# MJ GLEESON PLC

14 September 2021

(“Gleeson” or “the Group” or “the Company”)

**Audited results for the year ended 30 June 2021**

Record performance despite industry-wide headwinds.

Homes sold, revenue and profit before tax above pre-Covid levels.

Gleeson, the low-cost housebuilder and land promotion specialist, announces audited results for the year ended 30 June 2021 (“2021”).

| | **2021** | **2020** | **Change (2020 v 2021)** | **2019** | **Change (2019 v 2021)** |
|---|---|---|---|---|---|
| Revenue | £288.6m | £147.2m | +96% | £249.9m | +15.5% |
| Operating profit | £43.1m | £5.9m | +631% | £41.0m | +5.1% |
| Profit before tax* | £41.7m | £5.6m | +645% | £41.2m | +1.2% |
| EPS | 58.2p | 8.1p | +619% | 61.0p | -4.6% |
| Cash net of borrowings | £34.3m | £16.8m | +£17.5m | £30.3m | +£4.0m |
| ROCE | 21.4% | 3.1% | +1,830bps | 25.9% | -450bps |
| Dividend per share (total) | 15.0p | - | n/a | 34.5p | -19.5p |

*All results classified as continuing for the year ended 30 June 2021

**Sustainable business model**

*Gleeson Homes:*

- Volumes up 69% to 1,812 homes sold (2020: 1,072, 2019: 1,529)
- ASP up 11.4% to £145,800 (2020: £130,900) – underlying increase 9.3%
- On track to deliver 2,000 homes sold in year ending 30 June 2022
- Gross profit margin on homes sold 28.5% (2020: 27.8%, 2019: 30.1%)
- Operating profit up 316% to £37.4m (2020: £9.0m, 2019: £30.1m)
- 27 new sites opened (2020: 12, 2019: 19)
- Land pipeline up 2,062 plots to 15,863 plots (2020: 13,801 plots)

*Gleeson Land:*

- Operating profit of £11.1m (2020: £0.2m, 2019: £13.0m)
- Eight land sales completed during the year (2020: two, 2019: nine)
- Six sites with planning consent or resolution to grant with the potential to deliver 2,210 plots
- Portfolio: 71 sites (2020: 68 sites) with the potential to deliver 22,315 plots (2020: 23,314 plots)
- Demand expected to remain strong

**Resilient financial position**

- Cash net of borrowings £34.3m (2020: £16.8m)
- Capital allocation policy to support growth agenda
    - 10p final dividend (2020: nil)
    - 15p total dividend (2020: nil)
    - Earnings to cover dividends between 3 times and 5 times
    - Interim dividend to represent 1/3rd of expected dividend

**Dermot Gleeson, Chairman, commented:**

*"These are an excellent set of results. Our profits, revenue and volumes all exceeded pre-Covid levels, which represents a record performance for the Group. This was achieved thanks to the resilience of our business model and the talent within the business. Our strategy of building low-cost, high-quality homes in the North of England and the Midlands and unlocking value by promoting land through the planning system in the South of England, ensured the business recovered strongly through what was a tough year.*

*We are managing industry-wide supply chain pressures well and remain confident of delivering Gleeson Homes' interim target of 2,000 homes sold in the current financial year. Demand remains robust, we have a growing pipeline of sites, an experienced management team and a strong platform for continued growth. We continue to operate in a market underserved by other housebuilders, and as a result our homes are as needed and in demand as ever.*

*The market for consented sites has recovered and Gleeson Land's pipeline continues to grow. The division's experienced management team remains focussed on delivering sites with sustainable and implementable residential planning permission to other developers in the South of England and is well placed to drive sustainable growth over the medium term.*

*Against this background, the Board is cautiously confident that the Group will deliver significant growth in both revenue and profits in the current year and beyond."*

*This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of the company is Stefan Allanson, Chief Financial Officer.*

*LEI: 21380064K7N2W7FD6434*

**Enquiries:**


| | | |
|---|---|---|
| **MJ Gleeson plc** | | **Tel: +44 1142 612900** |
| James Thomson | Chief Executive Officer | |
| Stefan Allanson | Chief Financial Officer | |
| | | |
| **Instinctif** | | **Tel: +44 79 4993 9237** |
| Tim Linacre | | **Tel: +44 20 7457 2045** |
| | | |
| **N+1 Singer** | | |
| Shaun Dobson<br>Hannah Woodley<br>James Moat | | **Tel: +44 20 7496 3000** |
| | | |
| **Liberum** | | |
| Neil Patel | | **Tel: +44 20 3100 2222** |

## Chairman’s Statement

I am pleased to report a strong set of results for the financial year to June 2021, with revenue and profit ahead of pre-Covid levels.

Gleeson Homes completed a record 1,812 new homes and remains on track to meet its target of delivering 2,000 new homes in 2022.

Gleeson Land sold eight sites with the potential to deliver 1,978 plots. Demand for consented sites has returned to pre-Covid levels and in the current financial year the division has already completed the sale of one substantial site.

**Market**

The demand for Gleeson Homes’ high-quality, low-cost homes remains very strong. Mortgage finance continues to be available to our purchasers on favourable terms and the government’s two new initiatives to help first time buyers – the First Homes scheme and the 95% mortgage guarantee scheme – will also help to support demand in the market in which Gleeson operates. Due to the low, affordable selling price of our homes and the typical backgrounds of our customers, most purchases of a Gleeson home are not subject to stamp duty and, as a result, the first tapering of the stamp duty holiday in June has had little impact on our performance. We do not expect the end of the stamp duty holiday in September to have any impact either on demand or revenue.

As has been widely publicised, the construction sector as a whole is currently experiencing availability and cost pressures with respect to labour and materials. So far, however, due to its long-term, trusted relationships with suppliers and subcontractors, Gleeson Homes has been able to maintain both its build programmes and its gross margins. We are cautiously confident it will continue to do so.

Gleeson Land has seen a strong increase in demand from major housebuilders for high-quality, consented sites. Despite the disruptive impact of the pandemic on local authority planning departments, the division is continuing to secure new and commercially attractive planning consents. It has also added a number of new, high-quality sites to its portfolio.

**Sustainability**

In last year’s Annual Report, we set out our commitment to being a sustainable housebuilder aligned with UN Sustainable Development Goals (“SDGs”), in particular target 1 of SDG 11, “Sustainable cities and communities”, which is to provide “access for all to safe and affordable housing”. A young working couple can afford to buy a high-quality home on any one of Gleeson Homes’ development sites.

The UK housing market as a whole is heavily skewed towards the needs of middle and upper-income buyers who already own a home. The average selling price of houses in England is now over £325,000. In consequence, and despite the rise in the number of new homes being built, housing inequality in the UK remains a very significant problem. I am proud of the contribution we are making, both in practice and by our example, to resolving that problem.

Our customers are young, first time buyers and people on low incomes who would like to own their home but, in many cases, believe themselves to be “priced out” of the market. Gleeson’s high-quality, affordable homes enable them to achieve their dream. What is more, by choosing to live in a new, energy efficient home on a carefully planned and designed Gleeson development, young first time buyers give themselves the opportunity to become active members of a strong and sustainable community.

**Our people**

The last 18 months have been challenging. I wish to express my very deep sense of gratitude to all our employees for their remarkable resilience in what have been very difficult circumstances and for their continuing commitment to the Company’s success.

I have been particularly impressed by the progress made during the year with respect to employee development and engagement. The most recent independently assessed engagement scores show a further rise, placing Gleeson in the top quartile of UK companies. We continue to strive to be, and to be recognised as, one of the best companies to work for in the UK.

**Dividends**

Following the suspension of dividend payments in 2020, the Board resumed payments in April 2021, paying an interim dividend of 5.0p per share.

Subject to shareholder approval at the 2021 Annual General Meeting ("AGM"), the Board proposes to pay a final dividend of 10.0p per share on 22 November 2021, to shareholders on the register at the close of business on 29 October 2021. The total dividend for the year to 30 June 2021 will, on that basis, be 15.0p.

The Board has also reviewed the Company's capital allocation policy, assessing the capital needs of both shareholders and the Company as it continues to invest for growth. The Board intends to maintain an earnings to ordinary dividend cover ratio of between three and five times and expects to pay a final dividend representing two-thirds of the total dividend each year. This policy will be reviewed periodically to ensure that it remains appropriate.

**Financial stability**

The Group retains its strong financial position and ended the year with cash balances of £34.3m and no debt (30 June 2020: £16.8m net cash). In April this year, the Group entered into a new borrowing facility shared between Lloyds Bank plc and Santander UK plc. This has a limit of £105m (previously £70m with Lloyds) and gives the Group additional liquidity to invest in growth.

I am pleased to confirm that the Company has repaid all financial support received by the Group from the government's Coronavirus Job Retention Scheme and retail grant and rebates schemes.

**Corporate governance**

I was very pleased in March this year to welcome Elaine Bailey to the Board, who has been appointed as a Non-Executive Director. Elaine, a former Chief Executive of Hyde Housing Group, brings to our deliberations an exceptional breadth of construction and housing-related experience.

Elaine has been appointed as Chair of the new Sustainability Committee and as a member of the Nomination, Audit, and Remuneration Committees.

In December 2020, we established the Sustainability Committee of the Board to oversee the Group's approach to sustainability and to environmental, social and governance ("ESG") issues. Its first report, including a summary of the work undertaken by the Committee this year, is integrated into our Annual Report.

**Summary and outlook**

Despite the pressures currently affecting the supply of materials and labour within the construction industry, the prospects for Gleeson Homes are very encouraging.

Mortgage rates and conditions for first time buyers on low incomes are unprecedented and very favourable. As a result, there is scope for further, controlled increases in selling prices, while ensuring that young working couples on low incomes can continue to afford to buy a high quality home on any one of Gleeson Homes' development sites – an objective which, for Gleeson, has become a point of pride.

Gleeson Land is experiencing strongly rising levels of interest from housebuilders, many of which are urgently seeking to fill the gaps in their own land banks in the South of England.

Against this backdrop, the Board believes that the Group will be able to continue its pre-pandemic growth trajectory, both in the near term and beyond.

**Dermot Gleeson**
Chairman
13 September 2021

# Chief Executive's Statement

After the unprecedented challenges the country has faced over the last 18 months, I am pleased to report a strong set of results this year. The delivery of 1,812 new homes was a record result for Gleeson Homes and 18.5% ahead of pre-pandemic levels, an outstanding performance and further proof of the resilience of Gleeson's business model.

Gleeson Homes opened 27 new sites this year, which was another record for the business, and we closed the year with 81 build sites, of which 61 were actively selling. This provides us with an excellent platform for sustainable growth.

The newly rebranded Gleeson Land, previously Gleeson Strategic Land, also had a successful year, selling eight sites. Whilst this was below pre-pandemic levels, the division completed the sale of a further site at the start of this financial year, which represents a strong start to the new financial year.

**Key performance indicators**

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Number of homes sold | 1,812 | 1,072 | 1,529 |
| Average selling price | £145,800 | £130,900 | £128,900 |
| Active build sites | 81 | 71 | 69 |
| Gleeson Land site sales | 8 | 2 | 9 |

**Market**

The demand for low-cost, high-quality homes from first time buyers remains as robust as ever and the broader housing market has been strong. The main challenges have been, and continue to be, around the price and availability of materials and labour. This is an issue for the industry as a whole and, so far, our strong supply chain relationships and controlled selling price increases have allowed us to trade through these issues. I expect this to be a short-term challenge and one that will, in time, return to normal levels.

Government policy is playing an important role in our planning for the future. New building regulations, namely Part L and Part F Building Regulations, are incorporated into our plans and we are trialling air source heat pumps on a number of developments. These will be the first of many climate-focused changes as the government progresses their vision of zero carbon ready homes. We are supportive of these measures and our homes already have better energy performance ratings than most other new build homes, with over 98% of our homes having an EPC rating of A or B.

**Financial performance**

Gleeson Homes delivered 1,812 new homes this year, an increase of 69% on the prior year (2020: 1,072). The average selling price of £145,800 was 11.4% higher, reflecting an underlying increase of 9.3% and the impact of site mix, and reflects the strong housing demand that we are seeing across all our regions. We expect that house price inflation will ease and that, combined with the favourable mortgage market, will help ensure our homes remain affordable. As a result of this strong performance, Gleeson Homes delivered an operating profit of £37.4m (2020: £9.0m).

Gleeson Land sold eight sites this year, with the potential to deliver 1,978 plots. This generated an operating profit of £11.1m (2020: £0.2m).

As a result, Group profit before tax was £41.7m (2020: £5.6m).

During the year, the Group repaid £60.0m of loans drawn on its revolving credit at the start of the pandemic. The Group ended the year with a strong cash balance of £34.3m and no debt (30 June 2020: £16.8m net cash). Our balance sheet remains strong and will support our future growth ambitions.

**Sustainability**

Our mission of building affordable, quality homes where they are needed and for the people that need them most aligns fully with the UN SDG 11. Our customers tell us that they buy a Gleeson home for their value and affordability, their location and their good design. I am proud that we are making it possible for young people, key workers and people on low to middle-incomes to buy a home that they want to live in, where they want to live and to help them get onto the housing ladder with all the wealth, health and wellbeing benefits that home ownership brings. A young working couple on the National Living Wage can afford to buy a Gleeson home on any of our development sites.

We publish our first sustainable business strategy this year. In formulating this strategy, the Board sought the views of stakeholders on the material sustainability issues relevant to the Group. Growth, affordability, build quality, health and safety, land regeneration and the reduction of carbon emissions underpin our sustainable strategy. With clear targets and actions, aligned with the issues of importance to our stakeholders, this strategy will see the Group continue to deliver sustainable growth for our stakeholders and society.

**People and health and safety**

We have continued to invest in the business, as well as ensuring that we have the right people in the right roles and that colleagues are properly trained and supported to do their jobs. Our focus on investing in our colleagues is reflected in Gleeson receiving accreditation from Investors In People during the year. I am also pleased to report that employee engagement increased still further and our independently assessed people engagement score puts us once again very firmly in the top quartile of all UK companies.

Health and safety has been an area of significant focus and investment over the last two years so it was disappointing to see the number of reportable incidents increase to ten this year. We are addressing the issues that led to these incidents and are increasing our investment in training, safe working practices, inspections and reporting and I expect to see this improve significantly.

Investment in site set-up with new compounds and enhanced welfare facilities continued during the year. We greatly value the relationships that we have with our suppliers and subcontractors and I want Gleeson to be their preferred choice of housebuilder to work with. We are committed to paying fairly and on-time for quality workmanship and materials.

We have also invested in our Commercial, IT, HR and Finance functions to make sure these can continue to support the business as it grows.

**Build quality and customer service**

Our customers are at the heart of our business. This is the most significant purchase many of our customers will ever make and that's why we want to get it right first time – every time.

I am pleased to report that we achieved a customer satisfaction score of 90.6% this year (equivalent to a 5-star rating). We will not hand over a new home that we are not absolutely proud of. We have listened to our customers and worked hard to make sure their buying experience from us is positive from start to finish. We will continue to push our performance as a strong 5-star housebuilder on every site in every region. This work is supported by our Customer First initiative which focuses on ensuring every colleague across the business puts the customer first.

As part of delivering a quality product and service, we have also invested in our Customer Care team and this year launched a fleet of new vans for our customer care technicians. These technicians are dedicated to quickly resolving any defects for our customers.

**Land regeneration**

Our Land and Planning team have had a record year opening new sites and are central to supporting our strategy of controlled growth. The land pipeline increased by 14.9% to 15,863 plots on 152 sites and this will underpin our future growth. Our land strategy continues to target areas in need of regeneration. The majority of our sites are located in the most deprived areas of England. We deliver affordable, quality homes to this vastly underserved sector of the market, often where no other housebuilders want to build.

We transform land, often blighted by neglect, into areas where people want to live. Many of our customers are from the local area and want to remain close to friends and family. They buy a Gleeson home because they get a high-quality product that is affordable and cheaper to run than the older housing stock in the surrounding areas.

**Climate and the environment**

Climate change is the most important global issue we face. Gleeson is committed to reducing the impact our operations have on the environment and are reducing our emissions by setting short and medium-term targets for every home sold.

Last year, we announced an ambitious target to reduce our direct emissions (scope 1 and 2) by 20% over three years. I am pleased to report that, in our first year, we are already close to achieving this target. Therefore, we are increasing our three-year target to a 30% reduction by 2023.

This year, we are also reporting our scope 3 emissions for the first time, showing the total carbon emissions from our supply chain and over the life of our homes. This is an important first step to fundamentally assessing our wider impact and taking action to reduce emissions throughout our value chain, not just the emissions we produce directly. Over the coming year we will be developing a strategy to reduce our scope 3 emissions for every home built.

**Trading and outlook**

In our Gleeson Homes division, demand remains robust and it entered the new financial year in a strong position, with a forward order book of £134.1m on 841 homes. Whilst there are some challenges on material costs and availability, I expect these to be short term and manageable.

Gleeson Land starts the new financial year in a strong position and with a pipeline of 71 sites, a record for the division. These sites will deliver sustainable value and we will continue to invest in new sites and in progressing existing sites through the complex planning system. The demand for consented land is expected to remain robust, with land promoters playing an important role in the land supply chain.

As a result, I believe we will continue to grow in a sustainable and controlled manner and we remain firmly on track to meet our near-term target of delivering 2,000 new homes in the coming financial year.

**James Thomson**
Chief Executive Officer
13 September 2021

## Gleeson Homes – Business Review

Gleeson Homes delivered a record number of homes sold, sites opened and operating profit with all three metrics exceeding pre-Covid levels. We also saw significant growth in the land pipeline and we enter the new financial year with a strong forward order book.

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Homes sold | 1,812 | 1,072 | 1,529 |
| Average selling price | £145,800 | £130,900 | £128,900 |
| Operating profit | £37.4m | £9.0m | £30.1m |

Gleeson Homes completed the sale of 1,812 homes during the year, an increase of 69% compared to the prior year (2020: 1,072 homes) and 18.5% more than the pre-Covid year to June 2019 (2019: 1,529 homes). Revenue increased by 88.6% to £265.8m (2020: £140.9m) of which £1.5m related to land sales (2020: £0.5m land sales).

We entered the new financial year with a strong forward sales position of £134.1m on 841 units (2020: £145.3m on 1,033 units). The reduction in the forward order book compared to the prior year was due to the successful completion of home sales which had been delayed by the Covid-19 pandemic in the final quarter of the previous year.

We opened a record 27 new build sites during the year and start the new financial year with 81 active build sites (2020: 71), of which 61 were actively selling (2020: 65). Our average active build and sales sites were 78 and 64 respectively (2020: 68 and 65). Our sales outlets are located across the North of England and the Midlands, with plans to continue expanding our geographical reach. The business plans to open a further 25 sites during the new financial year and expects to be building on approximately 90 sites by 30 June 2022.

The average selling price for homes sold in the year was £145,800 (2020: £130,900), an increase of 11.4%. The increase was influenced by a combination of factors: house price inflation of 9.3%, mix of site locations and the mix of two, three and four-bed homes sold. Buying a Gleeson home remains highly affordable and a young working couple on the National Living Wage can afford to buy a Gleeson home on any one of our development sites.

Gross profit margin on homes sold increased to 28.5% (2020: 27.8%) as increases in selling prices more than offset cost inflation, including the costs of operating under Covid-safe working practices.

The increase in the volume of homes sold and gross profit margin resulted in gross profit increasing by 93.6% to £75.7m, which included £0.4m in relation to land sales (2020: £39.1m, £0.1m land sales), and operating profit increasing by 315.6% to £37.4m, including £0.4m in relation to land sales (2020: £9.0m, £0.1m land sales). Operating margin increased from 6.4% to 14.1%.

We had a successful year in land acquisitions and continued to acquire land at sensible prices. The pipeline grew by 2,062 plots to stand at 15,863 plots at 30 June 2021. Of these plots 7,930 are owned (2020: 6,849) and 7,933 plots are conditionally purchased (2020: 6,952). The number of sites in the land pipeline totalled 152 at year end, being three sites higher than the prior year end; 34 new sites were added to the pipeline, while 31 sites were completed or did not proceed to purchase. In addition to owned and conditionally purchased plots, there are a further 205 (2020: 798) plots which are being actively considered for acquisition but will only proceed if they meet our strict criteria.

The government's Help to Buy scheme remains popular with many of our customers, with 69% of the homes sold during the year utilising the scheme (2020: 66%). We also continue to provide a range of bespoke packages to assist potential customers to become homeowners, including our Key Worker Priority Programme and Forces Property Direct, which provide priority access and vouchers toward optional extras for key workers and British military personnel looking to purchase a new home.

## Gleeson Land – Business Review

The market for consented land recovered during the year leading to the sale of eight sites.

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Plots sold | 1,978 | 195 | 1,755 |
| Land portfolio (sites) | 71 | 68 | 60 |
| Operating profit | £11.1m | £0.2m | £13.0m |

Revenue from Gleeson Land increased to £22.8m (2020: £6.3m), generated from the sale of eight sites in the year. The sites sold totalled 276 acres with the potential to deliver 1,978 plots.

As a result, operating profit increased to £11.1m (2020: £0.2m). Planning delays caused by the pandemic during the year resulted in fewer sites achieving planning consents and fewer site sales than hoped for.

The business has completed the sale of a further site since the beginning of the new financial year and the outlook for the year remains promising.

The business continued to invest selectively in its land portfolio. This year we added a further ten sites (1,594 plots) secured under option and promotion agreements and split one existing site prior to sale.

At 30 June 2021, we had a portfolio totalling 71 sites (2020: 68 sites) with the potential to deliver 22,315 plots (2020: 23,314 plots) plus 44 acres of commercial land (2020: 44 acres). This portfolio is expected to realise value over the short, medium and long term, driven by the planning context of each site. Our Gleeson Land team is based in Fleet, Hampshire and the portfolio continues to have a geographic bias towards the South of England.

This year we submitted planning applications for ten sites with the potential to deliver 1,281 units. Like other promoters and developers, we saw a marked slow-down in the planning system due to Covid-19. Whilst this system is, in some ways, now more challenging than it has ever been, our highly experienced team of people and advisors are skilled in navigating these complexities to achieve attractive residential planning permissions.

We continue to see opportunities to add well-located sites to the portfolio. We carefully select sites where we see the potential for sustainable development and where we can unlock maximum value for stakeholders. We aim to be the promoter of choice for landowners and our track record is testament to our success.

# Financial Review

The Group returned to strong growth this year with revenue and profit ahead of pre-Covid levels. The balance sheet remains well capitalised with net cash at 30 June 2021 of £34.3m. The refinancing undertaken this year provides the Group with additional liquidity to invest in growth.

**Key performance indicators**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Group operating profit | £33.0m | £36.9m | £41.0m | £5.9m | £43.1m |
| Profit before tax | £33.0m | £37.0m | £41.2m | £5.6m | £41.7m |
| Earnings per share (basic)[1] | 48.5p | 55.6p | 61.0p | 8.1p | 58.2p |
| Dividends per share | 24.0p | 32.0p | 34.5p | nil | 15.0p |
| Cash net of borrowings | £34.1m | £41.3m | £30.3m | £16.8m | £34.3m |
| Return on capital employed[2] | 25.4% | 26.6% | 25.9% | 3.1% | 21.4% |

[1] Continuing and discontinued operations 2017-2020. In 2021, discontinued operations have been presented within continuing operations.

[2] Return on capital employed is calculated based on earnings before interest and tax ("EBIT") from continuing and discontinued operations, expressed as a percentage of the average of opening and closing net assets after deducting deferred tax and cash net of borrowings.

**Strong revenue and profit growth**

The Group returned to growth with revenue increasing by 96.1% to £288.6m (2020: £147.2m) which was 15.5% higher than the pre-Covid year to June 2019 of £249.9m.

Gleeson Homes revenue increased by 88.6% to £265.8m (2020: £140.9m) and was 34.9% higher than the pre-Covid year to June 2019 (£197.0m). This was due to an increase in the number of homes sold to 1,812 (2020: 1,072) – a 69.0% increase and an 18.5% increase when compared to 2019 and higher selling prices.

Selling prices were higher with average selling prices ("ASP") in the year being £145,800 (2020: £130,900, 2019: £128,900). Whilst selling prices have risen, these remain well below the average new build selling prices across the North of England and Midlands and remain affordable for young, first time buyers.

Gleeson Land increased revenues by 261.9% to £22.8m (2020: £6.3m, 2019: £52.9m) having sold eight sites this year in comparison to two small sites in the prior year and nine sites in 2019. Demand for consented land has returned following the disruption caused by the pandemic, albeit some challenges remain with delays in the planning system.

As a result, gross profit for the Group increased by 121.0% to £89.3m (2020: £40.4m), with the gross profit of Gleeson Homes increasing by 93.6% to £75.7m (2020: £39.1m, 2019: £59.3m). The gross profit margin for Gleeson Homes increased to 28.5% (2020: 27.8%, 2019: 30.1%) as increases in selling prices more than offset cost inflation. In part, gross margin in the prior year was also impacted by Covid-19-related costs and provisions of £2.9m.

Administrative expenses increased by £12.7m or 36.8% in the year to £47.2m (2020: £34.5m) as investment to support the underlying growth of the business continued. All government furlough grants claimed under the Job Retention Scheme, totalling £1.3m, were repaid during the year of which £0.7m was included in cost of sales and £0.6m was included in administrative expenses.

Group operating profit was £43.1m, a significant increase on the previous year operating profit of £5.9m and 5.1% higher than the pre-Covid operating profit of £41.0m in 2019. Of this, Gleeson Homes contributed £37.4m (2020: £9.0m, 2019: £30.1m) and Gleeson Land contributed £11.1m (2020: £0.2m, 2019: £13.0m). Group overheads were £5.4m (2020: £3.3m, 2019: £2.1m).

Net finance expenses of £1.4m (2020: £0.4m expense) consisted of finance expenses of £1.7m (2020: £1.1m) being interest payable on bank facilities, bank charges and the unwinding of discounts on deferred payables, partly offset by finance income of £0.3m (2020: £0.7m) consisting of the unwinding of discounts on deferred receivables on land sales and shared equity receivables. Finance expenses includes £0.4m of arrangement fees on the previous bank facility that were written off upon completing the new club facility in April 2021.

As a result, the Group delivered profit before tax of £41.7m (2020: £5.6m, 2019; £41.2m).

**Tax**

The total tax charge for the year was £7.8m (2020: £0.7m), reflecting an effective rate of tax of 18.8% (2020: 14.1%).

Deferred tax assets relating to tax losses have been utilised in full this year, such that the remaining deferred tax asset recognised in relation to tax losses is now £nil. The remaining deferred tax asset of £1.2m recognised in the statement of financial position, comprises capital allowances, short-term timing difference and future relief on share-based payments.

**Discontinued operations**

The costs of Gleeson Construction Services Limited, whose activity is limited to resolving claims from the legacy businesses that were sold in 2005 and 2006, were disclosed in previous years as a discontinued operation. As the level of claims has now reduced to an insignificant level and no longer warrants separate disclosure, the costs associated with this activity of £0.4m (2020: £0.3m) have been classified within continuing operations this year, under Group overheads.

**Profit for the year**

The profit after tax for the year was £33.9m (2020: £4.5m).

**Earnings per share**

Basic earnings per share significantly increased to 58.2 pence (2020: 8.1 pence, 2019: 61.0 pence, both from continuing and discontinued operations as previously reported).

**Return on capital employed**

Return on capital employed increased to 21.4% (2020: 3.1%, 2019: 25.9%) reflecting the significant increase in earnings compared to the prior year. This is lower than the return on capital employed pre-Covid in 2019 of 25.9%, driven by investment in working capital and inventory due to a higher number of new sites that are only at build stage but not yet contributing to sales, with net assets having increased by 20.1% since June 2019.

**Dividends**

Following the suspension of dividend payments in 2020, the Board resumed payments in April 2021 paying an interim dividend of 5.0p per share, which totalled £2.9m.

As a result of the strong financial performance to June 2021, and subject to shareholder approval, the Board proposes to pay a final dividend of 10.0p per share, which equates to £5.8m.

The Board is committed to making dividend payments on a progressive basis. Following a review of the Company's capital allocation policy this year, the Board intends to maintain an earnings-to-ordinary-dividend cover ratio of between three and five times and to pay an interim dividend representing one-third of the total dividend each year.

**Statement of financial position**

During the year to 30 June 2021, shareholders' funds increased by 15.2% to £244.9m (2020: £212.6m). Net assets per share increased to 420 pence, an increase of 14.8% year on year (2020: 366 pence).

Non-current assets reduced during the year by 37.9% to £12.6m (2020: £20.3m). This was primarily due to a reduction in Gleeson Land's deferred land sale receipts from £8.6m at June 2020 to £2.1m at June 2021.

Current assets remained similar to June 2020 at £300.5m (2020: £301.7m), with inventories increasing by £23.7m to £240.0m and trade and other receivables increasing by £14.1m to £22.4m (2020: £8.3m). Gross cash balances reduced from £76.8m to £34.3m following repayment of the £60.0m borrowings on the Group's revolving credit facility that was drawn at the end of 2020. Corporation tax receivables increased by £3.6m to £3.9m.

Total liabilities reduced by £41.2m to £68.2m (2020: £109.4m). This reflects the repayment of the £60.0m borrowing in November 2020, partly offset by an increase in trade payables of £9.0m to £34.4m (2020: £25.4m) and other payables of £9.4m to £27.0m (2020: £17.6m), reflecting the return to pre-Covid activity levels.

**Cash flow**

The Group generated cash before financing activities of £21.2m, compared to a cash outflow of £15.9m in 2020. After payment of interim dividends of £2.9m, lease payments of £0.8m and the repayment of borrowings of £60.0m in November 2020, the Group had a net cash outflow of £42.5m (2020: net cash inflow of £46.5m reflecting the draw down of £60.0m in March 2020).

**Bank facilities**

At 30 June 2021, the Group had cash and cash equivalents balances of £34.3m and no debt (30 June 2020: £16.8m net cash being £76.8m gross cash net of £60.0m borrowings drawn on the Group's committed facility).

In April 2021, the Group negotiated a committed club facility with Lloyds Bank plc and Santander UK plc. The facility has a limit of £105m (previously £70m with Lloyds Bank plc), expires in October 2024 and provides the Group with additional funding to finance growth.

**Pension**

The Group contributes to a defined contribution pension scheme. A charge of £1.2m (2020: £1.0m) was recorded in the Consolidated Income Statement for pension contributions. The Group has no exposure to defined benefit pension plans.

**Gleeson Homes pre-Covid 2019 to 2021**

Gleeson Homes operating profit increased from £30.1m in 2019 to £37.4m in 2021. Higher sales volumes of 1,812 homes (2019: 1,529) contributed £10.9m additional gross profit. Higher average selling prices ("ASP") of £145,800 (2019: £128,900) contributed £9.2m additional profit. This additional gross profit was partly offset by lower gross margin of 28.5% (2019: 30.1%), accounting for £4.2m of lower profit and higher overhead costs of £9.0m due to inflation and investment in the business structure, operations and headcount.

Gleeson Homes operating profit 2019 to 2021 (£m)

| | £m |
|---|---|
| Operating profit 2019 | 30.1 |
| Homes sold | 10.9 |
| Selling prices | 9.2 |
| Gross profit margin | (4.2) |
| Overheads | (9.0) |
| Land sales | 0.4 |
| Operating profit 2021 | 37.4 |

NOTE 1: Gleeson Homes operating profit in 2019 included certain Group costs that have been classified in Group administrative expenses since 2020.

| | **2021** | 2020 | 2019 |
|---|---|---|---|
| Homes sold | **1,812** | 1,072 | 1,529 |
| Average number of homes sold per sales site | **28.3** | 16.5 | 23.5 |
| Build sites opened | **27** | 12 | 19 |
| Average selling price | **£145,800** | £130,900 | £128,900 |
| Gross profit per home sold | **£41,600** | £36,400 | £38,800 |
| Gross profit margin per home sold | **28.5%** | 27.8% | 30.1% |
| Overheads per home sold | **£21,300** | £28,200 | £19,300 |

The Covid-19 shutdown before the end of the previous financial year resulted in higher numbers of built, part-built and forward sold homes being carried forward into the year. It also led to the purchase and opening of sites that had been expected to achieve planning before 30 June 2020 to be acquired and opened during the financial year.

The average selling price of homes sold increased by 11.4% from 2020 reflecting strong underlying price increases of 9.3% and the effect of site mix. Gross profit margin of 28.5% reflects some recovery from the Covid-impacted gross margin of 27.8% in the previous year, but was lower than the pre-Covid gross margin of 30.1% reported in the year to June 2019. Nevertheless, gross profit per home sold of £41,600 was £2,800 per home (7.2%) higher than the gross profit per home sold in the pre-Covid year to June 2019. Note the repayment of furlough monies this year through cost of sales, reduced gross profit per home sold by approximately £375 per home.

Overhead costs per home sold were £21,300 which was £2,000 per home (10.4%) higher than the pre-Covid year to June 2019 reflecting higher average employment costs and investment in customer care, health and safety and information management systems. This also included the repayment of furlough monies through overheads, which increased overheads by approximately £300 per unit sold.

**Stefan Allanson**
Chief Financial Officer
13 September 2021

## AUDITED CONSOLIDATED INCOME STATEMENT
**for the year ended 30 June 2021**

| | 2021 | 2020 |
|---|---|---|
| | **£000** | £000 |
| **Continuing operations*** | | |
| Revenue | **288,575** | 147,181 |
| Cost of sales | **(199,230)** | (106,744) |
| **Gross profit** | **89,345** | 40,437 |
| Impairment losses | **-** | (257) |
| Administrative expenses | **(47,185)** | (34,533) |
| Other operating income | **923** | 282 |
| **Operating profit** | **43,083** | 5,929 |
| Finance income | **377** | 708 |
| Finance expenses | **(1,749)** | (1,071) |
| **Profit before tax** | **41,711** | 5,566 |
| Tax | **(7,839)** | (758) |
| **Profit for the year from continuing operations** | **33,872** | 4,808 |
| **Discontinued operations*** | | |
| Loss for the year from discontinued operations (net of tax) | **-** | (289) |
| **Profit for the year attributable to the equity holders of the parent** | **33,872** | 4,519 |
| **Earnings per share from continuing and discontinued operations*** | | |
| Basic | **n/a** | 8.13 p |
| Diluted | **n/a** | 8.04 p |
| **Earnings per share from continuing operations** | | |
| Basic | **58.16 p** | 8.65 p |
| Diluted | **58.07 p** | 8.55 p |

*All results classified as continuing for the year ended 30 June 2021

## AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
**for the year ended 30 June 2021**

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Profit for the year** | **33,872** | 4,519 |
| **Other comprehensive income** | | |
| **Items that may be subsequently reclassified to profit or loss** | | |
| Change in value of shared equity receivables at fair value | **33** | 13 |
| Movement in tax on share-based payments taken directly to equity | **302** | 265 |
| **Other comprehensive income for the year, net of tax** | **335** | 278 |
| **Total comprehensive income for the year** | **34,207** | 4,797 |

## AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
**as at 30 June 2021**

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| **Non-current assets** | | |
| Property, plant and equipment | **6,684** | 5,913 |
| Trade and other receivables | **4,672** | 12,238 |
| Deferred tax assets | **1,233** | 2,176 |
| | **12,589** | 20,327 |
| **Current assets** | | |
| Inventories | **239,961** | 216,336 |
| Trade and other receivables | **22,378** | 8,328 |
| UK corporation tax | **3,875** | 253 |
| Cash and cash equivalents | **34,331** | 76,807 |
| | **300,545** | 301,724 |
| **Total assets** | **313,134** | 322,051 |
| **Non-current liabilities** | | |
| Trade and other payables | **(6,917)** | (11,866) |
| Provisions | **(236)** | (200) |
| | **(7,153)** | (12,066) |
| **Current liabilities** | | |
| Loans and borrowings | **-** | (60,000) |
| Trade and other payables | **(61,027)** | (37,365) |
| Provisions | **(23)** | (15) |
| | **(61,050)** | (97,380) |
| **Total liabilities** | **(68,203)** | (109,446) |
| **Net assets** | **244,931** | 212,605 |
| **Equity** | | |
| Share capital | **1,165** | 1,161 |
| Share premium | **15,843** | 15,843 |
| Retained earnings | **227,923** | 195,601 |
| **Total equity** | **244,931** | 212,605 |

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**for the year ended 30 June 2021**

| | Share capital £000 | Share premium £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|
| **At 1 July 2019** | 1,092 | - | 202,804 | 203,896 |
| Adjustment on adoption of IFRS 16 on 1 July 2019 | - | - | (87) | (87) |
| **Total comprehensive income for the year** | | | | |
| Profit for the year | - | - | 4,519 | 4,519 |
| Other comprehensive income | - | - | 278 | 278 |
| **Total comprehensive income for the year** | - | - | 4,797 | 4,797 |
| **Transactions with owners, recorded directly in equity** | | | | |
| **Contributions and distributions to owners** | | | | |
| Share issue | 69 | 15,843 | - | 15,912 |
| Purchase of own shares | - | - | (63) | (63) |
| Share-based payments | - | - | 717 | 717 |
| Dividends | - | - | (12,567) | (12,567) |
| **Transactions with owners, recorded directly in equity** | 69 | 15,843 | (11,913) | 3,999 |
| **At 30 June 2020** | **1,161** | **15,843** | **195,601** | **212,605** |
| **Total comprehensive income for the year** | | | | |
| Profit for the year | - | - | **33,872** | **33,872** |
| Other comprehensive income | - | - | **335** | **335** |
| **Total comprehensive income for the year** | - | - | **34,207** | **34,207** |
| **Transactions with owners, recorded directly in equity** | | | | |
| **Contributions and distributions to owners** | | | | |
| Share issue | **4** | - | - | **4** |
| Purchase of own shares | - | - | **(61)** | **(61)** |
| Share-based payments | - | - | **1,089** | **1,089** |
| Dividends | - | - | **(2,913)** | **(2,913)** |
| **Transactions with owners, recorded directly in equity** | **4** | - | **(1,885)** | **(1,881)** |
| **At 30 June 2021** | **1,165** | **15,843** | **227,923** | **244,931** |

## AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
**for the year ended 30 June 2021**

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Operating activities*** | | |
| Profit before tax from continuing operations | **41,711** | 5,566 |
| Loss before tax from discontinued operations | **-** | (307) |
| | **41,711** | 5,259 |
| Depreciation of property, plant and equipment | **2,772** | 2,289 |
| Share-based payments | **1,089** | 717 |
| Profit on redemption of shared equity receivables | **(230)** | (223) |
| Loss on disposal of property, plant and equipment | **200** | 254 |
| Impairment of investment properties | **-** | 257 |
| Disposal of right-of-use assets | **50** | - |
| Finance income | **(377)** | (708) |
| Finance expenses | **1,749** | 1,071 |
| **Operating cash flows before movements in working capital** | **46,964** | 8,916 |
| Increase in inventories | **(23,626)** | (33,215) |
| (Increase)/decrease in receivables | **(6,709)** | 42,207 |
| Increase/(decrease) in payables | **19,706** | (28,236) |
| **Cash generated/(used) in operating activities** | **36,335** | (10,328) |
| Tax paid | **(10,216)** | (3,596) |
| Finance costs paid | **(1,934)** | (728) |
| **Net cash flow surplus/(deficit) from operating activities** | **24,185** | (14,652) |
| **Investing activities** | | |
| Proceeds from disposal of shared equity receivables | **858** | 1,065 |
| Proceeds from disposal of property, plant and equipment | **7** | - |
| Interest received | **6** | 64 |
| Purchase of property, plant and equipment | **(3,839)** | (2,410) |
| **Net cash flow deficit from investing activities** | **(2,968)** | (1,281) |
| **Financing activities** | | |
| (Repayment)/increase of loans and borrowings | **(60,000)** | 60,000 |
| Net proceeds from issue of shares | **4** | 15,912 |
| Purchase of own shares | **(61)** | (63) |
| Dividends paid | **(2,913)** | (12,567) |
| Principal element of lease payments | **(723)** | (848) |
| **Net cash flow (deficit)/surplus from financing activities** | **(63,693)** | 62,434 |
| **Net (decrease)/increase in cash and cash equivalents** | **(42,476)** | 46,501 |
| **Cash and cash equivalents at beginning of year** | **76,807** | 30,306 |
| **Cash and cash equivalents at end of year** | **34,331** | 76,807 |

*All results classified as continuing for the year ended 30 June 2021

**NOTES TO THE FINANCIAL INFORMATION**
**for the year ended 30 June 2021**

## 1. Accounting policies

### Statement of compliance
The Group Financial Statements have been prepared and approved by the directors in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the applicable legal requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

### Notes on the preliminary statement
The financial information set out above does not constitute the Group's statutory accounts for the years ended 30 June 2021 or 2020, but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies, and those for 2021 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

### Cautionary statement
This Report contains certain forward-looking statements with respect to the financial condition, results, operations and business of MJ Gleeson plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this Report should be construed as a profit forecast.

### Directors' liability
Neither the Company nor the Directors accept any liability to any person in relation to this Report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A of the Financial Services and Markets Act 2000.

### Basis of preparation
The accounting policies adopted in the preparation of these accounts are consistent with those described in the Annual Report and Accounts for the year ended 30 June 2020.

### Going concern
During the year, the Group negotiated a committed club facility with Lloyds Bank plc and Santander UK plc. The facility has a limit of £105m (previously £70m with Lloyds Bank plc), which expires in October 2024 and provides the Group with additional liquidity and investment funding.

The Group has maintained its strong financial position and ended the year with cash balances of £34.3m and no debt (30 June 2020: £16.8m net cash).

Current forecasts are based on the latest three-year budget approved by the Board in May 2021. This reflected a cautious view on the trading outlook based on the current market and the degree of macro-economic risk that remains from the ongoing Covid-19 pandemic.

These forecasts were then subject 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 including:

- reduction in Gleeson Homes volumes of approximately 15%;
- reduction in Gleeson Homes selling prices by 5%;
- material build cost increases of 10% over and above the levels forecast; and
- a delay on the timing of Gleeson Land transactions and land selling values.

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 Company and the Group have 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 financial statements for the Company and the Group have 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

All of the Group's operations are carried out entirely within the United Kingdom. Segment information about the Group's operations is presented below:

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| **Revenue** | | |
| **Continuing activities*:** | | |
| Gleeson Homes | **265,770** | 140,860 |
| Gleeson Land | **22,805** | 6,321 |
| **Total revenue** | **288,575** | 147,181 |
| | | |
| **Divisional operating profit** | | |
| Gleeson Homes | **37,437** | 8,960 |
| Gleeson Land | **11,080** | 229 |
| | **48,517** | 9,189 |
| Group administrative expenses* | **(5,434)** | (3,260) |
| Finance income | **377** | 708 |
| Finance expenses | **(1,749)** | (1,071) |
| Profit before tax | **41,711** | 5,566 |
| Tax | **(7,839)** | (758) |
| **Profit for the year from continuing operations*** | **33,872** | 4,808 |
| | | |
| Loss for the year from discontinued operations (net of tax)* | **-** | (289) |
| | | |
| **Profit for the year** | **33,872** | **4,519** |

* 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.

The revenue in the Gleeson Homes segment primarily relates to the sale of residential properties. In addition, within revenue for Gleeson Homes is £1,521,000 relating to land sales (2020: £510,000). All revenue for the Gleeson Land segment is in relation to the sale of land interests. There is no revenue relating to Group activities.

No single customer accounts for more than 10% of revenue (2020: no single customer).

Balance sheet analysis of business segments:

| | | **2021** | | | 2020 | |
|---|---|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Net assets** | Assets | Liabilities | Net assets |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Gleeson Homes | **233,328** | **(54,892)** | **168,436** | 198,201 | (37,082) | 161,119 |
| Gleeson Land | **50,487** | **(9,106)** | **41,381** | 45,902 | (9,831) | 36,071 |
| Group activities | **4,988** | **(4,205)** | **783** | 1,141 | (2,533) | (1,392) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net cash/(debt) | **34,331** | **-** | **34,331** | 76,807 | (60,000) | 16,807 |
| | **313,134** | **(68,203)** | **244,931** | 322,051 | (109,446) | 212,605 |

## 3. Tax

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| **Current tax:** | | | | | | |
| Current year expense | **7,261** | 647 | **-** | - | **7,261** | 647 |
| Adjustment in respect of prior years | **(533)** | 91 | **-** | - | **(533)** | 91 |
| Current tax expense for the year | **6,728** | 738 | **-** | - | **6,728** | 738 |
| **Deferred tax:** | | | | | | |
| Current year expense/(credit) | **674** | (7) | **-** | - | **674** | (7) |
| Adjustment in respect of prior years | **589** | 113 | **-** | - | **589** | 113 |
| Impact of rate change | **(152)** | (86) | **-** | (18) | **(152)** | (104) |
| Deferred tax expense/(credit) for the year | **1,111** | 20 | **-** | (18) | **1,111** | 2 |
| Total tax charge/(credit) | **7,839** | 758 | **-** | (18) | **7,839** | 740 |

Corporation tax has been calculated at 18.8% of assessable profit for the year (2020: 14.1%). The applicable UK corporation tax rate is 19%, which has been effective from 1 April 2017.

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

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Profit before tax on continuing operations | **41,711** | 5,566 |
| Loss before tax from discontinued operations | **-** | (307) |
| Profit before tax | **41,711** | 5,259 |
| Profit before tax multiplied by the standard rate of UK corporation tax 19% (2020: 19%) | **7,925** | 999 |
| Tax effect of: | | |
| Expenses not deductible for tax purposes | **3** | 7 |
| Non-qualifying depreciation | **64** | 19 |
| Relief for share-based payments | **(6)** | 7 |
| Capital allowances super deduction | **(51)** | - |
| Land remediation relief | **-** | (182) |
| Impact of change in tax rate | **-** | (105) |
| Impact of rate differences | **(152)** | - |
| Adjustments in respect of prior years – current tax | **(533)** | (118) |
| Adjustments in respect of prior years – deferred tax | **589** | 113 |
| Total tax charge for the year | **7,839** | 740 |

| **Tax recognised directly in equity** | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Current tax related to equity-settled share-based payments | **(134)** | (767) |
| Deferred tax related to equity-settled share-based payments | **(168)** | 502 |
| Total tax recognised directly in other comprehensive income | **(302)** | (265) |

### 4. Dividends

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Amounts recognised as distributions to equity holders in the year: | | |
| Interim dividend for the year ended 30 June 2021 of 5.0p (2020: £nil) per share | **2,913** | - |
| Final dividend for the year ended 30 June 2020 of £nil (2019: 23.0p) per share | **-** | 12,567 |
| | **2,913** | 12,567 |

A final dividend of 10.0 pence per share has been proposed for the year ended 30 June 2021, equating to £5,831,000 (2020: £nil).

### 5. Earnings per share

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

| **Earnings** | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Profit from continuing operations | **33,872** | 4,808 |
| Loss from discontinued operations* | **-** | (289) |
| Profit for the purposes of basic and diluted earnings per share | **33,872** | 4,519 |

| | 2021<br>No. 000 | 2020<br>No. 000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **58,235** | 55,583 |
| Effect of dilutive potential ordinary shares: | | |
| - share-based payments | **97** | 625 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **58,332** | 56,208 |

| | 2021<br>p | 2020<br>p |
|---|---|---|
| **Continuing operations** | | |
| Basic earnings per share | **58.16** | 8.65 |
| Diluted earnings per share | **58.07** | 8.55 |
| **Continuing and discontinued operations*** | | |
| Basic earnings per share | **n/a** | 8.13 |
| Diluted earnings per share | **n/a** | 8.04 |

*All results classified as continuing for the year ended 30 June 2021

## 6. 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*

| | Group | |
|---|---|---|
| | **2021** | 2020 |
| | **£000** | £000 |
| Balance at 1 July | **3,668** | 4,436 |
| Redemptions | **(594)** | (793) |
| Shared equity provision | **(600)** | - |
| Unwind of discount (finance income) | **49** | 61 |
| Fair value movement recognised in other comprehensive income | **(1)** | (36) |
| Balance at 30 June | **2,522** | 3,668 |

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 year of shared equity loans carried at fair value of £594,000 (2020: £793,000) generated a profit on redemption of £230,000 (2020: £223,000), which has been recognised in other operating income in the consolidated income statement.

In addition, a net change in the value of shared equity receivables of £33,000 (2020: £13,000) has been recognised in other comprehensive income. This is made up as follows:

| | Group | |
|---|---|---|
| | **2021** | 2020 |
| | **£000** | £000 |
| Fair value movement recognised in other comprehensive income | **(1)** | (36) |
| Fair value recycled through profit and loss | **34** | 49 |
| Total movement recognised in other comprehensive income | **33** | 13 |

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 financial year.

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: 2.0%
- Average period to redemption: 5 years
- Discount rate: 8%

**6. Financial instruments** *(cont.)*

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 | 2021 Increase/(decrease) in fair value £000 | 2020 Increase/(decrease) in fair value £000 |
|---|---|---|
| Forecast regional house price inflation – increase by 1% | 156 | 181 |
| Average period to redemption – increase by 1 year | (173) | (204) |
| Discount rate – decrease by 1% | 149 | 173 |

**7. Related party transactions**

During the year, the Group exchanged contracts on a conditional agreement to purchase an area of land from Hampton Investment Properties Ltd (“HIPL”) for £1,050,000. HIPL is a company in which North Atlantic Smaller Companies Investment Trust plc (“NASCIT”), a substantial holder in the company, holds a majority investment. In addition, Christopher Mills, a Non-Executive Director of the Company, is considered a related party by virtue of his interest in and directorship of NASCIT and his position as a Director of HIPL. The land, if purchased, will form part of a new Gleeson Homes site being developed in the ordinary course of business. Approval of this purchase was granted by the majority of shareholders at the AGM in December 2019.

Other than disclosed above, there were no other transactions with key management personnel in either the current or prior year.

# Statements of Directors' Responsibilities

The Statement of Directors' Responsibilities is made in respect of the full Annual Report and the financial statements not the extracts from the financial statements required to be set out in the Announcement.

The 2021 Annual Report and Accounts comply with the United Kingdom's Financial Conduct Authority Disclosure Guidance and Transparency Rules in respect of the requirement to produce an annual financial report.

We confirm that to the best of our knowledge:

- the Group and Company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

By order of the Board

**James Thomson**
Chief Executive Officer
13 September 2021

**Stefan Allanson**
Chief Financial Officer

The 2021 Annual Report and financial statements is to be published on the Company's website at www.mjgleesonplc.com and sent out to those shareholders who have elected to continue to receive paper communications. Copies will be available from The Company Secretary, 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE.