20 September 2022

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

Final Results and Publication of Annual Report

Springfield Properties (AIM: SPR), a leading housebuilder in Scotland delivering private, affordable and PRS housing, announces its final results for the year ended 31 May 2022.

Financial Summary

	2022	2021	Change
	£m	£m	
Revenue	257.1	216.7	+19%
Private housing revenue	*174.5*	*138.6*	*+26%*
Affordable housing revenue	*64.3*	*52.9*	*+22%*
Contract housing revenue	*16.5*	*8.1*	*+104%*
Other revenue	*1.8*	*17.0*	*-89%*
Gross margin	16.8%	17.9%	-110bps
Adj. operating profit*	22.6	19.8	+14%
Operating profit	21.5	19.1	+13%
Adj. profit before tax*	20.8	18.5	+12%
Profit before tax	19.7	17.9	+10%
Adj. basic EPS* (p)	15.63	14.41	+9%
Basic EPS (p)	14.74	13.79	+7%
Total dividend per share (p)	6.20	5.75	+8%

** Adjusted to exclude exceptional costs of £1.1m (2021: £0.6m) (See the Financial Review for further detail)*

Operational Summary

- Record year with 1,242 completions and revenue growth across the business
- Acquired Tulloch Homes, an Inverness-based housebuilder focused on building high-quality private housing in the Scottish Highlands, for a net consideration of £54.4m (being £77.9m less cash acquired of £23.5m), of which £13.0m is deferred consideration, to accelerate growth, enhance earnings and strengthen the Group's foothold in an area of high demand
- *Private housing*
  - 712 private homes were completed (2021: 559), reflecting acquisition of Tulloch Homes and organic growth
  - Excellent sales performance with significant increase in the number of homes missived or reserved due to sustained demand and expansion of the Group
  - Cost and supply chain pressures successfully managed, with gross margin maintained when taking into account regional and housing-type mix
  - Planning application submitted for a new, large development of up to 1,000 homes in the Edinburgh commuter belt
- *Affordable housing*
  - 405 affordable homes were completed (2021: 363) as the Group delivered against its highest ever contracted order book
  - Revenue and margin on affordable-only sites impacted by cost increases relating to:
    - three subcontractors going out of business
    - the contribution from two large, fixed-price, long-term contracts that had been signed in early 2020

- Temporarily paused signing of new long-term fixed price contracts until appropriate inflationary accommodations are introduced
    - Established new partnership with Aberdeenshire Council and joined the Supplier Network of hub South West Scotland
- *Contract housing*
    - In contract housing, where the Group provides development services to third party private organisations, 125 homes were completed (2021: 51)
    - This includes delivering the Group's first private rented sector ("PRS") housing, with Sigma Capital plc ("Sigma")
- Planning approval received for 255 plots and 1,558 plots with planning were received through the Tulloch Homes acquisition; the proportion of land bank with planning permission was 52.1% (31 May 2021: 52.4%)
- Total land bank of 16,652 plots at year end (31 May 2021: 15,281) with Gross Development Value ("GDV") of £3.5bn (31 May 2021: £3.1bn)
- Post period, acquired the Scottish housebuilding business of Mactaggart & Mickel, a premium brand housebuilder with a land bank in highly desirable locations within the Central Belt of Scotland, expanding the Group's footprint in areas with a higher price point; acquisition includes a timber frame factory near Glasgow

Innes Smith, Chief Executive Officer of Springfield Properties, commented: "This year we achieved our highest ever annual profit and revenue with strong results across private, affordable and contract housing. I am pleased at how we managed the material and supply chain pressures facing our industry so that, while not immune, we were able to mitigate much of the impact. In keeping with our strategy, we significantly expanded our business with the acquisitions of Tulloch Homes and, post period, the Scottish housebuilding business of Mactaggart & Mickel – two high quality housebuilders with land in areas of strategic importance. We also achieved a milestone with the delivery of our first housing for the private rented sector.

"We entered the 2023 financial year delivering against a strong order book in private housing, reflecting sustained demand for the type of homes that we provide and the expansion of our business. We have excellent visibility over full year private revenue forecasts based on homes delivered, missived and reserved. While the challenging economic backdrop will impact our affordable and PRS housing activity in the short term as we await decisions from the Scottish Government, we are on track to deliver another year of revenue and profit growth overall. Moreover, the fundamentals of the housing market in Scotland remain strong with high demand for homes across all tenures coupled with a national shortage in housing supply. As a result, the Board continues to look to the future with confidence and to delivering sustainable value for all of our stakeholders."

Enquiries

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Results Presentation

Sandy Adam, Chairman, Innes Smith, Chief Executive Officer, and Michelle Motion, Chief Financial Officer, will be holding a presentation for analysts at 9.00am BST today at the office of Gracechurch Group, Fourth Floor, 48 Gracechurch Street, London, EC3V 0EJ.

The management will be presenting to retail shareholders, via a webinar hosted by Progressive Equity, at 2.00pm BST on 27 September 2022. Investors can register their attendance for the webinar here.

Operational Review

During the year to 31 May 2022, the Group completed 1,242 homes, an increase of 27.6% from the 973 completions in 2021, marking the first time Springfield has delivered over 1,000 homes in a single year. The Group also delivered its first PRS housing, which further diversifies its revenue streams, and continued its strategic expansion with the acquisition of Tulloch Homes during the year and, post year-end, of the Scottish housebuilding business of Mactaggart & Mickel.

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

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

Springfield is proud that it has been recognised by both customers and the industry and, in particular, was delighted to be awarded Housebuilder of the Year at the Scottish Home Awards 2022.

Land Bank

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

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

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

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

The Group's substantial land bank across Scotland also provides opportunities for land sales. With demand expressed for the popular locations and quality sites in the Group's control, Springfield is confident that the Group's previous experience of selling or swapping elements of its strategic land bank could be repeated.

Private Housing

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

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

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

Planning consent was granted for 240 plots on 4 developments for private housing, and the Group gained 1,281 private plots with planning through the acquisition of Tulloch Homes. As at 31 May 2022, 52.2% (6,030 plots) of private housing plots had planning consent (31 May 2021: 48.7%), with 24.7% going through the planning process and 23.1% at the pre-planning stage.

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

Village developments

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

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

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

Affordable Housing

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

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

Springfield has also taken the pragmatic decision to temporarily pause entering into new large, long-term affordable contracts in order to protect its margins. However, the longer-term fundamentals of affordable housing remain strong and the Group expects to recommence signing contracts when more normal market conditions resume and following the Scottish Government's next affordable housing investment benchmark review to reflect inflation, which is expected to occur in November 2022. As a result of the action taken in affordable housing, the Group is well positioned for when the market normalises.

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

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

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

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

Contract Housing

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

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

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

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

Acquisitions

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

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

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

Financial Review

For the year ended 31 May 2022, revenue increased by 18.6% to £257.1m (2021: £216.7m). This reflected strong growth across private, affordable and contract housing as well as the results including a six-month contribution from Tulloch Homes, which was acquired during the year.

Revenue	**2022 £'000**	**2021 £'000**	**Change**
Private housing	174,442	138,646	+25.9%
Affordable housing	64,251	52,939	+21.4%
Contract housing	16,494	8,142	+102.6%
Other*	1,908	16,965	-88.8%
TOTAL	**257,095**	**216,692**	**+18.6%**

*Primarily land sales

Private housing remained the largest contributor to Group revenue, accounting for 67.9% (2021: 64.0%) of total sales, and increased by £35.9m to £174.5m. This significant growth was driven mainly by the contribution from the Tulloch Homes acquisition as well as increased sales on an organic basis.

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

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

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

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

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

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

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

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

During the year, on 1 December 2021, the Group acquired Tulloch Homes for a total consideration of £77.9m less cash acquired of £23.5m being a net consideration of £54.4m, which comprised an initial consideration of £41.4m and deferred consideration of £13.0m.

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

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

Customer Satisfaction

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

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

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

Environment & People – ESG

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

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

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

Markets

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

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

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

In affordable and PRS housing, whilst demand remains extremely strong with 178,000 applicants on Local Authority housing lists, the inflationary and regulatory environments are impacting the ability of the industry to deliver new homes for these tenures. The level of price inflation for materials and labour being experienced poses challenges for the Group's affordable business given the fixed price nature of its contracts. The Group has reassessed the costs to completion for its ongoing affordable housing projects, taking a prudent approach to anticipated cost changes. The Group has also paused entering new, large, long-term affordable-only contracts until conditions normalise.

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

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

With a strong lobby pointing to the current challenges and the resultant impact on housing supply in Scotland, there is pressure on the Scottish Government to respond.

Dividends

The Board is pleased to recommend a final dividend of 4.70 pence per ordinary share, subject to shareholder approval at the next Annual General Meeting, with an ex-dividend date of 3 November 2022, a record date of 4 November 2022 and a payment date of 16 December 2022. This brings the total dividend for the year, including the interim dividend already paid, to 6.20 pence (2021: 5.75 pence).

Outlook

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

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

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

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

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

Publication of Annual Report

The Company's annual report and accounts for the year ended 31 May 2022 are being sent to shareholders today and have been made available on the 'Financial Results and Reports' page of the Company's website: www.thespringfieldgroup.co.uk

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

	Note	2022 £000	2021 £000
Revenue	**3**	257,095	216,692
Cost of sales		(213,960)	(177,895)
Gross profit		**43,135**	**38,797**
Administrative expenses before exceptional items		(20,950)	(19,422)
Exceptional items	**5**	(1,100)	(622)
Total administrative expenses		(22,050)	(20,044)
Other operating income		396	375
Operating profit		**21,481**	**19,128**
Finance income		134	367
Finance costs		(1,889)	(1,607)
Profit before taxation		**19,726**	**17,888**
Taxation	**4**	(3,652)	(4,178)
Profit for the year and total comprehensive income		**16,074**	**13,710**
Profit for the year and total comprehensive income is attributable to:			
Owners of the parent company		16,074	13,710
		16,074	**13,710**
Earnings per share			
Basic earnings on profit for the year	**7**	14.74p	13.79p
Diluted earnings on profit for the year	**7**	14.37p	13.55p
Adjusted earnings per share			
Basic earnings on profit for the year	**7**	15.63p	14.41p
Diluted earnings on profit for the year	**7**	15.24p	14.16p

Adjusted earnings per share is a non-GAAP measure.

The Group has no items of other comprehensive income.

CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 MAY 2022

		2022	2021
Non-current assets	**Note**	**£000**	**£000**
Property, plant and equipment		5,799	4,539
Intangible assets		5,758	1,649
Investments		520	-
Deferred taxation		2,133	539
Accounts receivables		5,641	5,411
		19,851	**12,138**
Current assets			
Inventories		230,095	156,774
Trade and other receivables		21,363	23,683
Cash and cash equivalents		16,390	15,826
		267,848	**196,283**
Total assets		**287,699**	**208,421**
Current liabilities			
Trade and other payables		68,513	51,646
Short-term bank borrowings		-	34,000
Deferred consideration	**10**	6,119	-
Short-term obligations under lease liabilities		1,284	760
Provisions		821	-
Corporation tax		273	901
		77,010	**87,307**
Non-current liabilities			
Long-term bank borrowings		50,486	-
Long-term obligations under lease liabilities		2,670	1,854
Deferred taxation		3,726	2,920
Deferred consideration	**10**	6,455	-
Contingent consideration	**11**	2,000	3,900
Provisions	**12**	1,825	1,210
		67,162	**9,884**
Total liabilities		**144,172**	**97,191**
Net assets		**143,527**	**111,230**
Equity			
Share capital	**13**	148	128
Share premium	**13**	78,744	56,761
Retained earnings		64,635	54,341
Equity attributable to owners of the parent company		**143,527**	**111,230**

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

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR TO 31 MAY 2022

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR TO 31 MAY 2022

1. Organisation and trading activities

Springfield Properties PLC is incorporated and domiciled in Scotland as a public limited Company and operates from its registered office in Alexander Fleming House, 8 Southfield Drive, Elgin, Morayshire, IV30 6GR.

2. Summary of significant accounting policies

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

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

2.1. Basis of accounting

The financial information contained within this final results announcement for the year ended 31 May 2022 and the year ended 31 May 2021 is derived from but does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 May 2021 have been filed with the Registrar of Companies and those for the year ended 31 May 2022 will be filed following the Company's annual general meeting. The auditors' report on the statutory accounts for the year ended 31 May 2022 and the year ended 31 May 2021 is unqualified, does not draw attention to any matters by way of emphasis, and does not contain any statement under section 498 of the Companies Act 2006.

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

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

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

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

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

- Amendments to IAS 1 ‘Classification of Liabilities as Current or Non-current’
- Amendments IAS 16 ‘Property, Plant and Equipment’
- Amendments to IAS 37 ‘Onerous Contracts’
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 ‘Reference to the Conceptual Framework’
- Definition of Accounting Estimates (Amendments to IAS 8)

- Amendments to IAS 1 ‘Presentation of Financial Statements’ and IFRS Practice Statement 2 Making Materiality Judgements
- IFRS 17 'Insurance Contracts'

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

2.2. Basis of consolidation

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

All financial statements are made up to 31 May 2022.

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

2.3. Functional and presentation currencies

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

2.4. Going concern

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

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

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

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

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

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

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

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

2.5. Revenue and profit recognition

Sale of private homes

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

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

Revenue on contracts recognised over time

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

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

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

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

Land Sales

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

Plant Hire Revenue

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

2.6. Grants

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

2.7. Employee benefits

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

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

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

2.8. Retirement benefits

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

2.9. Net finance costs

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

2.10. Taxation

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

Current tax

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

Deferred tax

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

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

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

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

2.11. Exceptional items

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

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

In the prior year the furlough grant income received from the government was separately disclosed within the consolidated profit and loss account as exceptional, due to its incremental nature. The direct furlough payroll costs were considered abnormal costs in the prior year and consistent with previous years, any direct payroll costs reflecting employee down time (abnormal production) is expensed to the profit and loss account. The administrative furlough payroll costs disclosed as exceptional are considered to be interdependent with the related government grant income and while not being incremental or abnormal in nature, the government support measures were key in protecting these jobs. See Note 5.

2.12. Property, plant and equipment

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

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

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

2.13. Intangible fixed assets

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

Market related assets

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

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

Goodwill on acquisition

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

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

2.14. Fixed asset investments

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

2.15. Impairment of fixed assets

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

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

2.16. Inventories and work in progress

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

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

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

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

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

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

2.17. Financial instruments

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

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

Financial assets at amortised cost

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

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

Impairment of financial assets

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

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

Derecognition of financial assets

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

Financial liabilities

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

Other financial liabilities

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

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

Derecognition of other financial liabilities

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

2.18. Deferred consideration

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

2.19. Cash and cash equivalents

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

2.20. Dividends

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

2.21. Leases

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

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

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

2.22. Equity instruments

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

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

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

2.23. Share-based payments

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

2.24. Provisions

Provisions include dilapidations to cover the Group's leased properties with an upfront liability recognised. Maintenance provisions relate to the costs to come on developments where the final homes have been handed over.

Provisions are liabilities of uncertain timing and amount. Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3. 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.

	2022	2021
Revenue	**£000**	**£000**
Private residential properties	174,442	138,646
Affordable housing	64,251	52,939
Contracting housing	16,494	8,142
Other	1,908	16,965
Total revenue	**257,095**	**216,692**
Gross profit	**43,135**	**38,797**
Administrative expenses	(20,950)	(19,422)
Exceptional items	(1,100)	(622)
Other operating Income	396	375
Finance income	134	367
Finance expenses	(1,889)	(1,607)
Profit before tax	**19,726**	**17,888**
Taxation	(3,652)	(4,178)
Profit for the period	**16,074**	**13,710**

4. Taxation

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

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

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

5. Exceptional items

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

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

6. Dividends

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

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 2022 assumes that all shares have been included in the computation based on the weighted average number of days since issue.

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

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

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

8. Acquisition of Tulloch Homes Holdings Limited

Net assets at date of Acquisition	Book value £000	Revaluation adjustment £000	Fair Value to Group £000
Investment	-	520	520
Property, plant and equipment	401	-	401
Intangible fixed asset	79	3,700	3,779
Inventories	45,017	11,693	56,710
Accounts receivable	2,049	-	2,049
Cash and cash equivalent – acquired cash	23,485	-	23,485
Accounts payable	(9,998)	-	(9,998)
Provisions	(796)	-	(796)
Obligation under lease liabilities	(301)	-	(301)
Corporation tax	153	-	153
Deferred tax	2,317	(925)	1,392
At 1 December 2022	62,406	14,988	**77,394**
Discharged by:			
Consideration paid - Cash			65,010
Deferred consideration			12,897
			77,907
Less Goodwill			513
Total at 1 December 2022			**77,394**

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

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

9. Bank borrowings

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

The bank loan comprises of a revolving credit facility of £64.5m, which was put in place for three years in September 2021 with an expiry date in January 2025 and was extended in November 2021 to

£87.5m to part fund the Tulloch acquisition on the same terms as the existing facility and is secured over certain of the Company's properties. The facility attracts an interest rate of 2.15% per annum above Bank of England Sonia (Sterling overnight index average response rate). The amount payable within one year in the prior year related to a Term loan which was drawn down on 24 April 2020 and repaid in full in April 2021.

10. Deferred consideration

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

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

11. Contingent consideration

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

As part of the purchase agreement of DHomes 2014 Limited there was a further £2,500,000 payable for an area of land if (i) we make a planning application when we reasonably believe the council will recommend approval; or (ii) it is zoned by the council. The directors have assessed the likelihood of the land being zoned and have included a liability of £2,000,000 based on 80% probability. The outstanding amount payable at the period end included within liabilities is £2,000,000 (2021: £2,000,000). The remaining £500,000 (20% on the £2,500,000 still to be paid) has been treated as a contingent liability due to the uncertainty over the future payment.

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

12. Provisions

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

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

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

13. Share capital

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

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

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

14. 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 £2,343k (2021: £1,415k) were paid to key management personnel (Board of Directors and the members of the Operational Board).

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

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

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

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

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

	Rent paid	
	2022 £000	**2021 £000**
Entities which key management personnel have control, significant influence or hold a material interest in	170	176
Key management personnel	-	11
Other related parties	107	128
	277	**315**
Interest received:		
Entities which key management personnel have control, significant influence or hold a material interest in (short-term)	125	355
	125	**355**

The following amounts were outstanding at the reporting end date:

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

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

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

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

(1) Bertha Park Limited is a Company in which Sandy Adam and Innes Smith are Directors. During the year the Group made sales to Bertha Park Limited of £18,225k (2021: £8,989k) in relation to a build contract. At the year-end £3,983k (2021: £1,772k) is included in trade debtors and included within other debtors is a loan of £5,125k (2021: £5,000k) at the year-end. During the year the Group had purchases from Bertha Park Limited of £371k (2021: £nil) in relation to a build contract. These were paid in full during the year.

15. Analysis of net debt

The Analysis of net debt is as follows:

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

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

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

16. Subsequent events

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

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

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

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

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

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