10 February 2022

MJ GLEESON PLC

Results for the half-year ended 31 December 2021

On track for 2,000 homes this financial year | Strong demand for consented land
Full year results set to be ahead of current market expectations

Group:

- Revenue up 21.7% to £173.5m (H1 20/21: £142.6m)
- Profit before tax up 21.7% to £24.7m (H1 20/21: £20.3m)
- EPS[1] up 22.0% to 34.4p (H1 20/21: 28.2p)
- 6p interim dividend (H1 20/21: 5p)

Gleeson Homes:

- 932 homes sold
  - Up 14.9% on the pre-Covid half-year to 31 December 2019 (H1 19/20: 811 homes)
  - Down 2.0% on prior half-year which was flattered by delayed completions carried over from the first Covid-19 lockdown (H1 20/21: 951 homes)
  - 55% bought through Help to Buy, down from 69% last year
- Average selling price up 14.7% to £161,200 (H1 20/21: £140,600)
- Operating profit increased 9.8% to £22.5m (H1 20/21: £20.5m)
- Eight new sites opened (H1 20/21: 17 sites opened) – 17 new sites expected to open in H2
- Land pipeline of 16,242 plots (June 2021: 15,863 plots)

Gleeson Land:

- Three land sales completed in H1 (H1 20/21: four land sales)
- A further three sites currently being marketed
- Strong demand for consented sites
- Three new sites added to the portfolio (H1 20/21: five sites added)
- Portfolio of 71 sites (June 2021: 71 sites)

	H1 21/22	**H1 20/21**	***Change*** *(H1 21/22 v H1 20/21)*	**H1 19/20**	***Change*** *(H1 21/22 v H1 19/20)*
Revenue					
Gleeson Homes	£150.2m	£134.4m	*11.8%*	£105.0m	*43.0%*
Gleeson Land	£23.3m	£8.2m	*184%*	-	*n/a*
Total	**£173.5m**	**£142.6m**	***21.7%***	**£105.0m**	***65.2%***
Operating profit/(loss) by division					
Gleeson Homes	£22.5m	£20.5m	*9.8%*	£15.9m	*41.5%*
Gleeson Land	£5.5m	£2.6m	*112%*	(£0.7m)	*n/a*
Profit before tax[1]	**£24.7m**	**£20.3m**	***21.7%***	**£13.3m**	***85.7%***
Cash net of borrowings	**£38.2m**	**£31.6m**	***20.9%***	**£30.6m**	***24.8%***
ROCE[2]	**22.9%**	**7.2%**	***1,570bp***	**19.1%**	***380bp***
EPS (basic)[1]	**34.4p**	**28.2p**	***22.0%***	**19.6p**	***75.5%***
Dividend per share	**6.0p**	**5.0p**	***20.0%***	**-**	***n/a***

[1] All results classified as continuing for the half-year ended 31 December 2021
[2] Return on capital employed is calculated based on earnings before interest and tax from continuing and discontinued operations, expressed as a percentage of the average of opening and closing net assets for the prior 12 months after deducting deferred tax balances and cash net of borrowings.

James Thomson, Chief Executive of MJ Gleeson plc, commented:

"The Group performed strongly during the first half and this result, and indeed our performance throughout the pandemic, is evidence of the underlying strength of the business. We expect Gleeson Homes to deliver 2,000 homes this financial year and Gleeson Land to complete further sales in the second half of the financial year. Consequently, in the absence of any further Covid-19 or supply chain related disruption, the Board is confident that results for the full year to 30 June 2022 will be ahead of market expectations.

Demand for our much-needed affordable homes continues unabated. Meanwhile, a focus on investing in our people, organisational structure, training and processes means that the business, supported by a robust financial position, is operationally and structurally very well positioned to achieve further controlled growth. We expect to announce our next medium-term strategic targets at the time of the full-year results.

Working in cooperation with local and national government to ensure the continued delivery of low-cost affordable homes for first time buyers, we can look to the next stage of the Group's development with confidence."

A presentation by James Thomson, CEO and Stefan Allanson, CFO, which will also be webcast, will be held at 11:00am today. To attend:

- by webcast, visit the company website: https://www.mjgleesonplc.com/investors or access via the following link: https://webcasting.brrmedia.co.uk/broadcast/61e69ef87eb59509ae2f84c5
- by telephone, please dial-in using the below details:
    - Number: +44 (0)330 336 9601
    - Code: 9557159

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This announcement is released by MJ Gleeson plc and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (MAR), and is disclosed in accordance with the Company's obligations under Article 17 of MAR. Upon the publication of this announcement, this information is considered to be in the public domain.

For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of the Company by Stefan Allanson, Chief Financial Officer.

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CHIEF EXECUTIVE'S STATEMENT

I am pleased to report a strong set of results for the first half of this financial year. We are particularly pleased with this performance given the wider economic and sector pressures that we are seeing in the UK and which I refer to in more detail further on.

As planned, we are on track to deliver our milestone target of 2,000 homes in this financial year. The Board is assessing a range of metrics to support and define our fresh medium-term strategic ambition, and guidance, which we expect to announce at the time of the full-year results.

The continued strong demand for our homes – which shows no sign of abating – demonstrates that our commitment to building high-quality, low-cost homes is more relevant today than ever. By building high-quality, low-cost homes, Gleeson is truly changing people's lives by offering young first time buyers a way out of the renting trap and into first time home ownership. Three out of four of our customers are first time buyers and more than half of our buyers are key workers.

Industry Environment

The industry in which we operate is facing a number of well-documented challenges, ranging from the macro-economic to the regulatory. Gleeson is a resilient business and is very well positioned to manage its way through these challenges.

Affordability

Demand for our homes is underpinned by the affordability of the houses we build for a market that has been chronically underserved for decades. Although interest rates are widely expected to rise over the course of this year, they are expected to remain historically low. Moreover, mortgage availability continues to improve as lenders offer more high loan to value products. In consequence, a Gleeson home will continue to remain within the reach of a couple earning the National Living Wage and without any need for Help to Buy support. The cost of owning a Gleeson home is significantly lower than the cost of renting and will remain so even with modest interest rate rises.

We have secured funding for First Homes under the Government's early delivery programme. First Homes will provide discounted affordable homes across our developments specifically for first time buyers – something we have done for many years. Deposit Unlock, an industry led scheme, is also important in helping first time buyers onto the property ladder and will sit alongside other products, including shared ownership, to support our customers.

Planning

The planning system remains an area of concern, as highlighted in the recent report from the Built Environment Committee, "Meeting housing demand". The report calls for urgent reform including better resourced local planning authorities, and clear and transparent local plans. These views are widely shared by the industry and, without some level of investment, delays in the planning system will continue to limit the supply of consented land and risks holding back housing delivery.

Supply Chain

Supply chain pressures, including labour and material prices and availability remain, but are starting to show signs of easing on certain materials. The impact of these has been managed through the strong relationships that we have with our suppliers and subcontractors, and the unprecedented cost increases that have been offset by selling price inflation. Government figures show that skills shortages accounted for 36% of all construction vacancies. This skills shortage combined with wage inflation remains a challenge for the wider industry.

Regulation

The Future Homes Standard continues to drive changes in housing design, construction and use, and we are supportive of the Government's desire to make homes "zero carbon ready". We are working with our supply chain to trial a number of materials that will help to reduce the carbon footprint of our homes, including concrete bricks and reconstituted stone. In addition, we are continuing to install and trial air source heat pumps and electric vehicle charging points as part of changes to building regulations.

Given how vital affordable homes are, we are concerned that the Government is not taking a more considered approach to ensuring there are no unintended consequences to changes in building regulation, legislation or planning that will impact delivery of much-needed affordable and low-cost homes for young people where they are needed the most, including areas of regeneration. These unintended impacts have a disproportionate impact on difficult and brownfield sites, and on smaller and medium-sized housebuilders.

Building Safety

The Government's recent proposal, in its draft Building Safety Bill, to extend statutory liability from 6 to 30 years, and the request for information on all buildings over 11 metres developed in the last 30 years, means that Gleeson has had to review its legacy activities, which it exited in 2005 to concentrate on two, three and four-bedroom houses. We have identified 50 buildings, the majority of which are medium-rise, where we were the developer or contractor. As all of these buildings fully met building regulations, and were signed-off as compliant by approved inspectors, we do not believe we have any liability arising from these legacy developments and consequently have not made any material provisions in respect of any remedial works.

There is universal agreement that a solution to legacy building safety issues is urgently needed and that leaseholders should not have to bear any related costs. We have therefore been advocating with the Government an industry-wide, fiscal-based solution involving participation from all stakeholders - including architects, specifiers, insurers, materials producers, suppliers and developers – and which would therefore be both proportionate and pragmatic.

We continue to monitor developments and any potential changes in legislation. However, it should be noted that the Residential Property Developers Tax will already levy an additional tax on major housebuilders from April 2022, irrespective of whether they engaged in any high-rise construction. This is in addition to the 6% increase in Corporation Tax from the current 19% to 25% from April 2023.

Financial Performance

Group results

Revenue increased 21.7% to £173.5m (H1 20/21: £142.6m) with gross profit increasing 22.7% to £50.9m (H1 20/21: £41.5m). The Group's operating profit increased 20.6% to £25.2m (H1 20/21: £20.9m). Following a net interest charge of £0.5m (H1 20/21: £0.6m), profit before tax increased 21.7% to £24.7m (H1 20/21: £20.3m).

The tax charge for the period was £4.7m (H1 20/21: £3.7m) reflecting an effective rate of 19.0% (H1 20/21: 18.4%). The profit after tax for the period was £20.0m (H1 20/21: £16.4m).

Total shareholders' equity was £259.9m at 31 December 2021 compared to £229.5m at 31 December 2020. This equates to net assets per share of 445.8 pence (31 December 2020: 394.0 pence).

The Group's net cash balance at 31 December 2021 increased by £3.8m to £38.2m (30 June 2021: £34.3m), driven by strong home sales and the phasing of site openings during the period.

Gleeson Homes

Revenue increased 11.8% to £150.2m (H1 20/21: £134.4m), reflecting increased selling prices despite a 2.0% fall in the number of homes sold from 951 to 932 and no land sales (H1 20/21: £0.7m). The previous first half-year was flattered by the carry-over of delayed completions from the first Covid-19 lockdown and, when compared to the pre-Covid half-year to 31 December 2019, the number of homes sold was up 14.9% (H1 19/20: 811 homes).

The average selling price for homes sold in the period increased 14.7% to £161,200 (H1 20/21: £140,600) reflecting strong underlying selling price increases of 12.8% and development mix. There continues to be opportunities for selling price increases, however, the rate of house price growth across the industry is expected to slow.

Of the 932 homes sold this half-year, 55% were purchased using Help to Buy (H1 20/21: 69%). The reduction in the use of Help to Buy has been driven by the restriction of the scheme to first time buyers and by an increase in home movers buying a Gleeson home as a result of a shortage of stock in this buoyant housing market.

Gross profit on homes sold increased 16.8% to £43.9m (H1 20/21: £37.6m). The gross margin on homes sold in the period was 29.2% (H1 20/21: 28.1%), reflecting effective cost management and increases in selling prices in the period.

Administrative expenses increased 24.7% to £21.7m (H1 20/21: £17.4m) reflecting increased investment in the operating structure of the business, the opening of additional sites and pay inflation.

Operating margin on homes sold decreased 20 basis points to 15.0% (H1 20/21: 15.2%), reflecting the increased investment in the business. Operating profit increased 9.8% to £22.5m (H1 20/21: £20.5m).

The division opened eight new sites during the first half-year, was building on 83 sites at 31 December 2021 (31 December 2020: 80 sites) and was selling from 60 active sites (31 December 2020: 65 sites). By the end of the financial year the division expects to be building on approximately 85 sites and actively selling on approximately 65 sites.

Despite the continued congestion in the planning system, we expect to open a further 17 sites during the second half of this financial year and we continue to grow our pipeline of sites at sensible prices. Our land pipeline represents over nine years of home sales. We expect demand to remain strong, despite the threat of higher interest rates, and are planning to continue our strong growth trajectory beyond the 2,000 homes we expect to deliver this financial year. To support our growth, we are opening a ninth regional office in West Yorkshire and which will be fully operational from 1 July 2022.

The pipeline of owned plots increased during the period by a net 285 plots to 7,757 plots. The total pipeline of owned and conditionally purchased plots was 16,242 plots on 158 sites at December 2021 (30 June 2021: 15,863 plots on 152 sites). During the period 16 new sites were added to the pipeline, while 10 sites were either merged, completed or did not proceed to purchase.

Demand for our high-quality, low-cost homes remains strong and we enter the second half with a forward order book of 616 plots (30 June 2021: 841 plots), of which 614 are expected to complete in the second half. In order to reduce the time between reservation and completion, and thus improve the customer journey, we have delayed the release of a large number of plots. These are being made available for sale during the first few months of the calendar year.

In July 2017, we announced our intention to double completions to 2,000 homes per annum within five years. Despite the impact of the Covid-19 pandemic, we remain firmly on track to achieve this target this financial year.

Gleeson Land

Gleeson Land saw strong demand from medium and large housebuilders for high quality residential sites in the South of England.

The division completed three land sales in the first half-year (H1 20/21: four). As a result, the operating profit for the first half was £5.5m (H1 20/21: £2.6m).

A further three sites are currently being marketed, which have the potential to deliver 1,384 plots (31 December 2020: four sites being progressed for sale, 1,708 plots).

At 31 December 2021, there were three sites in the portfolio with either planning permission or a resolution to grant permission for a total of 1,234 plots (30 June 2021: six sites, 2,210 plots).

There are a further 15 sites where the division is currently awaiting the determination of a planning application (30 June 2021: 15 sites).

We continue to invest in the Gleeson Land portfolio. Three new sites with the potential to deliver 300 plots were secured in the period, with a number of other high-quality, well-located sites currently being progressed.

At 31 December 2021 the portfolio, in which the Group has a beneficial interest of 80%, comprised 71 sites with the potential to deliver 21,155 plots (30 June 2021: 71 sites, 22,315 plots).

Sustainability

Our mission of building affordable, quality homes where they are needed and for the people that need them most continues to create social value in economically deprived areas across the North of England and Midlands. Our business model is fundamentally sustainable and fully supports target one of UN SDG 11 by providing access for all to safe and affordable housing.

The safety of our colleagues, subcontractors and visitors remains paramount. I am pleased with the progress we have made this half-year on health and safety and this remains a key area of focus. We have significantly increased the number of independent site based health and safety inspections. All our active sites receive a minimum of one unannounced inspection per month and the findings are used as part of our health and safety performance management.

We have retained our focus on build quality and our customer satisfaction score has been maintained above 90%, which is equivalent to a 5-star rating.

In our 2021 Annual Report, we increased our previous target of reducing scope 1 and 2 carbon emissions by 20% within 3 years (to 2.0 tonnes per home sold) by 2023 to 30% (to 1.75 tonnes per home sold) by 2023. With a number of carbon reduction initiatives now being well progressed, including the changeover to more efficient forklift trucks on sites, we are on track to meet this target. Trials of biodiesel and eco-welfare units have also been completed during the period and we are currently assessing the results. We continue to procure all our site electricity from renewable, REGO certified, sources.

We have made substantial progress this half-year in refining our scope 3 emissions and working with our supply chain to obtain Environmental Product Declarations for the materials that we use in building our homes.

We are committed to improving biodiversity on our developments. Despite the highly biodiverse nature of brownfield sites compared to greenfield sites, we are already adopting the requirements set out in the Environment Act 2021, where possible, on new sites.

We are also proud to have retained our accreditation under the Fair Tax Foundation. We remain the only housebuilder to be accredited with the Fair Tax Mark, which certifies that a business is paying its fair share of tax in the right place and at the right time. This reflects our determination to conduct our business in an ethical and sustainable way.

Dividends

Considering these results and our confidence in the full year outlook, the Board is declaring an interim dividend of 6.0 pence per share (H1 20/21: 5.0 pence per share). It is expected that the interim dividend will represent one third of the total dividend for the year.

The interim dividend will be paid on 4 April 2022 to shareholders on the register at close of business on 4 March 2022.

Summary & Outlook

The Group performed strongly during the first half and this result, and indeed our performance throughout the pandemic, is evidence of the underlying strength of the business. We expect Gleeson Homes to deliver 2,000 homes this financial year and Gleeson Land to complete further sales in the second half of the financial year. Consequently, in the absence of any further Covid-19 or supply chain related disruption, the Board is confident that results for the full year to 30 June 2022 will be ahead of market expectations.

Demand for our much-needed affordable homes continues unabated. Meanwhile, a focus on investing in our people, organisational structure, training and processes means that the business, supported by a robust financial position, is operationally and structurally very well positioned to achieve further controlled growth. We expect to announce our next medium-term strategic targets at the time of the full-year results.

Working in cooperation with local and national government to ensure the continued delivery of low-cost affordable homes for first time buyers, we can look to the next stage of the Group's development with confidence.

James Thomson
Chief Executive

Condensed Consolidated Income Statement
for the six months to 31 December 2021

	Note	**Unaudited Six months to 31 December 2021 £000**	Unaudited Six months to 31 December 2020 £000	Audited Year to 30 June 2021 £000
Continuing operations*				
Revenue		**173,543**	142,646	288,575
Cost of sales		**(122,659)**	(101,148)	(199,230)
Gross profit		**50,884**	41,498	89,345
Administrative expenses		**(25,982)**	(20,761)	(47,185)
Other operating income		**310**	141	923
Operating profit		**25,212**	20,878	43,083
Finance income		**47**	220	377
Finance expenses		**(527)**	(787)	(1,749)
Profit before tax		**24,732**	20,311	41,711
Tax	*3*	**(4,690)**	(3,710)	(7,839)
Profit for the period from continuing operations		**20,042**	16,601	33,872
Discontinued operations*				
Loss for the period from discontinued operations (net of tax)		**-**	(188)	-
Profit for the period		**20,042**	16,413	33,872
Earnings per share from continuing and discontinued operations*				
Basic	*5*	**n/a**	28.19 p	n/a
Diluted	*5*	**n/a**	28.18 p	n/a
Earnings per share from continuing operations				
Basic	*5*	**34.38 p**	28.51 p	58.16 p
Diluted	*5*	**34.38 p**	28.50 p	58.07 p

* All results classified as continuing for the year ended 30 June 2021 and six months to 31 December 2021

Condensed Consolidated Statement of Comprehensive Income
for the six months to 31 December 2021

	Unaudited Six months to 31 December 2021 £000	Unaudited Six months to 31 December 2020 £000	Audited Year to 30 June 2021 £000
Profit for the period	**20,042**	16,413	33,872
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Change in value of shared equity receivables at fair value	**32**	9	33
Movement in tax on share-based payments taken directly to equity	**49**	34	302
Other comprehensive income for the period, net of tax	**81**	43	335
Total comprehensive income for the period	**20,123**	16,456	34,207

Condensed Consolidated Statement of Financial Position
at 31 December 2021

	Note	**Unaudited 31 December 2021 £000**	Unaudited 31 December 2020 £000	Audited 30 June 2021 £000
Non-current assets				
Property, plant and equipment		**7,750**	6,182	6,684
Trade and other receivables		**8,261**	4,987	4,672
Deferred tax assets		**1,363**	1,893	1,233
		17,374	13,062	12,589
Current assets				
Inventories	*6*	**244,724**	221,378	239,961
Trade and other receivables		**19,808**	19,947	22,378
UK corporation tax		**4,941**	1,208	3,875
Cash and cash equivalents	*7*	**38,160**	31,616	34,331
		307,633	274,149	300,545
Total assets		**325,007**	287,211	313,134
Non-current liabilities				
Trade and other payables	*9*	**(4,248)**	(4,710)	(6,917)
Provisions		**(264)**	(243)	(236)
		(4,512)	(4,953)	(7,153)
Current liabilities				
Trade and other payables	*9*	**(60,539)**	(52,720)	(61,027)
Provisions		**(15)**	(16)	(23)
		(60,554)	(52,736)	(61,050)
Total liabilities		**(65,066)**	(57,689)	(68,203)
Net assets		**259,941**	229,522	244,931
Equity				
Share capital		**1,166**	1,165	1,165
Share premium		**15,843**	15,843	15,843
Retained earnings		**242,932**	212,514	227,923
Total equity		**259,941**	229,522	244,931

Condensed Consolidated Statement of Changes in Equity

for the six months to 31 December 2021

	Note	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 July 2020 (audited)		1,161	15,843	195,601	212,605
Total comprehensive income for the period					
Profit for the period		-	-	16,413	16,413
Other comprehensive income		-	-	43	43
Total comprehensive income for the period		-	-	16,456	16,456
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue		4	-	-	4
Purchase of own share		-	-	(30)	(30)
Share-based payments		-	-	487	487
Transactions with owners, recorded directly in equity		4	-	457	461
At 31 December 2020 (unaudited)		1,165	15,843	212,514	229,522
Total comprehensive income for the period					
Profit for the period		-	-	17,459	17,459
Other comprehensive income		-	-	292	292
Total comprehensive income for the period		-	-	17,751	17,751
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Purchase of own shares		-	-	(31)	(31)
Share-based payments		-	-	602	602
Dividends		-	-	(2,913)	(2,913)
Transactions with owners, recorded directly in equity		-	-	(2,342)	(2,342)
At 30 June 2021 (audited)		**1,165**	**15,843**	**227,923**	**244,931**
Total comprehensive income for the period					
Profit for the period		**-**	**-**	**20,042**	**20,042**
Other comprehensive income		**-**	**-**	**81**	**81**
Total comprehensive income for the period		**-**	**-**	**20,123**	**20,123**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue		**1**	**-**	**-**	**1**
Purchase of own shares		**-**	**-**	**(30)**	**(30)**
Share-based payments		**-**	**-**	**746**	**746**
Dividends		**-**	**-**	**(5,830)**	**(5,830)**
Transactions with owners, recorded directly in equity		**1**	**-**	**(5,114)**	**(5,113)**
At 31 December 2021 (unaudited)		**1,166**	**15,843**	**242,932**	**259,941**

Condensed Consolidated Statement of Cash Flow
for the six months to 31 December 2021

	Unaudited Six months to 31 December 2021 £000	Unaudited Six months to 31 December 2020 £000	Audited Year to 30 June 2021 £000
Operating activities*			
Profit before tax from continuing operations	**24,732**	20,311	41,711
Loss before tax from discontinued operations	**-**	(188)	-
	24,732	20,123	41,711
Depreciation of property, plant and equipment	**1,571**	1,301	2,772
Share-based payments	**746**	487	1,089
Profit on redemption of shared equity receivables	**(246)**	(93)	(230)
Loss on disposal of property, plant and equipment	**101**	27	200
Disposal of right-of-use assets	**-**	-	50
Finance income	**(47)**	(220)	(377)
Finance expenses	**527**	787	1,749
Operating cash flows before movements in working capital	**27,384**	22,412	46,964
Increase in inventories	**(4,763)**	(5,042)	(23,626)
Increase in receivables	**(1,555)**	(4,353)	(6,709)
(Decrease)/increase in payables	**(3,907)**	9,077	19,706
Cash generated from operating activities	**17,159**	22,094	36,335
Tax paid	**(5,836)**	(4,348)	(10,216)
Finance costs paid	**(505)**	(1,001)	(1,934)
Net cash flow surplus/(deficit) from operating activities	**10,818**	16,745	(24,185)
Investing activities			
Proceeds from disposal of shared equity receivables	**852**	327	858
Proceeds from disposal of property, plant and equipment	**-**	-	7
Interest received	**3**	3	6
Purchase of property, plant and equipment	**(1,677)**	(1,802)	(3,839)
Net cash flow deficit from investing activities	**(822)**	(1,472)	(2,968)
Financing activities			
Repayment of loans and borrowings	**-**	(60,000)	(60,000)
Net proceeds from issue of shares	**1**	4	4
Purchase of own shares	**(30)**	(30)	(61)
Dividends paid	**(5,830)**	-	(2,913)
Principle element of lease payments	**(308)**	(438)	(723)
Net cash flow deficit from financing activities	**(6,167)**	(60,464)	(63,693)
Net increase/(decrease) in cash and cash equivalents	**3,829**	(45,191)	(42,476)
Cash and cash equivalents at beginning of period	**34,331**	76,807	76,807
Cash and cash equivalents at end of period	**38,160**	31,616	34,331

* All results classified as continuing for the year ended 30 June 2021 and six months to 31 December 2021

Notes to the Condensed Consolidated Financial Statements

for the six months to 31 December 2021

1. Basis of preparation and accounting policies

This condensed consolidated interim financial report ("the Interim Report") for the six months ended 31 December 2021 has been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. The Interim Report has been prepared on the basis of the policies set out in the Annual Report and Accounts for the year ended 30 June 2021 and in accordance with Accounting Standard IAS 34 "Interim Financial Reporting" and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority. The Interim Report does not constitute financial statements as defined in Section 434 of the Companies Act 2006 and is neither audited nor reviewed.

The interim financial statements need to be read in conjunction with the consolidated financial statements for the year ended 30 June 2021, which were prepared in accordance with IFRS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. A copy of the Annual Report and Accounts for the year ended 30 June 2021 is available either on request from the Group's registered office, 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE, or can be downloaded from the corporate website, www.mjgleesonplc.com.

For the year to 30 June 2022, the annual financial statements will be prepared in accordance with IFRS as adopted by the UK Endorsement Board; this change in basis of preparation is required by UK Company Law for the purpose of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in framework, which is required to ground the use of IFRS in company law. There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

The comparative figures for the financial year ended 30 June 2021 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the auditors of the Company and the Group and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters which the auditor drew attention to by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

During the period, the Group has adopted the following new and revised standards and interpretations that have had no material impact on these condensed consolidated financial statements:

- Amendments to IFRS 9, IAS 39, and IFRS 7 under "Interest Rate Benchmark Reform"

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may subsequently differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 30 June 2021.

The accounting policies, method of computation, and presentation adopted are consistent with those of the Annual Report and Accounts for the year ended 30 June 2021, as described in those financial statements.

Going concern

The Group has maintained its strong financial position and ended the period with cash balances of £38.2m (30 June 2021: £34.3m). The Group's committed club facility of £105m remained undrawn. Latest forecasts are based on the three-year budget approved by the Board in May 2021, adjusted for current trading and outlook.

1. Basis of preparation and accounting policies *(cont.)*

These forecasts have been subjected to a range of sensitivities including a severe but plausible scenario together with the likely effectiveness of mitigating actions. The assessment considered the impact of a number of realistically possible, but severe and prolonged changes to principal assumptions from a downturn in the housing and land markets consistent with those presented in the 2021 Annual Report.

Under these sensitivities, after taking mitigating actions, the Group continues to have a sufficient level of liquidity, operate within its financial covenants and meet its liabilities as they fall due.

Based on the results of the analysis undertaken, the Directors have a reasonable expectation that the Group has adequate resources available to continue in operation for the foreseeable future and operate in compliance with the Group's bank facilities and financial covenants. As such, the Interim Report for the Group has been prepared on a going concern basis.

2. Segmental analysis

The Group is organised into the following two operating divisions under the control of the Executive Board, which is identified as the Chief Operating Decision Maker as defined under IFRS 8 "Operating segments":

- Gleeson Homes
- Gleeson Land

The revenue in the Gleeson Homes segment relates to the sale of residential properties and ad hoc land sales. All revenue for the Gleeson Land segment is in relation to the sale of land interests. All of the Group's operations are carried out entirely within the United Kingdom. Segment information about the Group's operations is presented below:

	Note	**Unaudited Six months to 31 December 2021 £000**	Unaudited Six months to 31 December 2020 £000	Audited Year to 30 June 2021 £000
Revenue				
Continuing activities*:				
Gleeson Homes		**150,251**	134,396	265,770
Gleeson Land		**23,292**	8,250	22,805
Total revenue		**173,543**	142,646	288,575
Divisional operating profit				
Gleeson Homes		**22,504**	20,549	37,437
Gleeson Land		**5,524**	2,600	11,080
		28,028	23,149	48,517
Group administrative expenses*		**(2,816)**	(2,271)	(5,434)
Finance income		**47**	220	377
Finance expenses		**(527)**	(787)	(1,749)
Profit before tax		**24,732**	20,311	41,711
Tax	3	**(4,690)**	(3,710)	(7,839)
Profit for the period from continuing operations*		**20,042**	16,601	33,872
Loss for the period from discontinued operations (net of tax)		**-**	(188)	-
Profit for the period		**20,042**	16,413	33,872

* The activities of Gleeson Construction Services Limited were previously disclosed as discontinued operations but are now considered wholly immaterial to the Group and are presented within continuing operations in the year ended 30 June 2021 and six months to 31 December 2021.

2. Segmental analysis *(cont.)*

Balance sheet analysis of business segments:

	Unaudited 31 December 2021		
	Assets	**Liabilities**	**Net assets**
	£000	**£000**	**£000**
Gleeson Homes	**232,823**	**(54,747)**	**178,076**
Gleeson Land	**51,995**	**(6,858)**	**45,137**
Group activities	**2,029**	**(3,461)**	**(1,432)**
Net cash	**38,160**	**-**	**38,160**
	325,007	**(65,066)**	**259,941**

	Unaudited 31 December 2020		
	Assets	Liabilities	Net assets
	£000	£000	£000
Gleeson Homes	204,827	(44,667)	160,160
Gleeson Land	49,028	(10,443)	38,585
Group activities	1,740	(2,579)	(839)
Net cash	31,616	-	31,616
	287,211	(57,689)	229,522

	Audited 30 June 2021		
	Assets	Liabilities	Net assets
	£000	£000	£000
Gleeson Homes	223,328	(54,892)	168,436
Gleeson Land	50,487	(9,106)	41,381
Group activities	4,988	(4,205)	783
Net cash	34,331	-	34,331
	313,134	(68,203)	244,931

3. Tax

The results for the six months to 31 December 2021 include a tax charge of 19.0% of profit before tax (31 December 2020: 18.4%, 30 June 2021: 18.8%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

4. Dividends

	Unaudited Six months to 31 December 2021 £000	Unaudited Six months to 31 December 2020 £000	Audited Year to 30 June 2021 £000
Amounts recognised as distributions to equity holders:			
Interim dividend for the year ended 30 June 2021 of 5.0p	**-**	-	2,913
Final dividend for the year ended 30 June 2021 of 10.0p	**5,830**	-	-
	5,830	-	2,913

On 9 February 2022 the Board approved an interim dividend of 6.0 pence per share at an estimated total cost of £3,498,000. The dividend has not been included as a liability as at 31 December 2021.

5. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	**Unaudited Six months to 31 December 2021 £000**	Unaudited Six months to 31 December 2020 £000	Audited Year to 30 June 2021 £000
Profit from continuing operations	**20,042**	16,601	33,872
Loss from discontinued operations*	**-**	(188)	-
Profit for the purposes of basic and diluted earnings per share	**20,042**	16,413	33,872

Number of shares	**31 December 2021 No. 000**	31 December 2020 No. 000	30 June 2021 No. 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**58,290**	58,231	58,235
Effect of dilutive potential ordinary shares:			
Share-based payments	**2**	17	97
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**58,292**	58,248	58,332

Continuing operations	**Six months to 31 December 2021 pence**	Six months to 31 December 2020 pence	Year to 30 June 2021 pence
Basic	**34.38**	28.51	58.16
Diluted	**34.38**	28.50	58.07

Continuing and discontinued operations*			
Basic	**n/a**	28.19	n/a
Diluted	**n/a**	28.18	n/a

* All results classified as continuing for the year ended 30 June 2021 and six months to 31 December 2021.

6. Inventories

	Unaudited 31 December 2021 £000	Unaudited 31 December 2020 £000	Audited 30 June 2021 £000
Land held for development	**100,482**	88,134	97,550
Work in progress	**144,242**	133,244	142,411
	244,724	221,378	239,961

6. Inventories *(cont.)*

Net realisable value provisions held against inventories at 31 December 2021 were £7,690,000 (31 December 2020: £5,148,000, 30 June 2021: £5,470,000). The amount of inventory write-down recognised as an expense in the period was £2,553,000 (31 December 2020: £613,000, 30 June 2021: £1,216,000) and the amount of reversal of previously recognised inventory write-down was £143,000 (31 December 2020: £315,000, 30 June 2021: £859,000). The cost of inventories recognised as an expense in cost of sales was £121,933,000 (31 December 2020: £100,997,000, 30 June 2021: £197,533,000).

7. Net cash/(debt)

	Unaudited 31 December 2021 £000	Unaudited 31 December 2020 £000	Audited 30 June 2021 £000
Cash and cash equivalents	**38,160**	31,616	34,331
Lease liabilities	**(3,076)**	(2,469)	(2,322)
Net cash/(debt)	**35,084**	29,147	32,009

At 31 December 2021, monies held by solicitors on behalf of the Group and included within cash and cash equivalents were £3,033,000 (31 December 2020: £877,000, 30 June 2021: £4,870,000).

	Cash and cash equivalents £000	**Lease liabilities £000**	**Total £000**
Net cash/(debt) at 1 July 2021	34,331	(2,322)	32,009
Cash flows	3,829	353	4,182
New leases	-	(1,089)	(1,089)
Lease disposals	-	28	28
Finance expense	-	(46)	(46)
Net cash/(debt) at 31 December 2021	**38,160**	**(3,076)**	**35,084**

8. Financial instruments

The fair values of the Group's financial assets and liabilities are not materially different from the carrying values. Shared equity receivables are measured at fair value through other comprehensive income ("FVOCI"). The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Shared equity receivables at FVOCI

	Unaudited 31 December 2021 £000	Unaudited 31 December 2020 £000	Audited 30 June 2021 £000
Balance at start of period	**2,522**	3,668	3,668
Redemptions	**(573)**	(225)	(594)
Shared equity provision	**-**	-	(600)
Unwind of discount (finance income)	**19**	25	49
Fair value movement recognised in other comprehensive income	**(1)**	1	(1)
Balance at end of period	**1,967**	3,469	2,522

8. Financial Instruments *(cont.)*

Shared equity receivables represent shared equity loans advanced to customers and secured by way of a second charge on the property sold. They are carried at fair value, which is determined by discounting forecast cash flows for the residual period of the contract. The difference between the nominal value and the initial fair value is credited over the deferred term to finance income, with the financial asset increasing to its full cash settlement value on the anticipated receipt date.

Redemptions in the period of shared equity receivables carried at fair value of £573,000 (H1 20/21: £225,000) generated a profit on redemption of £246,000 (H1 20/21: £93,000) which has been recognised in other operating income in the consolidated income statement.

In addition, a net change in value of shared equity receivables of £32,000 (H1 20/21: £9,000) has been recognised in other comprehensive income. This is made up as follows:

	Unaudited 31 December 2021 £000	Unaudited 31 December 2020 £000	Audited 30 June 2021 £000
Fair value movement recognised in other comprehensive income	**(1)**	1	(1)
Fair value recycled through profit and loss	**33**	8	34
Total movement recognised in other comprehensive income	**32**	9	33

Forecast cash flows are determined using inputs based on current market conditions and the Group's historic experience of actual cash flows resulting from such arrangements. These inputs are by nature estimates and as such the fair value has been classified as Level 3 under the fair value hierarchy laid out in IFRS 13 "Fair value measurement". There have been no transfers between fair value levels in the period.

Significant unobservable inputs into the fair value measurement calculation include regional house price movements based on the Group's actual experience of regional house pricing and management forecasts of future movements, the anticipated period to redemption of loans which remain outstanding and a discount rate based on current observed market interest rates offered to private individuals on secured second loans.

The key assumptions applied in calculating fair value as at the balance sheet date were:

- Forecast regional house price inflation: 2%
- Average period to redemption: 5 years
- Discount rate: 8%

The sensitivity analysis of changes to each of the key assumptions applied in calculating fair value, whilst holding all other assumptions constant, is as follows:

Change in assumption	**Increase / (decrease) in fair value £000**
Forecast regional house price inflation – increase by 1%	133
Average period to redemption – increase by 1 year	(143)
Discount rate – decrease by 1%	127

9. Trade and other payables

Trade and other payables includes £9,678,000 of deferred payables on the purchase of land by the Gleeson Homes division (31 December 2020: £10,064,000), of which £3,296,000 is due in more than one year (31 December 2020: £2,671,000).

10. Related party transactions

There have been no material changes to the related party arrangements as reported in note 26 of the Annual Report and Accounts for the year ended 30 June 2021.

11. Seasonality

Reservations in Gleeson Homes are largely unaffected by seasonal variations and tend to be driven more by the timing of site openings than by seasonality. There is no seasonality in the Gleeson Land division.

12. Group risks and uncertainties

The Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance remain consistent with those set out in the Strategic Report on pages 69 to 73 of the Group's Annual Report and Financial Statements.

The Covid-19 pandemic was previously considered when assessing our principal risks rather than identified as a specific risk item. Our assessment of the impact of Covid-19 on our principal risks remains unchanged.

The recent announcement from the Department for Levelling Up, Housing & Communities to find a solution to the building safety and combustible cladding crises, is directed at the construction industry. As a result, the principal risk around changes to government policy and regulation remains high (30 June 2021: high). We continue to monitor these developments and any impact they have on the Group.

13. Subsequent events

There were no material subsequent events affecting the Group between 31 December 2021 and the date of this announcement that need to be disclosed.

Statement of Directors’ Responsibility

for the six months to 31 December 2021

The Directors confirm that, to the best of our knowledge, these condensed interim financial statements have been prepared in accordance with UK adopted IAS 34 “Interim financial reporting” and that the interim management report includes a fair review of information required by DTR 4.2.7 and DTR 4.28, namely:

a) an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
b) material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The Board

The Board of Directors of MJ Gleeson plc at 30 June 2021 and their respective responsibilities can be found on pages 84 to 89 of the MJ Gleeson plc Annual Report and Accounts 2021. There have been no changes since that date.

By order of the Board

Stefan Allanson
Chief Financial Officer
9 February 2022