 Limited) *	Housebuilder/Construction	Ordinary	100%
Walker Group Springfield (Holdings) Limited (formerly known as Walker Holdings (Scotland) Limited		Ordinary	100%
Walker Group (Scotland) Limited) *	Housebuilders/ property development/ management services	Ordinary	100%
Walker Contracts (Scotland) Limited *	Dormant	Ordinary	100%
Walker Residential (Scotland) Limited*	Dormant	Ordinary	100%
Walker Group Developments Limited (formerly known as Craig Developments Limited) *	Dormant	Ordinary	100%
Tulloch Homes Holdings Limited	Holding Company	Ordinary	100%
Tulloch Homes Group Limited *	Housebuilder/Construction	Ordinary	100%
Tulloch Homes Express Limited *	Housebuilder/Construction	Ordinary	100%
Tulloch Homes Limited *	Housebuilder/Construction	Ordinary	100%
Tulloch Limited *	Housebuilder/Construction	Ordinary	100%
Argyll Developments (Scotland) Limited*	Housebuilder/Construction	Ordinary	100%
Tulloch Homes (Drumossie) Limited*	Housebuilder/Construction	Ordinary	100%
Argyll Homes (Hamilton) Limited *	Housebuilder/Construction	Ordinary	100%
Springfield Timber Kit Systems Limited (formerly known as SP SUB 2018 Limited)	Timber Kit Manufacturing	Ordinary	100%
Springfield M&M Homes Limited (formerly known as SP SUB 2022 Limited)	Housebuilder/Construction	Ordinary	100%
Tulloch Ventures Limited**	Dormant	Ordinary	100%
Tulloch Longman Limited**	Dormant	Ordinary	100%
Inverness Caledonian Thistle Properties Limited**	Investment Property	Ordinary	91.67%

* Indirectly held
** No controlling interest – see consolidation note 3.2
All of the above have a registered office address of:
Alexander Fleming House 8 Southfield Drive Elgin, Morayshire IV30 6GR

The parent undertaking has provided a guarantee over the outstanding liabilities at the balance sheet date of the subsidiaries listed below pursuant to sections 479A-C of the Companies Act 2006. These subsidiaries are exempt from audit under section 479A of the Companies Act 2006. The subsidiaries are - Tulloch Homes Holdings Limited, Tulloch Homes Group Limited, Tulloch Homes Express Limited, Tulloch Homes Limited, Tulloch Limited, Argyll Developments (Scotland) Limited, Tulloch Homes (Drumossie) Limited, Argyll Homes (Hamilton) Limited.

4. Inventories

	2022 £000	2021 £000
Work in progress	104,916	91,306
	104,916	**91,306**

5. Trade and other receivables

Amounts falling due within one year

	2022 £000	2021 £000
Trade receivables	8,992	9,197
Other receivables	5,423	7,687
Amounts recoverable on contracts	4,497	2,524
Amounts due from Group undertakings	12,031	2,344
Prepayments and accrued income	503	432
	31,446	**22,184**

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

The Company's exposure to credit risk is limited by the fact that the Company generally receives cash at the point of legal completion of its sales. There are certain categories of revenue where this is not the case; for instance, housing association revenues or land sales where management considers that the credit ratings of these various debtors are strong and therefore credit risk is low. Loans to related parties have also been assessed as low credit risk based on the expected profitability of their future contracts. The Company has low concentration of credit risk, with exposure spread over a large number of customers and developments. The maximum exposure to credit risk at 31 May 2022 is represented by the carrying amount of each financial asset.

Amounts falling due after one year

	2022 £000	2021 £000
Other receivables	5,000	5,046
	5,000	5,046

6. Trade and other payables

	2022 £000	2021 £000
Trade creditors	20,578	16,708
Other taxation and social security	940	739
Other creditors	163	308
Amounts due to Group undertakings	66,676	23,304
Payments on account	8,117	3,206
Accruals and deferred income	9,860	11,696
	106,334	**55,961**

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

7. Financial assets and liabilities

Assets	**2022**	**2021**
	£000	**£000**
Financial assets at amortised cost	30,975	31,413
Total	**30,975**	**31,413**

Liabilities		**2022**
		£000
Measured at amortised cost	159,671	90,090
Total	**159,671**	**90,090**

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

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

8. Bank borrowings

	2022	**2021**
	£000	**£000**
Secured borrowings:		
Bank loans	50,486	34,000
	50,486	34,000
Less: payable within one year	-	(34,000)
Payable after one year	**50,486**	**-**

The bank loan comprises of a revolving credit facility of £64.5m, which was put in place for three years in September 2021 with an expiry date in January 2025 and was extended in November 2021 to £87.5m to part fund the Tulloch acquisition on the same terms as the existing facility and is secured over certain of the Company's properties. The facility attracts an interest rate of 2.15% per annum above Bank of England Sonia (Sterling overnight index average response rate). The amount payable within one year in the prior year related to a Term loan which was drawn down on 24 April 2020 and repaid in full in April 2021.

9. Obligations under leases

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

	2022	2021
Future minimum payments due:	£000	£000
Not later than one year	311	242
After one year but not more than five years	1,008	762
After five years	542	693
	1,861	1,697
Less finance charges allocated to future periods	(377)	(382)
	1,484	1,315
Present value of minimum lease payments is:		
Not later than one year	222	166
After one year but not more than five years	784	547
After five years	478	602
	1,484	1,315

10. Deferred taxation

	2020	Profit & loss account	2021	Profit & loss account	2022
	£000	£000	£000	£000	£000
Fixed assets – temporary differences	93	(187)	(94)	6	(88)
Other – temporary differences	(217)	(148)	(365)	291	(74)
	(124)	**(335)**	**(459)**	**297**	**(162)**

	2022	2021
	£000	£000
Deferred tax assets	162	459
	162	**459**

11. Deferred consideration

As part of the purchase agreement of Tulloch Homes Holdings Limited, there was a further £13,000,000 of deferred consideration payable. This can be broken down into: (i) £362,330 payable on 24 April 2022 (ii) £6,137,670 payable on 1 November 2022 and (iii) £6,500,000 payment on 1 July 2023. The outstanding discounted amount payable at the period end is £12,574,228 (2021: £nil).

	2022	2021
	£000	£000
Deferred consideration < 1 year	6,119	-
Deferred consideration > 1 year	6,455	-
	12,574	**-**

12. (a) Contingent consideration

As part of the purchase agreement of Walker Holdings (Scotland) Limited, there was a further £6,000,000 payable which is included within liabilities. £4,000,000 was payable when outline planning is granted at Carlaverock and £2,000,000 payable when detailed planning is granted at Carlaverock, the probability of which was assessed at 98% and 95% respectively.

The outstanding amount payable at the period end is £nil (2021: £1,900,000). £2,000,000 was paid during the year.

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

The outstanding amount payable at the period end included within liabilities is £2,000,000 (2021: £2,000,000). The remaining £500,000 (20% on the £2,500,000 still to be paid) has been treated as a contingent liability due to the uncertainty over the future payment.

	2022 £000	2021 £000
Acquisition of DHomes 2014 Holdings Limited ("Dawn")	2,000	2,000
Acquisition of Walker Holdings (Scotland) Limited ("Walker")	-	1,900
	2,000	**3,900**

12. (b) Provisions

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

	2022 £000	2021 £000
Dilapidation provision	125	125
Maintenance provision	1,091	825
	1,216	**950**

	2022 £000	2021 £000
Provisions < 1 year	364	-
Provisions > 1 year	852	950
	1,216	**950**

13. Share capital

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

Ordinary shares of 0.125p - allotted, called up and fully paid	Number of shares	Share capital £000	Share premium £000
At 1 June 2021	102,077,526	128	56,761
Share issue	16,391,873	20	21,983
At 31 May 2022	**118,469,399**	**148**	**78,744**

13. Share capital (continued)

During the year 677,587 shares (2021: 2,539,270) were issued in satisfaction of share options exercised for consideration of £727,647. On 1 December 2021, 15,714,286 shares were issued as part of the acquisition of Tulloch Homes Holdings Limited, for a consideration of £22,000,000. Expenses of £723,816 are included within share premium relating to this share raise.

Share based payments

During the year the Company operated four share based schemes.

Share related share options scheme
The Company operates a Savings related Share Option Scheme which is open to all employees. Grant options were made in May 2021 and become exercisable after 3 years, subject to employees remaining in continuous employment. Employees enter into a savings contract with the Yorkshire Building Society who administers the scheme. The options are granted at a 10% discount of the share price at the date of grant and lapse if not exercised within six months of maturity. Special provisions apply to employees who leave their employment for ill health, redundancy or retirement.

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

13. Share capital (continued)

Fair value of share options

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

CSOP

	2022		2021	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at the beginning of the year	801,745	114.89	1,240,111	111.95
Lapsed during the year	(17,741)	108.50	(41,451)	109.29
Exercised during the year	(156,446)	113.84	(396,915)	106.31
Options at the year end	627,558	115.33	801,745	114.89

Share option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting period (years)
CSOP – 16th October 2017	106.00	307,821	106.00	3
CSOP – 8th December 2017	111.00	27,027	111.00	3
CSOP – 3rd May 2018	134.00	22,388	134.00	3
CSOP – 16th May 2018	134.00	110,008	134.00	3
CSOP – 1st October 2018	122.50	115,079	122.50	3
CSOP – 4th June 2019	108.50	45,235	108.50	3

ESOP

	2022		2021	
	Number of shares	Weighted average exercise price (pence)	Number of shares	Weighted average exercise price (pence)
Options at the beginning of the year	2,024,836	119.38	2,167,027	119.23
Lapsed during the year	(187)	122.50	(95,579)	122.50
Exercised during the year	(278,079)	119.31	(46,612)	106.17
Options at the year end	1,746,570	118.84	2,024,836	119.38

Share option	Grant Price (p)	Number of shares at year end	Exercise price (p)	Vesting period (years)
ESOP – 16th October 2017	106.00	446,402	106.00	5
ESOP – 3rd May 2018	134.00	72,761	134.00	5
ESOP – 16th May 2018	134.00	11,157	134.00	5
ESOP – 1st October 2018	122.50	1,216,250	122.50	5

13. Share capital (continued)

SAYE

	2022		2021	
	Number of shares	**Weighted average exercise price (pence)**	**Number of shares**	**Weighted average exercise price (pence)**
Options at the beginning of the year	2,192,995	128.45	2,436,799	84.80
Granted during the year	-	-	2,094,548	130.50
Lapsed during the year	(112,186)	130.50	(242,609)	84.80
Exercised during the year	(243,062)	86.79	(2,095,743)	84.80
Options at the year end	1,837,747	130.50	2,192,995	128.45

Share option	**Grant Price (p)**	**Number of shares at year end**	**Exercise price (p)**	**Vesting period (years)**
SAYE – 29th April 2021	145.00	1,837,747	130.50	3

PSP

	2022		2021	
	Number of shares	**Weighted average exercise price (pence)**	**Number of shares**	**Weighted average exercise price (pence)**
Options at the beginning of the year	1,006,633	0.13	376,936	0.13
Granted during the year	1,396,481	0.13	648,422	0.13
Lapsed during the year	(34,933)	0.13	(18,725)	0.13
Options at the year end	2,368,181	0.13	1,006,633	0.13

Share option	**Grant Price (p)**	**Number of shares at year end**	**Exercise price (p)**	**Vesting Period (years)**
PSP – 9th January 2020	0.13	348,636	0.13	3
PSP – 30th October 2020	0.13	623,064	0.13	3
PSP – 21st December 2021	0.13	1,396,481	0.13	3

13. Share capital (continued)

Share based payments (continued)

Inputs used to determine fair value of options

	CSOP	ESOP	SAYE	PSP
Expected volatility	29.00%	29.00%	29.00%	28.56%
Risk free interest rate	0.49%	0.49%	0.49%	-0.10%
Expected dividends	-	-	-	5.00%
Fair value of options	34.00p	39.00p	37.00p	131.13p
Charge per option	32.00p	37.00p	35.00p	131.13p

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

CSOP – 156,446 (2021 – 396,915) of options were exercised during the year and 582,323 (2021: 587,369) shares were exercisable.

ESOP – 278,079 (2021 – 46,612) of options were exercised during the year and 1,746,570 (2021: 538,009) shares were exercisable.

SAYE – 243,062 (2021 – 2,095,743) of options were exercised during the year and nil (2021: 15,668) shares were exercisable.

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

Charge for share based incentive schemes

The total charge for the year relating to employee share-based plans were £554k (2021: £493k), all of which related to equity-settled share-based payment transactions.

14. Cash and cash equivalents

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

	2022 £000	2021 £000
Cash at bank and in hand	1,073	4,615
	1,073	**4,615**

At 31 May 2022, the Company had available £39,000k (2021: £33,000k) of undrawn committed borrowing facilities.

15. Capital risk management

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

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

16. Financial risk management

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

16.1 Market risk

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

Interest rate risk

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

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

	2022 £000	2021 £000
Financial liabilities at fixed rate	14,058	1,315
Financial liabilities at floating rate	50,486	34,000
Non-interest-bearing financial liabilities	95,127	54,775
	159,671	**90,090**

Interest rate sensitivity analysis

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

	Bank of England base rate 31 May 2022		**Bank of England base rate 31 May 2021**	
	Interest rate +0.5% £000	Interest rate -0.5% £000	Interest rate +0.5% £000	Interest rate -0.5% £000
(Loss) / profit	(252)	252	(170)	170

16. Financial risk management (continued)

16.1 Market risk (continued)

Limitations of sensitivity analysis

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

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

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

Management believe that fair value of the loans, borrowings and finance lease obligations approximates their carrying amounts as the majority of obligations bear interest rates approximating market rates at 31 May 2022.

16.2 Liquidity risk

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

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

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

31 May 2022	**Carrying amount £000**	**Total minimum future payment £000**	**Within 1 year £000**	**Within 1-2 years £000**	**Within 2-5 years £000**	**Greater than 5 years £000**
Accounts payable	95,127	95,127	95,127	-	-	-
Bank borrowings	50,486	51,000	-	51,000	-	-
Deferred consideration	12,574	12,638	6,138	6,500	-	-
Leases	1,484	1,861	311	289	719	542
	159,671	**160,626**	**101,576**	**57,789**	**719**	**542**

16. Financial risk management (continued)

16.2 Liquidity risk (continued)

31 May 2021	Carrying amount £000	Total minimum future payment £000	Within 1 year £000	Within 1-2 years £000	Within 2-5 years £000	Greater than 5 years £000
Accounts payable	54,775	54,775	54,775	-	-	-
Bank borrowings	34,000	34,000	34,000	-	-	-
Leases	1,315	1,697	242	214	548	693
	90,090	**90,472**	**89,017**	**214**	**548**	**693**

16.3 Credit risk

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

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

The Company manages credit risk by actively monitoring the level of trade receivables and following up when they are overdue more than three months.

The ageing profile of trade receivables was:

	31 May 2022		31 May 2021	
	Total book value £000	Allowance for impairment £000	Total book value £000	Allowance for impairment £000
Current	8,858	-	9,043	-
Overdue 90 days	134	-	154	-
	8,992	**-**	**9,197**	**-**

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

The ageing profile of other receivables was:

	31 May 2022		31 May 2021	
	Total book value £000	Allowance for impairment £000	Total book value £000	Allowance for impairment £000
Current	5,424	-	15,211	-
Non-current	5,000	-	-	-
	10,424	**-**	**15,211**	**-**

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

17. Transactions with related parties

Other related parties include transactions with retirement schemes in which Directors and close family members of key management personnel are beneficiaries. During the year dividends totalling £2,343k (2021: £1,415k) were paid to key management personnel (Board of Directors and the members of the Operational Board). Dividends were paid to Board of Directors as follows:

Name of Director	2022 £000	2021 £000
Mr Sandy Adam	2,249	1,353
Mr Innes Smith	55	32
Ms Michelle Motion	6	2
Mr Matthew Benson	2	1
Mr Roger Eddie	3	2
Mr Colin Rae	1	1
Mr Nick Cooper	1	-
	2,317	**1,391**

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

	2022 £000	2021 £000
Short-term employee benefits	3,537	3,539
Share-based payments	404	356
Post-employment benefits	169	181
	4,110	**4,076**

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

	Sale of goods		Purchase of goods	
	2022 £000	2021 £000	2022 £000	2021 £000
Bertha Park Limited (1)	18,226	8,989	371	-
Other entities which key management personnel have control, significant influence or hold a material interest in	74	118	45	33
Key management personnel	154	44	11	-
Other related parties	20	121	332	313
	18,474	**9,272**	**759**	**346**

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

	Rent paid	
	2022 £000	2021 £000
Entities which key management personnel have control, significant influence or hold a material interest in	170	176
Key management personnel	-	11
Other related parties	107	128
	277	**315**

17. Transactions with related parties (continued)

	2022 £000	2021 £000
Interest received:		
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	125	355
	125	**355**

The following amounts were outstanding at the reporting end date:

	2022 £000	2021 £000
Amounts receivable:		
Amounts due from Group undertakings	12,031	2,334
Bertha Park Limited (1)	9,108	6,772
Other entities which key management personnel have control, significant influence or hold a material interest in (short-term)	52	3
Key management personnel	34	3
Other related parties	-	3
	21,225	**9,125**

	2022 £000	2021 £000
Accounts payable:		
Amounts due to Group undertakings	66,676	23,304
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	-	8
Other related parties	52	58
	66,728	**23,370**

Amounts owed to/from related parties are included within creditors and debtors respectively at the year-end. No security has been provided on any balances.

(1) Bertha Park Limited is a Company in which Sandy Adam and Innes Smith are Directors. During the year the Group made sales to Bertha Park Limited of £18,226k (2021: £8,989k) in relation to a build contract. At the year-end £3,983k (2021: £1,772k) is included in trade debtors and included within other debtors is a loan of £5,125k (2021: £5,000k) at the year-end. During the year the Group had purchases from Bertha Park Limited of £371k (2021: £nil) in relation to a build contract. These were paid in full during the year.

Other related party transactions

During the year there were transactions between the Company and its subsidiaries as follows:

	2022 £000	2021 £000
Balance at 1 June 2021	(20,960)	1,094
Charges (from)/to subsidiary companies	(4,239)	4,704
Transfers of cash from subsidiary companies	(29,446)	(26,758)
Balance at 31 May 2022	(56,645)	(20,960)

During the period the company made purchases from related parties of £5,734k (2021: £3,994k) and sales to related parties of £18,484k (2021: £8,933k).

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YEAR TO 31 MAY 2022

18. Analysis of net debt

The analysis of net debt is as follows:

	2022 £000	2021 £000
Cash in hand and bank	1,073	4,615
Bank borrowings	(50,486)	(34,000)
	(49,413)	(29,385)
Lease liability	(1,484)	(1,315)
Net debt	**(50,897)**	**(30,700)**

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

	At 1 June 2021	New Leases	Cashflow	Fair Value	At 31 May 2022
	£000	£000	£000	£000	£000
Cash and cash equivalents	4,615	-	(3,542)	-	1,073
Bank Borrowings	(34,000)	-	(16,486)	-	(50,486)
Lease	(1,315)	(420)	318	(67)	1,484
Net Debt	**(30,700)**	**(420)**	**(19,710)**	**(67)**	**(50,897)**

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