29 September 2020

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

Full Year Results

Springfield Properties (AIM: SPR), a leading housebuilder in Scotland delivering private and affordable housing, announces its full year results for the twelve months ended 31 May 2020.

Financial Summary

	2019/20 £m	2018/19 £m
Revenue	144.4	190.8
Gross margin	18.9%	18.0%
Operating profit*	12.1	17.6
Adj. profit before tax*	10.2	16.5
EPS* (p)	8.33p	13.92p
Dividend per share (p)	2.0p	4.4p

** Adjusted to exclude exceptional expenses of £0.4m (2018/19: £0.6m)*

The Group's results were impacted by the delivery of handovers scheduled for April and May 2020 being delayed due to the COVID-19 lockdown. For the previous two years, these months had accounted for 30% of the Group's annual revenue. With these sales contracted under the Scottish missive system, the revenue anticipated for the last two months of 2019/20 is expected to be recognised in the first half of the current financial year. Despite this, the Group achieved an improvement in gross margin and an adjusted profit before tax of £10.2m (2018/19: £16.5m).

COVID-19 Response

- Secured an additional £18m bank term loan facility to provide sufficient capital in case of a twelve-month lockdown to protect the business and supply chain
- Reacted decisively and effectively to the challenges of the COVID-19 pandemic, with Springfield's priority being the health and safety of its workforce, customers and local communities
- Temporarily closed all operations on 24 March 2020 and implemented a series of cost mitigation measures

Operational Summary

- Total completions: 727 homes (2018/19: 952)
- Successful acquisition integration driving margin improvement
- Expanded geographical presence with strategic land acquisitions in Inverness
- Significant progress in advancing land bank with proportion with planning permission increasing to 49.7% (31 May 2019: 28.4%)
- Total land bank of 15,882 plots (31 May 2019: 15,938) with Gross Development Value ("GDV") of £3.3bn (31 May 2019: £3.2bn)
- Entered a collaboration agreement with Sigma PRS Management Ltd to deliver homes in the private rented sector

Private Housing Delivery

- Revenue of £98.9m (2018/19: £143.3m) with 419 completions (2018/19: 630)
- Excellent progress on Village developments, with key highlights including:
    - Launched sales at a third Village development, Linkwood, Elgin
    - Secured planning for 3,042 homes at Durieshill, Stirling (subject to completing a section 75 agreement) – Springfield's largest development to receive planning and the largest detailed

    - planning consent to have been granted in Scotland, which is expected to generate a GDV of £649m
    - Advancing of community facilities, including the opening of Bertha Park Secondary School at Bertha Park, Perth and, post period end, convenience stores at Bertha Park and Dykes of Gray, Dundee
- Received In-house Gold Standard Award with over 95% customer satisfaction rating for Springfield, Walker Group and Dawn Homes brands respectively and a Group Net Promoter Score (NPS) of 69

Affordable Housing Delivery
- Revenue of £43.4m (2018/19: £42.9m) with 308 completions (2018/19: 322)
- Delivered the first affordable housing at a Village development at Bertha Park, Perth
- Signed £18.2m agreement with West of Scotland Housing Association for the first phase of affordable homes and commercial units at Dalmarnock, part of Clyde Gateway, Scotland's largest regeneration programme
- Signed £18.5m agreement with PfP Capital for the development of 104 apartments at The Wisp, Edinburgh
- Completed handovers at the first development under the Group's local authority framework agreement for 10 affordable-only developments, and progressed four other developments

Current Trading & Outlook
- Excellent progress in delivering order book and significant increase in demand since resuming operations
- Springfield received reservations for 24% more private homes in Q1 2020/21 than in Q1 2019/20
- Delivered two affordable developments since resuming operations and the Group has a solid pipeline for the remainder of the year, with £38.8m of affordable housing contracted revenue
- The Group anticipates total revenue for full year 2020/21 to be significantly higher than in 2019/20, with substantial visibility
- Net debt reduced to £41.9m as at 25 September 2020

Innes Smith, Chief Executive Officer of Springfield Properties, commented: "During the year, ahead of the COVID-19 pandemic, we were delivering on our strategy, with notable successes across the business. We progressed the development of our large, high-quality land bank and expanded geographically. We continued to deliver great places to live against a backdrop of sustained demand for housing in Scotland. As a result of the lockdown, the completion of homes scheduled to take place in April and May 2020 was postponed into 2020/21, however, with these sales under contract, we were able to complete the homes for handover to our customers early in the current financial year.

"Since resuming operations, we have seen a strong increase in demand, with private reservations 24% above the same period last year. This reflects both the pent up demand and the increasing desire for buyers to move out of city centres and into larger homes with gardens, which is the type of home that Springfield offers. We are delivering on a solid pipeline in affordable housing, with £38.8m of contracted revenue. We are in a strong financial position, having increased our credit facility during the year, and as we have recommenced handovers post period end, our net debt position has reduced. Consequently, we look to the future with confidence."

Enquiries

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Analyst Presentation

Sandy Adam, Chairman, Innes Smith, Chief Executive Officer, and Michelle Motion, Chief Financial Officer, will be hosting a webinar for analysts at 9.00am BST today. To register to participate, please contact elliotfradd@luther.co.uk.

Operational Review

During the year, before the COVID-19 pandemic, Springfield was delivering good growth across the business, with a strong order book of contracted revenue to 31 May 2020, and the Group was on track to achieve its targets. As a result of the lockdown, the completion of private homes scheduled to take place in April and May 2020, which for the previous two years had accounted for 30% of revenue, was postponed into the next financial year, which impacted full year sales. However, the Group is pleased to report that, notwithstanding the lack of activity in the last two months of the year, it was able to achieve a slight increase in revenue in affordable housing over the prior year.

While total sales were impacted by the lockdown, Springfield continued to deliver on its strategy during the year. The Group expanded its geographic presence with land acquisitions in Inverness and significantly progressed the development of its Villages. The Group entered into a collaboration agreement to deliver homes in the private rented sector (PRS) with Sigma PRS Management Ltd ("Sigma"), which would offer a further revenue stream with strong revenue and cash flow visibility where a development margin will be secured. In addition, the Group achieved planning permission for 3,042 homes at its Village at Durieshill, Stirling, Springfield's largest development to receive planning to date and the largest detailed planning consent to have ever been granted in Scotland.

During the year, Springfield continued to enhance its customer service efforts by adopting a more formal and in-depth approach to feedback through participating in the In-House survey, the largest independent research company specialising in housing in the UK. The Springfield, Dawn and Walker brands were all strongly endorsed, receiving In-House Gold Standard Award with over 95% of customers surveyed stating that they would recommend the Company and a Group Net Promoter Score (NPS) of 69. The Group also sought means of assisting customers with the particular challenges associated with the COVID-19 pandemic, such as offering digital-based information and services, including web-based 360 degree walkthroughs of show homes.

Land Bank

Springfield expanded the geographic reach of its land bank during the year, securing 747 plots in 13 locations, in particular growing the Group's footprint in the Highland region. At year end, the Group had 44 active developments (31 May 2019: 43 active developments) and during the year:

- 11 new active developments were added to the land bank;
- the proportion of the land bank with planning consent increased to 49.7% (31 May 2019: 28.4%); and
- as at 31 May 2020, the land bank consisted of 15,882 plots (31 May 2019: 15,938) with 3,769 consented plots over eight developments added during the year.

The increase in consented plots primarily relates to approval (subject to the receipt of a section 75 agreement) being received for 3,042 private and affordable homes at Durieshill, Stirling, which is expected to generate a GDV of £649m.

Private Housing

During the year, the Group completed 419 private homes (2018/19: 630). The average selling price for private housing increased to £236k compared with £227k for 2018/19 due to an increase in sales of larger family homes in popular commuter areas.

The Group had 25 active private housing developments at year end (31 May 2019: 29), with three active developments added during the year and seven developments completed. In total, as at 31 May 2020, the private housing land bank was 11,416 plots on 61 developments (31 May 2019: 11,511 plots on 62 developments).

During the year, the Group gained planning consent for 2,507 plots across five developments for private housing. As at 31 May 2020, 49.7% (5,669 plots) of private housing plots had planning consent (31 May 2019: 29.6%), with 30.2% going through the planning process and 20.1% at the pre-planning stage.

Village developments

Springfield Villages are standalone developments that include infrastructure and neighbourhood amenities. Each Village is designed to have up to approximately 3,000 homes, catering for around 7,000 residents. They primarily offer private housing, but also include affordable housing and, as described below, will expand to include PRS housing.

Key developments during the year include the launch of sales at Linkwood, Elgin, which is the Group's third Village to have reached the sales phase and expands Springfield's Village offering to the north of Scotland. The first homeowners moved in during the year, immediately prior to lockdown – with further homes handed over, post period end, once operations resumed. Also during the year, a sports centre was opened by a third party and construction of a primary school was progressed, which is due to be completed by autumn 2020.

At Dykes of Gray near Dundee, 222 Springfield homes were occupied as at 31 May 2020, and Springfield continued to progress the development of community infrastructure, including extensive planting, a second installation of public art and the opening of two further playparks. The Village amenities were further strengthened with the opening, post period end, of a convenience store.

At Bertha Park near Perth, Bertha Park Secondary School welcomed its first pupils, and has been a significant draw for potential buyers. It is the first entirely new secondary school to be established in Scotland for more than 15 years and is the first Microsoft Flagship School in the UK. A convenience store was also opened, post period end, at Bertha Park.

At Durieshill, Stirling, Springfield received consent, subject to completing a section 75 agreement with Stirling Council, for a 3,042-home development. This is Springfield's largest development to receive planning permission to date and is the largest detailed planning permission to be granted in Scotland, which is expected to generate a GDV of £649m.

At Gavieside, Livingston, which is located in the Edinburgh commuter belt, a detailed planning application for the first phase of 502 homes, play areas and up to eight business units has been submitted.

Other private housing highlights

Outside of its Village developments, the Group completed 328 private homes during the year (2018/19: 506). Private housing revenue excluding the contribution from Villages made up 78.4% of total private housing revenue (2018/19: 81.5%).

During the year, the Group strengthened its geographic reach in the Highlands with strategic land acquisitions in Inverness, at Easterfield, for 90 homes and a further development for 100 homes at Milton of Culloden (both of which will include a proportion of affordable housing). Other highlights included the launch of sales at Banff; receiving consent for a 237-home development at Ferrylea; and receiving consent at Ardersier, near Inverness, for a 116-home development (including 29 affordable homes). In Central Scotland, key highlights during the year include receiving planning approval for 240 homes at Dalhousie South and planning permission in principle for 561 homes at Tranent, both near Edinburgh.

Affordable Housing

During the year, Springfield completed 308 affordable homes (2018/19: 322). The average selling price increased to £141k compared with £133k for 2018/19 reflecting the higher build costs of the property types and locations of the homes delivered.

The number of active affordable housing developments grew to 19 at year end (31 May 2019: 14), of which nine were affordable-only developments (31 May 2019: six). As at 31 May 2020, the total affordable housing land bank had increased to 4,466 plots on 47 developments (31 May 2019: 4,427 plots on 41 developments).

During the year, Springfield secured planning consent for 1,262 affordable housing plots. As at 31 May 2020, 48.7% (2,175 plots) of affordable housing plots had planning (31 May 2019: 25.3%), with 33.7% of plots going through the planning process and 17.6% at the pre-planning stage.

Key operational highlights in affordable housing during the year include receiving planning consent for 237 affordable homes in Dalmarnock, Glasgow and signing an agreement totalling £18.2m with West of Scotland Housing Association. The agreement is for the development of the first phase of 144 affordable homes and two commercial units. This development is part of the Clyde Gateway, Scotland's largest regeneration programme.

At The Wisp, a large development area for over 200 homes in south east Edinburgh, planning consent was received for 139 affordable apartment homes (initially submitted as a mix of affordable and private). During the year, Springfield signed a £18.5m development agreement with PfP Capital for 104 apartments and a development contract with another partner for the remaining 35 apartments.

As noted above, the affordable land bank was strengthened in the Highlands. This includes the acquisition of two developments in Inverness (which include approximately 55 affordable homes) and receiving planning consent for a total of 108 affordable homes at Ardersier and Ferrylea.

At Springfield's Village developments, the Group completed the first phase of handovers of affordable homes at Bertha Park during the year, the first affordable housing to be delivered at any of the Group's Villages. Springfield also completed the sale of two commercial units at Bertha Park (and is in advanced negotiations for the sale of a further three units) and one at Dykes of Gray. The commercial unit at Dykes of Gray and one at Bertha Park were opened as convenience stores (as noted above), post period end.

Springfield continued to make good progress under its local authority framework agreement with Moray Council for 10 affordable-only developments. The Group completed handover of the first development, commenced construction on two developments and secured a contract for two developments totalling 66 homes.

Private Rented Sector

During the year, Springfield entered into its first partnership for the PRS with a collaboration agreement to acquire and develop sites in Scotland for PRS with Sigma PRS Management Ltd, a wholly-owned subsidiary of Sigma Capital Group plc (AIM: SGM). Springfield believes this strategic partnership with another high-quality provider can offer a further revenue stream, alongside its private and affordable housing, with strong revenue and cash flow visibility where a development margin will be secured.

A number of Springfield sites, primarily Village developments, have been identified as potential sites for PRS development. Subject to meeting certain criteria, Sigma will purchase part of these developments from Springfield and will award Springfield a fixed-cost design and build contract to deliver housing on the acquired land. Following handover, the homes will be owned, let and managed by Sigma, under its 'Simple Life' brand, which focuses on delivering quality homes for families. This is expected to increase the build out rate for the Group's Villages as well as enhance their 'Village' attributes through the offering of a range of tenures.

The first Village to receive PRS housing is expected to be Bertha Park, Perth where the Group plans to develop approximately 75 two-, three- and four-bedroom homes.

Housing Market

Following the COVID-19 lockdown, Scotland's housing market has remained buoyant with demand outstripping supply supported by low interest rates and good mortgage availability. In recent months, Scotland and the UK as a whole have seen record sales. In Scotland, this has been supported by government initiatives including the extension of both the First Home Fund (which is not restricted by property price) and Help to Buy (Scotland) to March 2022; and the raising of the Land and Buildings Transaction Tax (Stamp Duty equivalent) zero rate threshold to £250,000 until March 2021.

As has been widely reported, there has been an increase in demand for the type of housing Springfield offers – larger homes, with gardens, located within commuting distance of cities – particularly with its Village developments, which have ample green space alongside community facilities. A key theme in the Scottish Government's recently launched Programme for Government 2020-21 is the commitment to support the development of '20 minute neighbourhoods where people can live, work and learn in communities close to home', and with 'greenspace on your doorstep'.

In affordable housing, the suspension of construction during lockdown disrupted progress towards reaching the Scottish Government's target of 50,000 new affordable homes by the end of this Parliament in 2021. In addition, independent research suggests that there is a need for a further 53,000 affordable homes by 2026 and housing organisations in Scotland are now calling for this as a target for the next Parliamentary term. With its strong partnerships with local authorities and housing associations, Springfield is well-positioned to deliver homes to help meet this demand.

Key differences in the Scottish legal system have strengthened confidence in delivery. The Scottish missive system means that customers are contracted into the purchase much earlier in the build programme. This minimises the number of cancellations, secures the income stream and thereby reduces speculative building. In addition, new homes that are built in Scotland are freehold where the buyer becomes the sole owner of both the building and the land on which it stands. Consequently, Springfield's income streams are not dependent on ground rents and the issue currently developing elsewhere in the UK does not apply.

COVID-19 Response

Since the start of the pandemic, Springfield's first priority has been the health and safety of employees, customers and the communities in which the Group operates. Consequently, in accordance with Scottish Government guidance, on 24 March 2020 all of the Group's sites under construction and its kit factory were temporarily closed. As a result, the Group was unable to complete the delivery of homes scheduled to take place in April and May 2020, which for the previous two years accounted for 30% of annual revenue. The Group's sales and administrative offices were also closed, with employees working from home wherever possible.

Springfield undertook a number of actions to preserve its cash position during lockdown and in light of an uncertain timescale. This included furloughing over 90% of its workforce under the UK Government's Coronavirus Job Retention Scheme; cancelling the proposed interim dividend; voluntary salary reductions by Senior Management and the Board of Directors; and measures to significantly reduce monthly running costs, such as the delay or cancellation of land purchases. Springfield also agreed an additional £18m, 12-month term loan facility with Bank of Scotland, increasing the total credit facility to £85m. Securing this additional capital provided the Group with increased confidence that it could pay its supply chain and overheads on time, even if lockdown extended to a twelve-month period.

Operations on site recommenced from 15 June 2020 and all sales offices reopened on 29 June 2020. Construction activity had resumed on every site by mid-July, with 80% of staff brought back from furlough by the end of the month. The Group continues to have COVID-19 safe-working protocols in place in compliance with the Scottish Government Construction Sector Guidance, such as physical distancing. The Group's sales teams have also successfully adapted to new ways of engaging customers as a result of the pandemic. In particular, this includes greater use of technology, such as virtual walkthroughs of show homes and online reservations.

From the end of June 2020, Springfield was able to commence handing over homes that had been nearing completion prior to lockdown. In private housing, these homes were contracted under the Scottish missive system and the Group received only one cancellation during lockdown. The Group's sales offices reopened to exceptionally strong interest, reflecting pent up demand and the increased desirability for the type of housing that Springfield offers. The number of reservations received in Q1 2020/21 was 24% higher than in Q1 2019/20, even though sales offices and show homes were closed up to 29 June. Springfield has also completed handovers of two affordable projects since resuming operations.

The Group continues to closely monitor costs, with all non-essential spend still curtailed, and has not yet resumed future land purchases, focusing on delivering on its existing large and high-quality land bank. The Group has also undertaken a review of its business to identify areas for greater efficiency and rationalisation, including consolidating its Livingston operations at its office in Larbert. These measures will improve efficiency, reduce overheads and strengthen the Group's ability to navigate any potential future challenges.

Financial Review

Revenue for the year to 31 May 2020 was £144.4m (2018/19: £190.8m). The reduction in revenue was due to the Group being unable to complete the delivery of handovers scheduled for April and May 2020 as a result of the lockdown in response to the COVID-19 pandemic. For the previous two years, these two months accounted for 30% of the Group's annual revenue.

Private housing remained the largest contributor to Group revenue, accounting for 68.5% (2018/19: 75.1%) of total sales. Affordable housing revenue continued to be strong and, despite the lack of completions in the last two months of the year, achieved a small increase on the prior year.

Revenue	**2019/20 £'000**	**2018/19 £'000**	**Change**
Private housing	98,924	143,260	-30.9%
Affordable housing	43,435	42,906	+1.2%
Other*	2,088	4,638	-55.0%
TOTAL	**144,447**	**190,804**	**-24.3%**

* Principally land sale, plant hire revenues as well as construction-only projects, typically on land not owned or controlled by Springfield where the Group receives fees for design and construction work.

The Group achieved its target of increasing gross margin, which improved by 90 basis points to 18.9% (2018/19: 18.0%). This primarily reflects the positive impact of the Walker Group properties, which generate a slightly higher margin, as well as the Group benefitting from the ongoing integration of Dawn Homes and Walker Group.

Total administrative expenses were £19.7m (2018/19: £18.2m) with the increase reflecting the larger scale of the business, primarily the addition of Walker Group, which was acquired in the third quarter of the prior financial year. This was partly offset by the cost mitigation measures that the Group implemented in response to the COVID-19 pandemic. As noted above, the Group has undertaken a review, post period end, of its business to identify areas for greater efficiency and rationalisation, and it expects these measures to reduce expenses by approximately £1m on an annualised basis from the current financial year.

Exceptional items during the year were £0.4m (2018/19: £0.6m). This mainly relates to the cost of furloughed employees for the months of April and May (£3.1m) when sites were closed, largely offset by grant income (£2.7m) received under the UK Government's Coronavirus Job Retention Scheme.

With respect to the impact of COVID-19, the furlough grant income received from the government has been separately disclosed within the consolidated profit and loss account as exceptional, due to its incremental nature. The direct furlough payroll costs are considered abnormal costs in the current year and consistent with previous years, any direct payroll costs reflecting employee down time (abnormal production) is expensed to the profit and loss account. Due to the COVID-19 pandemic and sites being closed across April and May 2020, the quantum of direct employee down time in the current year is significant. 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.

Despite a reduction in gross profit to £27.4m (2018/19: £34.3m), due to the cessation of business two months prior to the year end, and having overheads for the full 12-month period net of other operating income of £15.7m (2018/19: £17.2m), the Group made an operating profit of £11.7m (2018/19: £17.1m). Excluding exceptional items, operating profit was £12.1m (2018/19: £17.6m).

Profit before tax and exceptional items was £10.2m (2018/19: £16.5m) reflecting the lower revenue.

Basic earnings per share (excluding exceptional items) were 8.33 pence (2018/19: 13.92 pence) and return on capital employed was 8.3% (2018/19: 14.6%).

To strengthen the Group's balance sheet in preparation for the potential of a prolonged period of shutdown, Springfield secured an additional £18m, 12-month, term loan from Bank of Scotland. The term loan was agreed on similar terms to the Group's existing credit facility of £67m, which is in place until 31 January 2022. The additional loan increased the Group's total credit facility to £85m to secure sufficient capital in case of a twelve-month lockdown. Of the total credit facility, the £18m that was secured in April 2020 has been fully drawn, but is not currently being utilised.

Net debt (excluding right-of-use lease liability as described below) at 31 May 2020 was £68.8m compared with £53.7m at 30 November 2019 and £29.6m at 31 May 2019. The primary reason for the increase is that for the homes scheduled to be delivered in April and May 2020, the majority of build costs had already been incurred, but the Group was unable to recognise the revenue during the year due to being unable to complete the handovers. Following the recommencement of operations at the end of June, the Group has been delivering against a strong order book for near-term revenue resulting in a reduction in the net debt position as anticipated. As at 25 September 2020, net debt had been reduced to £41.9m and the Group expects this trend to continue through the first half of the current financial year.

Impact of IFRS 16

The Group has adopted IFRS 16 for its accounting period beginning on 1 June 2019 using the modified retrospective approach. The effect of this is to replace previously recognised operating lease payments under IAS17 with a right-of-use asset and liability under IFRS 16. The financial effect is that from 1 June

2019, the Group has recognised right-of-use assets totalling £2.5m with a corresponding lease liability for the same amount. The effect of adopting IFRS 16 is that the profit before tax has decreased by £131k.

Dividend

The Board recognises the importance of dividend payments to shareholders. Accordingly, following a strong return to business after reopening post lockdown, the Directors have decided to propose a reduced dividend for 2019/20 of 2.0p per share (total dividend for 2018/19: 4.4p). The proposed dividend, which is subject to shareholder approval at the next AGM, has an ex-dividend date of 12 November 2020, a record date of 13 November 2020 and a payment date of 10 December 2020.

Outlook

Springfield entered 2020/21 with a strong order book of contracted revenue in private and affordable housing as completions for April and May were postponed into the new financial year. Since the recommencement of operations towards the end of June, Springfield has made excellent progress in completing these and other handovers, as well as receiving significant interest across its private and affordable housing.

In private housing, the strong interest reflects the pent up demand and the increasing desirability for the type of private housing Springfield offers with larger homes and plenty of green space. As a result, in the first quarter of 2020/21, and despite show homes being closed until 29 June, Springfield received reservations for 24% more homes than in Q1 2019/20. Springfield's private housing also continues to be supported by a buoyant housing market in Scotland with demand outstripping supply supported by low interest rates and good mortgage availability.

In affordable housing, the Group has delivered two developments since resuming operations and has a solid pipeline for the remainder of the year, with £38.8m of contracted revenue. In addition, the suspension of construction during lockdown disrupted progress towards reaching the Scottish Government's target of 50,000 new affordable homes by the end of this Parliament in 2021 resulting in a continuing undersupply. With its strong partnerships with local authorities and housing associations, Springfield is well-positioned to deliver homes to help meet this demand.

As a result, and notwithstanding a further lockdown, the Group expects a significant increase in revenue for full year 2020/21 over 2019/20, with substantial visibility over the anticipated revenue based on homes delivered, missived or reserved to date. Consequently, the Board of Springfield continues to look to the future with confidence and to delivering shareholder value.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2020

	Notes	2020 Pre – Exceptional Items £000	Exceptional Items £000	2020 Post – Exceptional Items £000	2019 Post – Exceptional Items £000
Revenue	3	144,447	-	144,447	190,804
Cost of sales		(117,096)	-	(117,096)	(156,470)
Gross profit		**27,351**	**-**	**27,351**	**34,334**
Administrative expenses	5	(16,520)	(3,145)	(19,665)	(18,238)
Share of JV profit before interest and taxation		852	-	852	584
Other operating income	5	428	2,723	3,151	384
Operating profit/(loss)		**12,111**	**(422)**	**11,689**	**17,064**
Interest receivable and similar income		320	-	320	416
Finance costs		(2,273)	-	(2,273)	(1,511)
Profit/(loss) before tax		**10,158**	**(422)**	**9,736**	**15,969**
Tax	4	(2,093)	-	(2,093)	(3,111)
Profit for the year and total comprehensive income		**8,065**	**(422)**	**7,643**	**12,858**
Profit for the year and total comprehensive income is attributable to:					
-Owners of the parent company		8,068	(422)	7,646	12,848
-Non-controlling interests		(3)	-	(3)	10
		8,065	**(422)**	**7,643**	**12,858**
Earnings per share					
Basic earnings, on profit for the year (pence per share)	7	8.33p	(0.44)p	7.89p	13.34p
Diluted earnings, on profit for the year (pence per share)	7	8.24p	(0.43)p	7.81p	13.21p

The Group has no items of other comprehensive income.

These financial statements were approved by the Board of Directors on 28 September 2020.

Signed on behalf of the Board by:

Sandy Adam
Executive Chairman

Company number: SC031286

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 MAY 2020

	2020 £000	2019 £000
Non-current assets		
Property, plant and equipment	4,331	4,977
Right of use assets	2,011	-
Intangible assets	1,649	1,649
Investments	202	1,481
Accounts receivable	5,102	903
	13,295	**9,010**
Current assets		
Inventories and work in progress	174,400	148,649
Accounts receivable	8,968	20,144
Cash and cash equivalents	1,522	3,062
	184,890	**171,855**
Total assets	**198,185**	**180,865**
Current liabilities		
Accounts payable	20,781	43,697
Bank Term loan	18,000	-
Short-term obligations under finance lease	782	1,012
Lease liabilities	406	-
Corporation tax	780	2,018
	40,749	**46,727**
Non-current liabilities		
Long-term borrowings	51,000	31,000
Long-term obligations under finance lease	519	624
Lease liabilities	1,736	-
Provisions	8,317	13,954
	61,572	**45,578**
Total liabilities	**102,321**	**92,305**
Net assets	**95,864**	**88,560**
Equity		
Share capital	122	120
Share premium	52,330	50,118
Retained earnings	43,412	38,292
Equity attributable to owners of the parent company	**95,864**	**88,530**
Non-controlling interest	-	30
Total equity	**95,864**	**88,560**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2020

	Notes	Share capital £000	Share premium £000	Retained earnings £000	Non-controlling interest £000	Total £000
1 June 2018		120	50,105	28,767	20	79,012
Share issue		-	13	-	-	13
Total comprehensive income for the year		-	-	12,848	10	12,858
Share option reserves		-	-	434	-	434
Dividends	**6**	-	-	(3,757)	-	(3,757)
31 May 2019		**120**	**50,118**	**38,292**	**30**	**88,560**
Share issue		2	2,212	-	-	2,214
Total comprehensive income for the year		-	-	7,646	(3)	7,643
Share option reserves		-	-	557	-	557
Acquisition of minority interest		-	-	-	(27)	(27)
Dividends	**6**	-	-	(3,083)	-	(3,083)
31 May 2020		**122**	**52,330**	**43,412**	**-**	**95,864**

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.

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR TO 31 MAY 2020

Cash flows generated from operating activities	Note	2020 £000	2019 £000
Profit for the year after taxation (excluding exceptional items)		8,065	13,423
Adjusted for:			
Taxation charged		2,093	3,111
Finance costs		2,273	1,511
Interest receivable and similar income		(320)	(416)
Exceptional items – cash movement		(341)	(565)
Gain on disposal of tangible fixed assets		(71)	(270)
Share option employment costs		557	434
Cost of sales – non cash movement		550	310
Share of joint venture profit		319	(420)
Amortisation of intangible fixed assets		8	-
Depreciation and impairment of tangible fixed assets		2,356	1,591
Operating cash flows before movements in working capital		**15,489**	**18,709**
(Increase)/decrease in inventory		(25,642)	638
Decrease in accounts and other receivables		6,533	653
Decrease in accounts and other payables		(22,960)	(3,978)
Net cash used (in)/ from operations		**(26,580)**	**16,022**
Income taxes paid		(3,125)	(2,868)
Net cash (outflow) / inflow from operating activities		**(29,705)**	**13,154**
Investing activities			
Purchase of property, plant and equipment		(553)	(1,549)
Proceeds on disposal of property, plant and equipment		101	368
Net purchase of subsidiary undertakings		(4,000)	(20,891)
Interest received and similar income		38	98
Repayment of loan from JV		828	-
Net cash used in investing activities		**(3,586)**	**(21,974)**
Financing activities			
Proceeds from issue of shares		26	13
Proceeds from bank loans		38,000	68,000
Repayment of bank loans		-	(62,000)
Payment of finance leases obligations		(1,531)	(1,065)
Dividends paid	**6**	(3,083)	(3,757)
Interest paid		(1,661)	(1,324)
Net cash inflow/(outflow) from financing activities		**31,751**	**(133)**
Net decrease in cash and cash equivalents		**(1,540)**	**(8,953)**
Cash and cash equivalents at beginning of year		3,062	12,015
Cash and cash equivalents at end of year		**1,522**	**3,062**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR TO 31 MAY 2020

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.

2.1 Basis of accounting

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

The Group has adopted all the standards and amendments to existing standards which are mandatory for accounting periods beginning on 1 June 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 – Leases - The group has adopted IFRS 16 for its accounting period beginning on 1 June 2019 using the modified retrospective approach. The effect of this is to replace previously recognised operating lease payments under IAS17 with a right-of-use asset and liability under IFRS 16. IFRS 16 captures agreements covering the group's rental of its existing premises in Elgin, Larbert, Livingston and Glasgow along with the rent of certain office equipment and motor vehicles. The financial effect is that from 1 June 2019, the Group has recognised right of use assets totalling £2,501k with a corresponding lease liability for the same amount. Depreciation is charged through the profit and loss account on a straight-line basis over the term of the lease. Interest is calculated on the outstanding liability, using a market rate, and is charged through the profit and loss account. Rent payments, which previously would have been charged to profit and loss account (under the treatment of operating leases) are now treated as deductions of the applicable outstanding lease liabilities on the balance sheet. In the year to 31 May 2020, the group has charged depreciation of £490k and interest expense of £151k through the profit and loss account and made lease payments totalling £510k. The effect of adopting IFRS 16 is that the profit before tax has decreased by £131k.

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

2.2 Basis of consolidation

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

All financial statements are made up to 31 May 2020.

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

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

2.3. Functional and presentation currencies

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

2.4. Going concern

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

The Directors have considered the principal risks and uncertainties the Group faces and other factors impacting the Groups future performance such as the COVID-19 pandemic. The Operational Review details a number of actions taken and those along with the significant debt reduction in Q1 of the new financial year give the Directors comfort that the Group has adequate resources to continue in operational existence for the foreseeable future.

Thus, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

2.5. Revenue recognition

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

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

Private house sales

Revenue on private house sales is recognised when control has been transferred to the purchaser which will normally occur at handover / legal completion.

Construction contracts

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

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

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

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

2.6. Grants

Grants are recognised when it is reasonable to expect 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 income statement 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. Borrowing costs

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

2.10. 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 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.

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.

With respect to the impact of COVID-19, the furlough grant income received from the government has been separately disclosed within the consolidated profit and loss account as exceptional, due to its incremental nature. The direct furlough payroll costs are considered abnormal costs in the current year and consistent with previous years, any direct payroll costs reflecting employee down time (abnormal production) is expensed to the profit and loss account. Due to the COVID-19 pandemic and sites being closed across April and May 2020, the quantum of direct employee down time in the current year is significant. 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.

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	- 2-5 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

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.

Goodwill on Acquisition

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

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

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

2.14. Fixed asset investments

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

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

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

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

2.15. 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 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 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. Construction contracts

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

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

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

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

2.18. Financial instruments

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

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

Loans and receivables

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

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

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

Impairment of financial assets

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

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

Derecognition of financial assets

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

Financial liabilities

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

Other financial liabilities

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

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

Derecognition of other financial liabilities

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

2.19. Provisions

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

2.20. 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.

2.21. 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.

2.22. Leases

Right of use assets are stated at the present value of the contractual payments due to the lessor over the lease term. Right of use assets comprise the Group's existing premises in Elgin, Larbert, Livingston and Glasgow along with certain items of office equipment and motor vehicles.

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

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.

The Group have elected not to recognise right of use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

2.23. Equity instruments

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

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

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

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

2.24. Share-based payments

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

3. 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.

	2020	**2019**
Revenue	**£000**	**£000**
Private residential properties	98,924	143,260
Affordable housing	43,435	42,906
Other	2,088	4,638
Total Revenue	**144,447**	**190,804**
Gross Profit	**27,351**	**34,334**
Administrative expenses	(16,520)	(17,673)
Operating Income	428	384
Profit before interest and tax from JV	852	584
Finance income	320	416
Finance expenses	(2,273)	(1,511)
Net Exceptional items	(422)	(565)
Profit before tax	**9,736**	**15,969**
Taxation	(2,093)	(3,111)
Profit for the period	**7,643**	**12,858**

4. Taxation

	2020	**2019**
	£000	**£000**
Current tax		
UK corporation tax on profits for the current period	1,929	3,117
Adjustments in respect of prior periods	101	(7)
	2,030	3,110
Deferred tax		
Origination and reversal of timing differences	61	16
Adjustments in respect of prior periods	2	(15)
	63	1
	2,093	3,111

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

	2020 £000	2019 £000
Profit before tax	9,736	15,969
Tax at the UK corporation tax rate of 19% (2019- 19%)	1,850	3,034
Effects of:		
Tax effect of expenses that are not deductible in determining taxable profit	30	(12)
Exceptional items – no deductions	15	107
Adjustments in respect of prior years	101	(7)
Depreciation on assets not qualifying for tax allowances	5	4
Deferred tax adjustments in respect of prior years	2	(15)
Land remediation relief	(1)	(4)
Other non reversing timing differences	102	-
Adjust deferred tax to closing average rate	(11)	4
Tax charge for period	2,093	3,111

5. Exceptional Items

	2020 £000	2019 £000
Acquisition and other transaction related costs (1)	81	565
Wages costs for furloughed employees (2)	3,064	-
	3,145	565
Grant furlough income (2)	(2,723)	-
	422	565

(1) Acquisition and other transactions related costs relate to the planning being achieved at Carlaverock which had previously been assessed as 98% likely. This is a non-cash transaction. In the prior year acquisition and other related costs were the costs incurred relating to the work undertaken for the acquisition of Walker Holdings (Scotland) Limited and its subsidiaries.

(2) The £3,064k is the company cost of all employees who were on furlough during the months of April and May 2020. The £2,723k is the furlough grant income received from the UK government in relation to the furloughed employees for the months of April and May 2020.

6. Dividends

	2020 £000	2019 £000
Total dividend payment	3,083	3,757
Weighted average number of ordinary shares in issue	96,349,501	96,333,642
Dividend per share (pence per share)	**3.20**	**3.90**

7. 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 2020 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).

	2020 £000	2019 £000
Profit for the year attributable to owners of the Company	7,646	12,848
Adjusted for the impact of exceptional costs in the year	422	565
Normalised earnings	8,068	13,413
Weighted average number of ordinary shares for the purpose of basic earnings per share	96,850,807	96,336,885
Effect of dilutive potential shares: share options	1,080,721	953,235
Weighted average number of ordinary shares for the purpose of diluted earnings per share	97,931,528	97,290,120

Earnings per ordinary shares		
Basic earnings per share (pence per share)	7.89	13.34
Diluted earnings per share (pence per share)	7.81	13.21
Underlying earnings per ordinary shares (1)		
Basic earnings per share (pence per share)	8.33	13.92
Diluted earnings per share (pence per share)	8.24	13.79

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

8. Share capital

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

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

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

Ordinary shares of £1 - allotted, called up and fully paid	**Number of shares**	**Share capital £000**	**Share premium £000**
At 1 June 2019	96,349,561	120	50,118
Share issue	1,511,402	2	2,212
At 31 May 2020	**97,860,963**	**122**	**52,330**

9. Contingent liabilities

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

The company acquired the entire share capital of Walker Holdings (Scotland) Limited and its subsidiaries and joint ventures, for a consideration of £72,775,000, which includes a deferred consideration of £10,375,000. This can be broken down into: (i) £2,187,500 payable on the first anniversary of the acquisition date (31 January 2020); (ii) £2,187,500 payable on the second anniversary of the acquisition date (31 January 2021); (iii) £4,000,000 payable when the council grant outlined planning concern at Carlaverock and (iv) £2,000,000 payable when the council grant detailed planning concern at Carlaverock. This has been discounted at a market rate of interest. During the year (i) and (iii) were paid leaving £3,903,775 as a provision at the year end, the remaining £100,000 has been treated as a contingent liability due to the uncertainty over the future payments.

10. Transactions with related parties

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

During the year dividends totalling £1,446k (2019: £1,759k) were paid to key management personnel. The remuneration of Key Management Personnel was £1,465k (2019: £1,825k).

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

	Sale of goods		Purchase of goods	
	2020	2019	2020	2019
	£000	£000	£000	£000
Bertha Park Limited (1)	14,911	15,821	-	-
DHHG 1 Limited (2)	2,519	5,756	-	-
Other entities which key management personnel have control, significant influence or hold a material interest in	1,249	191	232	11
Key management personnel	32	19	-	-
Other related parties	5	806	-	287
	18,716	**22,593**	**232**	**298**

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

	Rent paid	
	2020	2019
	£000	£000
Entities which key management personnel have control, significant influence or hold a material interest in	153	184
Key management personnel	3	5
Other related parties	104	132
	260	**321**

	2020	2019
	£000	£000
Interest received:		
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	260	188
	260	**188**

The following amounts were outstanding at the reporting end date:

	2020	2019
	£000	£000
Amounts receivable:		
Bertha Park Limited (1)	6,755	9,152
DHHG 1 Limited (2)	26	564
Other entities which key management personnel have control, significant influence or hold a material interest in (short-term)	3	97
Other related parties	-	37
	6,784	**9,850**

	2020	2019
	£000	£000
Accounts payable:		
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	15	-
James Adam	283	770
Other related parties	-	46
	298	**816**

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 £14,911k (2019: £15,821k) in relation to a build contract. At the year-end £2,411k (2019: £4,389k) is included in trade debtors and included within other debtors is a loan of £4,344k (2019: £4,763k) at the year-end.

(2) DHHG 1 Limited is a jointly owned entity of Dawn Homes Limited, which Michelle Motion is a Director. During the year the group made sales to DHHG 1 Limited totalling £2,519k (2019: £5,756k) in relation to a build contract and management fees. At the year-end £26k (2019: £564k) was due from DHHG 1 Limited.

11. Analysis of net debt

	2020 £000	2019 £000
Cash in hand and bank	1,522	3,062
Finance lease	(1,301)	(1,636)
Bank borrowings	(69,000)	(31,000)
	(68,779)	**(29,574)**
Right of use liability	(2,142)	-
Net Debt	**(70,921)**	**(29,574)**