18 September 2018

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

Annual Results

Springfield Properties (AIM: SPR), a leading housebuilder in Scotland delivering private and affordable housing, is pleased to announce its maiden annual results, for the year ended 31 May 2018, following its listing on AIM in October 2017.

Financial Highlights

	2017/18 £m	2016/17 £m	Change
Revenue	140.7	110.6	+27%
Gross profit margin	15.7%	15.1%	+60bps
Adjusted operating profit*	10.7	7.8	+37%
Adjusted profit before tax*	9.8	6.7	+46%
Net debt	15.3	33.2	-54%

* *Adjusted to exclude exceptional items – relating to IPO and acquisition of Dawn Homes*

The Directors of Springfield are pleased to propose a final dividend of 2.7p per share, equating to a total dividend for the year of 3.7p.

Operational Highlights
- Increased revenue across both Private Housing and Affordable Housing divisions
- Completion of new homes increased by 24.2% to 770 (2016/17: 620 completions)
- Expanded into the West of Scotland through the acquisition of DHomes 2014 Holdings Limited (trading as Dawn Homes) for a consideration of up to £20.1m
- Strengthened 15-year land bank to 12,476 plots, including 1,379 acquired through the acquisition of Dawn Homes (31 May 2017: 9,195), 39.5% of which have planning permission
- Gross development value (GDV) of land bank was £2.4bn (30 November 2017: £1.8bn; 31 May 2017: £1.6bn)

Private Housing Division
- Revenue increased by 17.9% to £101.9m (2016/17: £86.4m)
- Completion of 460 homes (2016/17: 437)
- Average selling price increased to £221.5k (2016/17: £197.6k)
- Planning consent secured for 812 private plots
- Land bank grew to 8,757 plots (31 May 2017: 6,372), including 1,366 acquired through the acquisition of Dawn Homes
- Significant progress on Village sites:
  - At Dykes of Gray, 108 homes occupied at 31 May 2018; village centre was further developed with apartments, café, public square and public art; planning application is being prepared for the next phase of homes
  - Sales launched at Bertha Park in September 2017 with the first occupations expected by the end of H1 2018/19
  - Planning application submitted for the 3,002-home Durieshill, Stirling
  - All agreements in place for construction to start on Linkwood, Elgin by the end of H1 2018/19
  - Post period, acquired rights to develop a new Village site through a strategic land deal for 1,900 homes at Gavieside, Livingston

- Geographic expansion:
  - Completed land swap with a major housebuilder of 62 plots at Dykes of Gray for land in Kinross with a GDV of £13m
  - Added six active sites and 13 future sites, with 1,366 plots, in the West of Scotland through the Dawn Homes acquisition
  - Progressing sites in the Highlands, including at Dornoch, Drumnadrochit and Ardersier

Affordable Housing Division

- Revenue increased by 60.3% to £37.3m (2016/17: £23.3m)
- 310 homes completed (2016/17: 183)
- Average selling price of £120.2k (2016/17: £127.0k), slight reduction due to difference in sales mix
- Planning consent secured during the period for 981 affordable plots
- Land bank rose to 3,719 plots (31 May 2017: 2,823)
- Secured land for 12 new affordable housing-only developments, including submission of planning application for 237 homes in Dalmarnock, Glasgow
- Successful framework bid to a local authority with an estimated value of £45m for work across 10 sites over the next three years

Sandy Adam, Executive Chairman of Springfield Properties, said: "In our first full year results since floating on AIM, I am pleased to report another year of strong growth for Springfield. We built more private and affordable homes than in any previous year. We made great progress with the development of our Village sites and we added significantly to our strong land bank, securing future growth. In particular, in the final month of our financial year, we extended our geographic reach with the acquisition of Dawn Homes, who share Springfield's core values of looking after customers and building high-quality homes.

"As we look to the future, I would like to thank those who have enabled us to reach this point. In particular, I would like to thank all of our 593 staff for their hard work and dedication, and I would like to welcome the Dawn Homes team, a strong addition who will ably develop our business in the West of Scotland. Springfield entered the new financial year in a stronger position than at the same point of the previous year. With an established pipeline, strengthened foundations and the long-term drivers showing no sign of abating, the Board is confident of delivering strong growth for full year 2018/19 in line with market expectations."

Enquiries

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

Operational Review

Springfield made strong progress during the year with sales increasing in both the Private Housing and Affordable Housing divisions, total completions increasing by 24.2% to 770 new homes (2016/17: 620 homes). The Group significantly added to its land bank to secure future growth, including 1,379 plots over six active sites and 13 future sites through the acquisition of Dawn Homes, which also expanded the Group's land bank into the West of Scotland. In addition, the Group achieved a number of milestones in the development of its Villages across Scotland.

Land Bank

Springfield grew active sites to 41 (31 May 2017: 25 active sites). Twenty-five new sites were added to the pipeline during the year while nine sites were completed. The land bank was increased by 35.7% to 12,476 plots, the equivalent of 15 years of activity at current sales rates (31 May 2017: 9,195 plots, 14 years).

The Group secured 2,181 plots in 22 locations and received planning approval on 1,793 plots over 10 different developments. As of 31 May 2018, 39.5% of Springfield's land bank had planning consent (31 May 2017: 36%).

Private Housing

The Group's Private Housing division offers homes, on sites of various size, across Central and Northern Scotland. This includes the development of standalone Village sites, with requisite infrastructure, each with 1,000 to 3,000 plots and that include local amenities. Springfield homes are differentiated by their high-quality specification and a wide variety of personalised finishes as part of the Company's 'It's Included' and 'Choices' initiatives.

In 2017/18, Springfield's Private Housing completions were 5.3% higher at 460 compared with 437 in the previous year. The ASP of Springfield's Private Housing was £221.5k, an increase of 12.0% (2016/17: £197.6k). This increase was due to the mix in the houses being sold as well as the general increase in house prices. Springfield grew its active Private Housing sites to 23 (31 May 2017: 17) and 10 new sites were added to the pipeline while four sites were completed. It also added 19 sites, including 1,366 plots, to its private housing land bank through the acquisition of Dawn Homes. In total, the Private Housing land bank was expanded to 8,757 plots on 50 sites (31 May 2017: 6,372 plots and 33 sites).

Springfield secured planning consent for 812 private plots and submitted planning applications for 2,439 plots. As at 31 May 2018, 41.7% of the Group's private plots had planning (31 May 2017: 38.6%), with 27.9% of plots going through the planning process and 30.4% at the pre-planning stage.

Village sites

Springfield achieved a number of milestones in progressing its Villages. As of 3 September 2018, a total of 76 plots were reserved and missived (under contract) and 125 homes were occupied.

At its most-advanced site, Dykes of Gray near Dundee, 108 homes were occupied as at 31 May 2018, including 52 completions during the year. The Group progressed the development of the Village centre with apartments, a café, a public square and public art. Springfield is now preparing the planning application for the next phase of homes at Dykes of Gray. Also during the year, the Group completed a land swap with a major housebuilder of 62 plots at Dykes of Gray for land in Kinross with a GDV of £13m. This swap has delivered a development of 59 homes at Kinross, extending Springfield's geographic presence.

At Bertha Park, a Village near Perth for approximately 3,000 homes, construction commenced and sales were launched towards the end of the period. The Group expects the first homes to be occupied by the end of the first half of its current financial year.

At Linkwood, Elgin, the Group secured all the necessary approvals and legal agreements for construction to commence by the end of the first half of 2018/19 on the first 870 homes. The Group also submitted a planning application for 3,002 homes at Durieshill near Stirling. The Group is working closely with Stirling Council and expects to receive consent by March 2019.

Post period, the Group secured land for a fifth Village at Gavieside, Livingston and work has begun on designing the masterplan. This 1,900-home site is located where there is very high demand for residential property.

Other sites

The Group commenced sales at The Wisp, a large development area in South East Edinburgh. During the year the group acquired a second tranche of land for 120 homes at The Wisp, expanding its existing 80-home development to 200 homes.

In addition, the Group completed a further 392 homes on 22 private sites, each at varying stages of completion. This includes the accelerated completion of the sites that the Group had acquired from Redrow in 2011, with the final Redrow plot completed post period-end.

The Group progressed sites at Dornoch, Drumnadrochit and Ardersier. These are the Group's most north-westerly sites and expand Springfield's geographic reach in the Highlands.

Affordable Housing

Springfield's Affordable Housing division's operations focus primarily on the development of land into standalone sites that consist entirely of affordable homes, and which are built in partnership with local authorities, housing associations or other public bodies. The Affordable Housing division also develops affordable housing on the Group's private developments under Section 75 agreements with local authorities (whereby private developers agree to make a contribution of housing, money or infrastructure as a condition of planning permission).

The Affordable Housing division made considerable progress, with the number of completions increasing by 69.4% to 310 homes (2016/17: 183). The ASP of Springfield's Affordable Housing was £120.2k (2016/17: £127.0k), with the slight reduction due to the difference in sales mix.

The Group secured land for 12 new affordable home only developments, increasing active Affordable Housing sites to 18 (31 May 2017: 8) and the Affordable Housing land bank was expanded to 3,719 plots on 43 sites (31 May 2017: 2,823 plots and 32 sites).

Springfield secured planning consent for 981 Affordable Housing plots and submitted planning applications for 1,422 plots. As at 31 May 2018, 34.4% of the Group's Affordable Housing plots had planning (31 May 2017: 30.3%), with 38.2% of plots going through the planning process and 27.4% at the pre-planning stage.

The growth in the Affordable Housing division is driven by local authorities seeking to meet the Scottish Government's aim to increase the availability of affordable housing in Scotland, including a target of building 50,000 new affordable homes between 2016 and 2021.

Key achievements during the year include being the successful bidder under a framework agreement with a local authority for work across 10 sites, with an estimated value of £45m over the next three years. The Group will benefit from economies of scale from working across the 10 sites, including more efficient management of supply chain and reduced costs. The Group also secured land and submitted a planning application for 237 homes in Dalmarnock, Glasgow.

Springfield completed the Linkwood View facility in Elgin that was specifically designed for the elderly. The development, created in partnership with Hanover Housing Association, is comprised of 30 wheelchair accessible apartments, with six of the self-contained flats being tailored to meet the needs of residents with dementia. Following the success of this development, Springfield is now in negotiations to build similar facilities in Central Scotland. At Springfield's Affordable Housing development in Muirhouse, Edinburgh, located on the site of a former BT Training Centre, the Group handed over the final 28 homes of the 202-home development. This development has generated a total of £23.0m of revenue for Springfield over the 45-month duration of the project.

Financial Review

Consolidated revenue for the year to 31 May 2018 was 27.2% higher than the previous year at £140.7m (2016/17: £110.6m). This was based on increased revenue and completions in both the Private Housing and Affordable Housing divisions. The Private Housing division continued to be the largest contributor to revenue, accounting for 72.4% of total revenue (2016/17: 78.1%).

Revenue	**2017/18 £'000**	**2016/17 £'000**	**Change**
Private Housing	101,867	86,367	+17.9%
Affordable Housing	37,272	23,250	+60.3%
Other*	1,584	972	+63.0%
TOTAL	**140,723**	**110,589**	**+27.2%**

*Principally construction-only projects, typically on land not owned or controlled by Springfield where the Company receives fees for its design and construction work.

Gross profit for 2017/18 increased by 32.7% to £22.1m (2016/17: £16.7m), which reflects a consolidated gross margin improvement to 15.7% (2016/17: 15.1%). This was due to increased gross margin in the Affordable Housing division, 17.2% compared with 14.6% for 2016/17, while the gross margin in the Private Housing division was 15.2% (2016/17: 15.4%). The strong improvement in the margin in the Affordable Housing division was due to more efficient build processes and the start of new sites with higher margins. The slight softening in the margin in the Private Housing division was due to the accelerated completion of the sites the Group had acquired from Redrow in 2011 that had a lower margin than other Springfield sites. As at 31 May 2018 only one plot from the Redrow acquisition remained. However, the Private Housing division continued to account for the majority of the gross profit at £15.5m with the Affordable Housing division generating £6.4m (2016/17: £13.3m and £3.4m respectively).

Total administrative expenses for 2017/18 were £12.2m compared with £8.9m for the prior year. This includes exceptional costs of £0.6m comprising £0.3m in IPO-related expenses and £0.3m related to the acquisition of Dawn Homes. On an adjusted basis, excluding these exceptional items, administrative expenses were £11.6m. The increase compared with the prior year reflects the Group's investment in its future growth with the majority of the increase consisting of employee wages as well as reflecting the Group's transition to becoming a public company.

Profit before tax increased by 37.7% to £9.2m (2016/17: £6.7m). On an adjusted basis, excluding £0.6m of exceptional items, profit before tax increased by 46.1% to £9.8m. This increase in profit before tax was primarily due to the higher revenue and improvement in gross margin. There was also a slight reduction in finance costs relating to bank interest payments and a slight increase in interest receivable.

The basic EPS for the year (excluding the exceptional items) increased by 17.4% to 10.78p compared with 9.18p for the prior year. The lower percentage increase compared with the increase in profit is due to the increased share capital from the fundraising to acquire Dawn Homes, which only contributed one month's earnings in the period.

The return on capital employed ("ROCE") for the year ended 31 May 2018 was 11.3% compared with 11.9% for the prior year. The reduction was due to the Dawn Homes acquisition in May 2018 reflecting only one month of earnings.

Net debt at 31 May 2018 was £15.3m, which is a reduction of £17.9m compared with £33.2m at 31 May 2017. The reduction is primarily due to the reduction of bank loans through the receipt of the IPO proceeds of £25.0m and from the placing to raise £15.0m, which was partly offset by the £15.5m cash payment for the acquisition of Dawn Homes.

Dividend

The Directors of Springfield are pleased to propose a final dividend of 2.7p per share, subject to shareholder approval at the next Annual General Meeting. This equates to a total dividend for the year, including the interim dividend already paid, of 3.7p per share.

Dawn Homes and Group Operating Structure

The acquisition of Dawn Homes at end of the year significantly expanded the Group's land bank in size and into a new region – West of Scotland – as well as providing an established supply chain. Dawn Homes operates as a separate business unit, retaining its own brand, within the enlarged Springfield group. The integration of the two companies is complete and Dawn Homes is trading as expected, with two new sites expected to become active during this current financial year. As a result, the Board continues to expect the acquisition to accelerate the growth of the Group and to be earnings enhancing from this current financial year.

To support the expansion of the Group, post period, Springfield established a Group Operating Board comprising the Managing Directors of Private Housing for North and Central, which are two newly-created positions; the Managing Director of Dawn Homes; the Managing Director of Affordable Housing; and the Directors of the respective corporate functions. The Group believes that this structure will enhance operational efficiency and support sales growth across the business.

Outlook

Springfield entered the new financial year in a significantly stronger position than at the same point in the prior year, having successfully raised growth capital and joined the AIM market as well as with an expanded land bank through the acquisition of Dawn Homes. This was further strengthened shortly into the new financial year with the securing of land for a 1,900-home site at Gavieside, Livingston.

The Group has a strong pipeline and expects to commence work on eight new sites across Scotland during this current financial year, with significant contracted revenue for 2018/19. In the Private Housing division, the Group is focused on geographic expansion and on progressing the development of its Village sites. It expects Dawn Homes to make a good contribution to earnings this year. In the Affordable Housing division, with an increasing reputation as a reliable partner for local authorities and housing associations across Scotland, and having secured a framework agreement with a local authority for 10 developments over three years, the Group expects this division to continue to experience strong growth. The Group also continues to seek opportunities to expand its land bank, investing in future growth.

The Group has strengthened its foundations and enhanced the management structure to support growth at a time when the long-term market drivers are showing no sign of abating. Demand for housing continues to outstrip supply and there is ongoing support from the Scottish government for developing affordable housing. As a result, the Board is confident of delivering strong growth for full year 2018/19 in line with market expectations.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2018

	Notes	2018 Pre – Exceptional Items £000	Exceptional Items £000	2018 Post – Exceptional Items £000	2017 £000
Revenue	2	140,723	-	140,723	110,589
Cost of sales		(118,580)	-	(118,580)	(93,905)
Gross profit		**22,143**	**-**	**22,143**	**16,684**
Administrative expenses	4	(11,625)	(558)	(12,183)	(8,945)
Share of post-tax profit of joint venture		21	-	21	-
Other operating income		126	-	126	93
Operating profit/(loss)		**10,665**	**(558)**	**10,107**	**7,832**
Interest receivable and similar income		147	-	147	4
Finance costs		(1,039)	-	(1,039)	(1,145)
Profit before tax/(loss)		**9,773**	**(558)**	**9,215**	**6,691**
Tax	3	(1,854)	-	(1,854)	(1,278)
Profit for the year and total comprehensive income		**7,919**	**(558)**	**7,361**	**5,413**
Profit for the year and total comprehensive income is attributable to:					
-Owners of the parent company		7,911	(558)	7,353	5,359
-Non-controlling interests		8	-	8	54
		7,919	**(558)**	**7,361**	**5,413**
Earnings per share					
Basic earnings, on profit for the year (pence per share)	6	10.78p	(0.76)p	10.02p	9.18p
Diluted earnings, on profit for the year (pence per share)	6	10.75p	(0.76)p	9.99p	9.18p

The Group has no items of other comprehensive income.

These financial statements were approved by the Board of Directors on 17 September 2018

Signed on behalf of the Board by:

Mr Sandy Adam
Chairman

Company number: SC031286

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

CONSOLIDATED BALANCE SHEET

AS AT 31 MAY 2018

	Note	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment		4,492	2,803
Intangible assets		600	-
Investments		1,018	-
Accounts receivable		870	488
		6,980	**3,291**
Current assets			
Inventories and work in progress		105,630	81,800
Accounts receivable		19,104	6,447
Cash and cash equivalents		12,015	8,335
		136,749	**96,582**
Total assets		**143,729**	**99,873**
Current liabilities			
Accounts payable		33,910	25,050
Short-term obligations under finance lease		1,020	500
Corporation tax		1,139	874
		36,069	**26,424**
Non-current liabilities			
Long-term borrowings		25,000	40,429
Long-term obligations under finance lease		1,254	588
Provisions		2,394	45
		28,648	**41,062**
Total liabilities		**64,717**	**67,486**
Net assets		**79,012**	**32,387**
Equity			
Share capital		120	73
Share premium		50,105	10,285
Retained earnings		28,767	22,017
Equity attributable to owners of the parent company		**78,992**	**32,375**
Non-controlling interests		20	12
		79,012	**32,387**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2018

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Non-controlling interest £000	Total £000
1 June 2016		73	10,177	18,995	-	29,245
Share issue		-	108	-	-	108
Total comprehensive income for the year		-	-	5,359	54	5,413
Acquisition of minority interest		-	-	-	(42)	(42)
Dividends		-	-	(2,337)	-	(2,337)
31 May 2017		**73**	**10,285**	**22,017**	**12**	**32,387**
Share issue		47	39,820	-	-	39,867
Total comprehensive income for the year		-	-	7,353	8	7,361
Share option reserves			-	218	-	218
Dividends	**5**	-	-	(821)	-	(821)
31 May 2018		**120**	**50,105**	**28,767**	**20**	**79,012**

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR TO 31 MAY 2018

Operating activities	**Note**	**2018 £000**	**2017 £000**
Profit for the year after taxation		7,919	5,413
Adjusted for:			
Taxation charged		1,854	1,278
Finance costs		1,039	1,145
Interest receivable and similar income		(147)	(4)
Exceptional items	**4**	(558)	-
Gain on disposal of tangible fixed assets		(45)	(146)
Share option employment costs		218	-
Share of joint venture profit		(21)	-
Depreciation and impairment of tangible fixed assets		1,088	772
Operating cash flows before movements in working capital		**11,347**	**8,458**
Decrease/(Increase) in inventory		6,230	(7,963)
Increase in accounts and other receivables		(7,314)	(2,345)
Increase in accounts and other payables		4,166	5,000
Net cash generated from operations		**14,430**	**3,150**
Income taxes paid		(1,714)	(1,126)
Net cash inflow from operating activities		**12,716**	**2,024**
Investing activities			
Payments to acquire intangible assets		(600)	-
Purchase of property, plant and equipment		(752)	(843)
Proceeds on disposal of property, plant and equipment		62	526
Net purchase of subsidiary company		(14,719)	(42)
Interest received and similar income		19	4
Net cash used in investing activities		**(15,990)**	**(355)**
Financing activities			
Proceeds from issue of shares		42,180	108
Cost from issue of shares		(2,312)	-
Proceeds from bank loans		-	10,000
Repayment of bank loans		(22,500)	-
Proceeds paid to related parties		(4,647)	-
Proceeds from other borrowings		-	1,375
Repayment of other borrowings		(2,929)	(453)
Payment of finance leases obligations		(849)	(460)
Dividends paid		(821)	(2,337)
Interest paid		(1,168)	(1,145)
Net cash inflow from financing activities		**6,954**	**7,088**
Net increase in cash and cash equivalents		**3,680**	**8,757**
Cash and cash equivalents at beginning of year		8,335	(422)
Cash and cash equivalents at end of year		**12,015**	**8,335**

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

1. Summary of significant accounting policies

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

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

1.1. Basis of accounting

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

The Group has adopted all the standards and amendments to existing standards which are mandatory for accounting periods beginning on 1 June 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

At 31 May 2018 the following new and revised IFRSs relevant to the Group are issued but are not yet effective:

	Effective date
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

- IFRS 9 will impact both the measurement and disclosures of financial instruments. The Group have assessed the impact of the revisions on the group's and company's results and financial position and have concluded there will not be a material impact to the financial statements.
- IFRS 15 'Revenue from Contracts with Customers'. It is expected that this standard will result in some changes for construction companies, however, our preliminary assessment is that there will not be a material impact to the financial statements.
- IFRS 16 'Leases'. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. This is effective for the period beginning on 1 June 2019, with earlier adoption permitted if IFRS 15 'Revenue from contracts with customers' is also applied. The group has not yet assessed the full effect of this standard.

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

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

1.2. Basis of consolidation

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

Springfield Properties PLC and Glassgreen Hire Limited's financial statements are made up to 31 May 2018. All other subsidiaries and jointly associated entity's financial statements are made up to 31 January 2018.

The consolidated accounts for the Group include the assets, liabilities and result of the Company and subsidiaries in which Springfield Properties PLC have controlling interest, using accounts drawn up to 31 May except where entities do not have coterminous year ends. In such cases, the information is based on the accounting period of these entities and is adjusted for material changes up to 31 May. Accordingly, the information consolidated is deemed to cover the same period for all entities throughout the Group.

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

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

1.3. Functional and presentation currencies

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

1.4. Going concern

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

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

1.5. Revenue recognition

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

Private house sales

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

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

Construction contracts

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

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

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

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

1.6. Employee benefits

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

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

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

1.7. Retirement benefits

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

1.8. Borrowing costs

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

1.9. Taxation

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

Current tax

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

Deferred tax

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

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

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

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

1.10. Exceptional Items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the profit and loss account to enable a full understanding of the Company's financial performance.

Transactions that may give rise to exceptional items include transactions relating to acquisitions and costs relating to changes in share capital structure.

1.11. Property, plant and equipment

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

Buildings	- 2% and 5% straight line
Plant and machinery	- 20% and 25% straight line
Fixtures, fittings & equipment	- 20% and 25% straight line
Motor vehicles	- 20% and 25% straight line

Land is not depreciated.

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

1.12. Intangible Fixed Assets

Intangible assets comprise of market related assets (e.g. trademarks, imprints & brands). Market-related assets are expected to have an infinite useful life, however, impairment reviews are performed annually. Any impairment losses or reversals of impairment losses are recognised immediately in the profit and loss account.

1.13. Fixed asset investments

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

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

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

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

1.14. Impairment of fixed assets

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

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

1.15. Inventory

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

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

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

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

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

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

1.16. Construction contracts

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

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

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

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

1.17. Financial instruments

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

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

Loans and receivables

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

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

Loans outside the group are valued at amortised cost and discounted at 6%. The discount is being spread over the development the loan is financing.

Impairment of financial assets

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

A provision for impairment is made when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

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

Financial liabilities

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

Other financial liabilities

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

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

Derecognition of other financial liabilities

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

1.18. Provision

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

1.19. Cash and cash equivalents

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

1.20. Dividends

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

1.21. Leases

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

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

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

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

Finance charges are charged to the profit and loss account.

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

1.22. Equity instruments

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

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

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

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

1.23. Share-based payments

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

2. Segmental Reporting

A segment is a distinguishable component of the Group's activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operational decision makers to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available. In identifying its operating segments, management generally follows the Group's service line which represent the main products and services provided by the Group. The Directors believe that the Group operates in 2 segments:

- Private,
- Affordable

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

	2018	2017
Revenue	**£000**	**£000**
Private residential properties	101,867	86,367
Affordable housing	37,272	23,250
Other	1,584	972
Total Revenue	**140,723**	**110,589**
Private residential properties	15,508	13,301
Affordable housing	6,403	3,385
Other	232	(2)
Gross Profit	**22,143**	**16,684**
Administrative expenses	(11,625)	(8,945)
Operating Income	126	93
Profit after tax from JV	21	-
Finance income	147	4
Finance expenses	(1,039)	(1,145)
Exceptional items	(558)	-
Profit before tax	**9,215**	**6,691**
Taxation	(1,854)	(1,278)
Profit for the period	**7,361**	**5,413**

3. Taxation

	2018	2017
	£000	**£000**
Current tax		
UK corporation tax on profits for the current period	1,872	1,337
Adjustments in respect of prior periods	(27)	(46)
	1,845	1,291
Deferred tax		
Origination and reversal of timing differences	23	(4)
Adjustments in respect of prior periods	(14)	-
Effect of changes in tax rates	-	(9)
	9	(13)
	1,854	1,278

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

	2018 £000	2017 £000
Profit before tax	9,215	6,691
Tax at the UK corporation tax rate of 19% (2017- 19.83%)	1,751	1,327
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	31	19
Exceptional allowances – no deductions	106	-
Adjustments in respect of prior years	(27)	(46)
Depreciation on assets not qualifying for tax allowances	4	(2)
Deferred tax adjustments in respect of prior years	(14)	-
Land remediation relief	(6)	(12)
Adjust deferred tax to closing average rate	9	(8)
Tax charge for period	1,854	1,278

4. Exceptional Items

	2018 £000	2017 £000
Acquisition and other transaction related costs (1)	255	-
Existing share capital conversion to AIM (2)	303	-
	558	-

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

5. Dividends

	2018 £000	As restated 2017 £000
Total dividend payment	821	2,337
Weighted average number of ordinary shares in issue	82,083,642	58,423,264
Dividend per share (pence per share)	**1.00**	**4.00**

During the year, the nominal value of shares was split from 1p to 0.125p. The weighted average number of ordinary shares in issue for 2017 has been recalculated based on this split. This has resulted in the dividend per share decreasing from 32.02p to 4.00p.

6. Earnings per share

The basic earnings per share is based on the profit for the year divided by the weighted average number of shares in issue during the year. The weighted average number of ordinary shares for the year ended 31 May 2018 assumes that all shares have been included in the computation based on the weighted average number of days since issue.

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

	2018 £000	As restated 2017 £000
Profit for the year attributable to owners of the Company	7,353	5,359
Adjusted for the impact of exceptional costs in the year	558	-
Normalised earnings	7,911	5,359
Weighted average number of ordinary shares for the purpose of basic earnings per share	73,412,651	58,403,264
Effect of dilutive potential shares: share option	201,061	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	73,613,712	58,403,264
Earnings per ordinary shares		
Basic earnings per share (pence per share)	10.02	9.18
Diluted earnings per share (pence per share)	9.99	9.18
Underlying earnings per ordinary shares (1)		
Basic earnings per share (pence per share)	10.78	9.18
Diluted earnings per share (pence per share)	10.75	9.18

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

During the year, the nominal value of shares was split from 1p to 0.125p. The weighted average number of ordinary shares in issue for 2017 has been recalculated based on this split. This has resulted in the basic and diluted earnings per share decreasing from 73.42p to 9.18p.