MJ GLEESON PLC

15 September 2022

("Gleeson" or "the Group" or "the Company")

Audited results for the year ended 30 June 2022

Gleeson, the high-quality affordable housebuilder and land promotion specialist, announces audited results which reflect strong underlying demand.

- **Delivered record revenue and profit performances – PBT[1] up 33.1%**
- **Achieved medium-term strategic objective of delivering 2,000 homes p.a.**
- **Affordability continuing to underpin strong ongoing demand and reservation levels**
- **Board expects further profitable growth in FY2023**

Gleeson Homes:
- 2,000 homes sold, a 10.4% increase (2021: 1,812)
- Average selling price up 14.7% to £167,300 (2021: £145,800) – underlying increase 11.8%
- Gross profit margin[1] on homes sold increased to 29.0% (2021: 28.5%)
- Operating profit[1] up 36.9% to £51.2m (2021: £37.4m)
- 23 new sites opened (2021: 27)
- Land pipeline up by 951 plots to 16,814 plots (2021: 15,863 plots)

Gleeson Land:
- Operating profit of £11.1m (2021: £11.1m)
- Six land sales completed during the year (2021: eight)
- Portfolio: 71 sites (2021: 71 sites) with the potential to deliver 20,241 plots (2021: 22,315 plots)

Group:
- Revenue up 29.4% to £373.4m (2021: £288.6m)
- Profit before tax[1] up 33.1% to £55.5m (2021: £41.7m)
- Exceptional building safety cost provision of £12.9m
- EPS[1] up 34.2% to 78.1p (2021: 58.2p)
- Cash and cash equivalents £33.8m (2021: £34.3m)
- Proposed final dividend of 12p, making total dividend for the year of 18p (2021: 15p)

	2022	**2021**	**Change**
Revenue			
Gleeson Homes	*£334.6m*	*£265.8m*	*25.9%*
Gleeson Land	*£38.8m*	*£22.8m*	*70.2%*
Total	**£373.4m**	**£288.6m**	**29.4%**
Operating profit by division			
Gleeson Homes[1]	*£51.2m*	*£37.4m*	*36.9%*
Gleeson Land	*£11.1m*	*£11.1m*	-
Profit before tax and exceptional items	**£55.5m**	**£41.7m**	**33.1%**
Exceptional items – building safety provision	(£12.9m)	-	-
Cash and cash equivalents	£33.8m	£34.3m	(£0.5m)
EPS[1]	78.1p	58.2p	34.2%
ROCE[2]	25.4%	21.4%	+400bps
Dividend per share (total)	18.0p	15.0p	20%

1 Stated before exceptional building safety provision

2 Return on capital employed is calculated based on earnings before interest, tax and exceptional items ("EBIT"), expressed as a percentage of the average of opening and closing net assets after deducting deferred tax and cash and cash equivalents net of borrowings

Dermot Gleeson, Chairman, commented:

"This is another excellent performance which reflects not only the strong operational capability of our business but also the continuing structural under-supply of affordable homes for first time buyers on low incomes.

As well as being affordable, our high-quality homes are also very energy efficient, costing significantly less to run than most houses in the UK, particularly in the rented sector. As a result, our homes are much sought after, and demand remains resilient.

Gleeson Land's market remained robust throughout the year and the business delivered a strong result. Demand in the South of England for quality sites with sustainable and implementable residential planning permission remains strong and the division is well-placed to drive further sustainable growth.

The Board has reviewed a range of macroeconomic forecasts and, notwithstanding the current outlook for the broader economy, remains confident that the Group, with its defensive qualities and unique position within the wider house building sector, is well-positioned to deliver further profitable growth in the current financial year."

A presentation by James Thomson, CEO, and Stefan Allanson, CFO, will be held at 09:30 this morning. To attend:

- by webcast, visit the company website: www.mjgleesonplc.com/investors or access via the following link: https://stream.brrmedia.co.uk/broadcast/62e7b10704182f363ba98987
- by telephone, please dial-in using the below details:
  - Number: +44 (0)330 165 4012
  - Code: 9128592

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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

Chairman's Statement

Introduction

I am delighted to report that the Group has delivered a record level of revenue and profit.

This is testimony to the Group's robust operational capability and also to the strong demand for our affordable homes in the North of England and the Midlands, and for our consented residential sites in the South.

The continuing demand for affordable homes enabled us to deliver our medium-term target of doubling our annual homes sales to 2,000 homes by 2022.

We are not complacent about the risks in the wider macroeconomic environment. However, we believe that the affordability and energy-efficiency of our homes will continue to make them highly attractive to young, first time buyers who wish to escape the "rent trap" or who live with their parents and want to get onto the property ladder.

Performance and dividend

Group revenue increased by 29.4% to £373.4m (2021: £288.6m), whilst profit before tax and exceptional items was up 33.1% to £55.5m (2021: £41.7m).

In April 2022, the Company signed the Department for Levelling Up, Housing and Communities' ("DLUHC") pledge in respect of remediating buildings with life-critical fire-safety issues on buildings over 11 metres in which the Group had, over the last 30 years, some involvement in developing. Based on the work undertaken on buildings covered under the pledge, the Group has recorded an exceptional provision this year of £12.9m. As a result, Group profit before tax after exceptional items was £42.6m (2021: £41.7m).

The Group continues to maintain a strong financial position with a well-capitalised balance sheet, ending the year with cash and cash equivalents of £33.8m (2021: £34.3m). It also continues to have a £105m borrowing facility available, provided by Lloyds Bank plc and Santander UK plc, which was undrawn at year end.

Subject to shareholder approval at the 2022 Annual General Meeting ("AGM"), the Board proposes to pay a final dividend of 12.0p per share on 25 November 2022, to shareholders on the register at the close of business on 28 October 2022. The total dividend for the year to 30 June 2022 will be 18.0p. 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.

Strategy

Gleeson Homes is one of the UK's fastest-growing housebuilders. Our rate of growth is attributable to the fact that the business is focused on a segment of the market where there is both strong current demand and a structural shortage of supply.

There are nine million rented households in England, of which just under half are in the North of England and Midlands, the areas in which we operate. Meanwhile, 74% of the homes that we sold in the financial year were to first time buyers either living at home or in rented accommodation. According to Rightmove, the cost of renting in the UK increased by 12% in the last 12 months and, in our regions, annual rental costs were 16% higher last year than the annual cost of buying a comparable 2-bed Gleeson home. Moreover, Gleeson homeowners see significant savings on their energy bills which are, based on current energy prices, £700 lower per year on a typical 2-bed home compared to older housing. This saving will continue to rise as the cost of energy increases.

During the year Gleeson Homes continued to open more sites than it closed and the division is confident that its strong land pipeline and the country's severe shortage of affordable, energy-efficient homes will enable it to deliver further sustainable and profitable growth over the medium and longer term.

We have invested significantly over recent years in our systems, operating structure and central services in order to provide ourselves with the ability to grow and to expand our geographical reach in a controlled manner.

Gleeson Land will also benefit from the continuing demand from the major housebuilders for high-quality consented sites in the South of England. The congestion in the planning system has exacerbated the shortage of development land and Gleeson Land is well-placed to benefit from this over the next three to five years.

Board

James Thomson will step down as Chief Executive Officer on 31 December 2022 and will be succeeded on 1 January 2023 by Graham Prothero, currently Chief Operating Officer at Vistry Group plc.

James has played a pivotal role in achieving the 2,000 homes target for Gleeson Homes and in embedding the cultural and structural changes needed to ensure that the Group continues to achieve high levels of sustainable growth. We are delighted that he has agreed to remain on the Board as a Non-Executive Director.

Andrew Coppel resigned in March 2022. Fiona Goldsmith was subsequently appointed Senior Independent Director and Elaine Bailey was appointed Interim Chair of the Remuneration Committee, with both appointments effective 24 March 2022.

The Board has initiated a search process to appoint a further Non-Executive Director to the Board this year.

The Gleeson team

It is a great source of satisfaction that Gleeson has been recognised by the independent consultant People Insight as one of the best companies in the UK to work for.

Our vision – Building Homes. Changing Lives. – has been enthusiastically embraced by our workforce at every level. It was the commitment and hard work of the entire team that enabled us to deliver our milestone target of 2,000 sales during the year. I wish to express the Board's deep gratitude to all of our staff and operatives for their contribution to this remarkable achievement.

Summary and outlook

This is another excellent performance which reflects not only the strong operational capability of our business but also the continuing structural under-supply of affordable homes for first time buyers on low incomes.

As well as being affordable, our high-quality homes are also very energy efficient, costing significantly less to run than most houses in the UK, particularly in the rented sector. As a result, our homes are much sought after, and demand remains resilient.

Gleeson Land's market remained robust throughout the year and the business delivered a strong result. Demand in the South of England for quality sites with sustainable and implementable residential planning permission remains strong and the division is well-placed to drive further sustainable growth.

The Board has reviewed a range of macroeconomic forecasts and, notwithstanding the current outlook for the broader economy, remains confident that the Group, with its defensive qualities and unique position within the wider house building sector, is well-positioned to deliver further profitable growth in the current financial year.

Dermot Gleeson
Chairman
14 September 2022

Chief Executive's Statement

Overview

The result for the year was an outstanding performance, reflecting the inherent resilience of our business model. Gleeson Homes builds high-quality, low-cost homes for first time buyers and people on low to average incomes, a part of the housing market that has been chronically underserved and where demand will continue to outstrip supply for the foreseeable future.

Five years ago, we set an ambitious target to double the size of Gleeson Homes with the aim of delivering 2,000 new homes in 2022. Reaching this target has been a great achievement and everyone at Gleeson should feel proud of the part they have played.

Whilst we are delighted to have delivered 2,000 new homes this year, we know that we are barely making a dent in demand. This drives our ambition and our resolve to change even more lives than we do today by building affordable, quality homes, where they are needed for those who need them most.

Results

Group

Profit before tax and exceptional items increased by 33.1% to £55.5m (2021: £41.7m).

The Group ended the year with cash and cash equivalents of £33.8m (2021: £34.3m) and continues to have a strong balance sheet and significant liquidity to invest in new sites and future growth.

In signing the Department for Levelling Up, Housing and Communities' ("DLUHC") pledge in April 2022, the Group gave its commitment to investigate and remediate any life-critical fire-safety issues on buildings over 11 metres in which the Group had some involvement in developing over the last 30 years. Following a detailed assessment of the buildings covered by the pledge, an exceptional provision of £12.9m has been recorded this year. This estimate of the life-critical fire-safety remediation costs for these buildings is based on reviews and surveys completed to date. We are in the process of undertaking a programme of intrusive inspections and fire risk assessments, where permitted by the building owners.

Like all housebuilders, we have also been subject to the additional 4% residential property developers tax ("RPDT") from April 2022, which was designed to raise at least £2bn over a 10-year period towards the government's cost of dealing with defective cladding. This comes on top of the planned rise in corporation tax from April 2023 from 19% to 25%.

Gleeson Homes

As a result of a strong performance in both volume and selling price, Gleeson Homes delivered a record operating profit pre-exceptional items of £51.2m, up 36.9% on the previous year (2021: £37.4m).

The delivery of 2,000 homes this year represented a 10.4% increase on the previous year (2021: 1,812 homes), which had been flattered by delayed completions carried over from the first Covid-19 lockdown. Growth in the second half of the year was notably strong with volumes up 24% following the opening of a record 27 sites in the previous year and a planned step-up in build rate to pre-Covid levels.

The average selling price of homes sold during the year increased by 14.7% to £167,300 due to underlying selling prices increasing 11.8% and changes in the mix of homes sold.

Whilst ensuring that our homes remain affordable, we were able to increase selling prices at a rate which ensured that we offset increases in material and labour costs. This enabled us to increase gross margin by 0.5% to 29.0% (2021: 28.5%).

We successfully increased our operational footprint, opening 23 new Gleeson Homes sites and are now building on 87 sites across the North of England and Midlands (30 June 2021: 81 build sites). A further 73 sites, which are progressing through a congested planning system, will allow us to continue growing our footprint over the coming years.

Gleeson Homes established a new regional office in West Yorkshire in July 2022 as a result of the growing pipeline of sites and strong customer demand across Yorkshire. This is the division's newest office and brings the business to a total of nine regions.

We started the new financial year with a forward order book of 618 plots (2021: 841 plots) reflecting our intentional management of sales releases to optimise both prices and the customer journey.

Gleeson Land

Gleeson Land delivered a gross profit for the year of £13.8m (2021: £13.7m) and operating profit of £11.1m (2021: £11.1m). The division sold six sites during the year with the potential to deliver 1,443 plots for housing development (2021: eight sites, 1,978 plots).

The pipeline of sites is strong and demand from medium and large housebuilders for well-located, consented sites continues unabated.

Market

The fundamentals of the housing market, driven by the structural under-supply of homes in the UK and new household formation, continue to ensure strong demand.

In our core segment of the market, where the lack of supply is felt most keenly, we expect this to continue, reinforced by cost of living pressures which will further enhance the attractiveness of a Gleeson home even after factoring in future interest rate rises.

The average selling price of a new build home in our geographic regions is £266,000, 59% higher than the average selling price of a Gleeson home at £167,300. Gleeson Homes is therefore uniquely positioned to serve customers who might previously have been considering a more expensive property but who, in the current environment, will look at more affordable price points. We are already seeing interest from these value-driven customers.

Employment levels remain high and mortgage availability, supported by the recent relaxation of lending rules, is robust. Whilst the withdrawal of the Help to Buy scheme, which closes for new applications in October 2022, means no government support for homebuyers for the first time in over 20 years, it is not expected to impact the affordability of, or demand for, a Gleeson home.

The market served by Gleeson Land for consented residential development land has also benefitted from strong demand from housebuilders looking to re-stock their immediate and short-term land pipelines. As the issues in the planning system show no signs of being resolved quickly, the demand for attractive, well-located sites with residential planning permission is expected to remain robust.

Following recent corporate transactions in the sector, Gleeson Land is now one of only two large land promoters whose interests are aligned with landowners. Most other large land promoters are owned by a major developer promoting land for their own development purposes.

Investing in the future

In 2020 we put in place a number of medium-term initiatives to reinforce the operational resilience and performance of the business.

This was underpinned by significant investment across our systems, operating structure and central services. We have completed a major review of our senior management and regional teams. We are now seeing significant benefits from the investment across our Commercial, Customer Care, Marketing, HR, H&S and IT functions. In addition, we have transformed the look and feel of our sites, and have improved the customer journey.

We can always do more but, for now, we have significantly strengthened the business and ensured that it is well-positioned to grow at pace, sustainably.

Sustainability

Home ownership

Our vision of "Building Homes. Changing Lives." and our mission of "Changing lives by building affordable, quality homes. Where they are needed, for the people who need them most." supports UN Sustainable Development Goal 11 ("Sustainable cities and communities") to provide access for all to "safe and affordable housing". I am proud that a young working couple on the National Living Wage can afford to buy a high-quality home on any one of our developments. This year 82% of the homes that we sold were either in the most deprived areas of the country or on brownfield land in need of regeneration.

Climate and the environment

We have made good progress this year in further reducing the carbon emissions in our direct operations by 9%, down to 1.86 tonnes per home sold. This comes on top of the 18% reduction we achieved the previous year. The embodied carbon in the homes that we build, including from our supply chain and our homes in use, remains a key area of focus and we have significantly increased the accuracy and our understanding of this "scope 3" measure this year. We are already taking steps to switch to lower carbon materials, where viable, such as using concrete bricks or reconstituted stone rather than kiln-fired clay bricks.

Government policy continues to have a significant impact on the design, construction and materials used in our homes, brought about through the Future Homes Standard and changes in building regulations. These requirements are built into our plans, most notably the changeover from gas boilers to air source heat pumps and installation of EV charging points. Whilst these technologies increase the cost and embodied carbon of each home we build, they will ultimately have a long-term benefit in reducing the carbon emissions of our homes in use over their lifetime.

We are supportive of the measures to improve energy efficiency and our homes already have better energy performance ratings than most other homes, with 97% of our homes having an EPC "B" rating or above. Customers also benefit from living in an energy-efficient and well-insulated home. The average Gleeson home requires 49% less energy to heat and power than existing housing, and the average Gleeson buyer of a 2-bed home currently save over £700 per year on their energy bills based on actual usage data. The saving will continue to rise as the cost of energy increases.

The increasing push towards nationally described space standards ("NDSS") has the unintended consequences of making homes larger and more expensive despite it being clear that this is not what many customers want, and will play a part in increasing the embodied carbon emissions of building our homes.

People and health and safety

We could not have achieved our 2,000 homes target without the hard work, commitment, focus and passion of every single colleague as well as the support of our subcontractors, supply chain and other professionals. I am hugely proud of the contribution that everyone has made in helping us deliver our target.

Our independently-assessed people engagement score increased from 89% to 90% this year with a higher response rate across the Group, placing us amongst the top 10% of all companies surveyed across the country. As a result, we were recognised by People Insight and awarded the "Outstanding Workplace" award. This is an important recognition of the progress that we have made in developing the culture, values and people experience across the Group.

On health and safety performance, the number of reportable incidents fell from 10 last year to one this year, but we remain ever vigilant. Health and safety has been an area of significant investment with a focus on training, safe working practices, site inspections and reporting. Every development site receives a monthly visit by independent health and safety inspectors, which is an important control to ensure we benchmark ourselves against best-practice in the industry.

Build quality and customer service

Build quality remains a priority and for many customers buying a Gleeson home represents the single largest financial commitment of their lives. For this reason, we have to get it right and meet their expectations in terms of quality and customer experience.

Putting the customer at the heart of what we do means understanding what our customers want as part of their home-buying experience. We have invested in our “Customer First” campaign this year and it is pleasing to see that this has helped us to maintain our customer recommendation score at 90.7% (2021: 90.6%), which keeps us in line with the Home Builders Federation 5-star rating.

Gleeson is already registered under the New Homes Quality Code (“NHQC”) and we fully support its principles. Whilst we are already compliant with many of the NHQC’s obligations, some of our processes are being updated to meet these new requirements.

Land

Our pipeline of owned and conditionally purchased sites increased by 6.0% to 16,814 plots on 160 sites. We continue to target brownfield land and sites in areas of deprivation and 78% of our pipeline plots are located on brownfield land or in the most deprived areas. This is land most in need of regeneration across the North of England and Midlands.

Gleeson Land added a further seven sites to its portfolio and has a healthy pipeline of 71 sites, with the potential to deliver 20,241 plots and 25 acres of commercial land. Increasingly, to progress these sites successfully, Gleeson Land has to strike the right balance in delivering housing numbers with protecting land, ecosystems and biodiversity. Ultimately, developers are looking for well-planned, well-located, sustainable sites and getting the balance right helps us to achieve best value.

Trading and outlook

We have had a good start to the current financial year. First time buyer demand, driven by the shortage of new homes, remains strong. Moreover, the cost of living challenges faced by many home buyers means the affordability of our homes is leading to additional interest from customers who might not previously have considered a Gleeson home.

Gleeson Land is also benefitting from the shortage of high-quality consented land, exacerbated by congestion in the planning system. The delays and complexities in the planning system serve only to fuel demand and maintain land prices as developers bid for consented land.

Importantly, we are now seeing the benefits of a significant investment programme across our systems, operating structure and central services which collectively will ensure that the Group has the ability to grow and expand its geographical reach in a controlled manner.

As a result, I believe Gleeson is well-positioned to deliver further profitable growth in the financial year.

James Thomson
Chief Executive Officer
14 September 2022

Gleeson Homes – Business Review

Market context and position

- Home ownership remains below aspirational levels
- Gleeson Homes is distinct by focusing on quality, low-cost homes
- Gleeson Homes' growth reflects strong market demand, which is expected to continue
- Affordable housing is a large, resilient and underserved segment of the market

The housing market remained strong throughout the year with house prices in the UK growing by 12.8% over the year to May 2022[1]. Whilst house price increases are widely expected to cool in the short to medium term, the under-supply of high-quality, energy-efficient housing is expected to continue to drive house building activity.

Gleeson Homes is one of the fastest-growing housebuilders in the sector, having doubled the number of homes sold over the last five years. We are focused on a distinctly underserved segment of the market – young, first time buyers on low to average incomes – where demand is expected to continue unabated.

Competitive advantages

- Affordability is the most important factor for our customers
- It is cheaper to buy a Gleeson home than rent – with lower energy costs than existing housing
- Large and high-quality land pipeline – over eight years' supply
- Well-designed homes that meet our customers' needs and expectations

Gleeson Homes' buyers are motivated to move by need. The average cost of a new build home in our geographic areas, the North of England and Midlands, is 59% higher than the average cost of a Gleeson home, at £167,300, and it remains cheaper to buy than to rent.

As the cost of energy continues to rise, buyers are increasingly focused on energy efficiency, and the average Gleeson home uses 49% less energy than existing housing. Whilst the cost of living crisis may restrict the ability of some first time buyers to buy from other housebuilders, Gleeson Homes is well positioned to serve these customers as well as benefit from home movers who gravitate to our lower price point.

	2022	2021
Homes sold	2,000	1,812
Average selling price	£167,300	£145,800
Operating profit*	£51.2m	£37.4m
Operating margin*	15.3%	14.1%

*Stated before exceptional items

	2022	2021
Plots owned	8,478	7,930
Plots conditionally purchased	8,336	7,933
Total plots in pipeline	16,814	15,863

	2022	2021
Plots on brownfield land or areas of deprivation	13,189	12,953
Plots on greenfield land or more affluent areas	3,625	2,910
Total plots in pipeline	16,814	15,863

[1]*Gov.uk UK House price index, May 2022*

Results

Gleeson Homes delivered its medium-term strategic objective of doubling home sales within five years by completing the sale of 2,000 homes during the year (2021: 1,812 homes). This was an increase of 10.4% on the previous year, which had been flattered by delayed completions carried over from the first Covid-19 lockdown.

Revenue increased by 25.9% to £334.6m (2021: £265.8m), exclusively from home sales (2021: included £1.5m from land sales). The average selling price of homes sold during the year increased by 14.7% to £167,300 (2021: £145,800), driven by higher underlying selling prices up 11.8% and changes in the mix of site locations and house types.

Strong selling price increases more than offset significant material and labour cost increases, albeit the issues with materials availability eased in the second half of the year. As a result, gross profit margin on homes sold increased to 29.0% (2021: 28.5%).

The increase in the volume of homes sold, average selling price and gross profit margin resulted in gross profit increasing by 28.0% to £96.9m (2021: £75.7m, including £0.4m from land sales). Operating costs were well controlled after the significant investment made in the business structure, operations and headcount in recent years. Administrative expenses as a proportion of turnover reduced from 14.5% to 13.8% which helped underlying operating profit increase by 36.9% to £51.2m (2021: £37.4m, including £0.4m land sales) and operating margin increased from 14.1% to 15.3%.

Building safety

The Group has established an exceptional provision of £12.9m for the estimated costs to remediate life-critical fire-safety issues on buildings over 11 metres in which the Group had some involvement in developing over the last 30 years.

Sites

Gleeson Homes opened 23 new build sites during the year and started the new financial year with 87 active build sites (2021: 81), of which 61 were actively selling (2021: 61). This has been achieved despite the ongoing congestion in the planning system which continues to impact the time taken to obtain planning consent, agree pre-start conditions and acquire new sites. Our average active build sites and sales sites were 83 and 63 respectively (2021: 78 and 64).

Gleeson Homes' developments are located across the North of England and the Midlands, with plans to continue expanding in existing areas and into neighbouring regions. The business expects to open a further 22 sites during the new financial year and be building on approximately 90 sites by 30 June 2023.

Pipeline

Land continues to be available at sensible prices. The pipeline of owned and conditionally purchased sites increased by 6.0% to 16,814 plots on 160 sites at 30 June 2022, representing over eight years of sales (2021: 15,863 plots on 152 sites). Of the total plots, 8,478 plots are owned (2021: 7,930 plots) and 8,336 plots have been conditionally purchased subject to receiving planning permission (2021: 7,933).

During the year, 33 new sites were added to the pipeline, whilst 25 sites were completed or did not proceed to purchase. In addition to owned and conditionally purchased plots, there are a further 336 plots (2021: 205 plots) which are being actively considered for acquisition but will only proceed if they meet our strict criteria.

Help to Buy

The number of customers using the government's Help to Buy scheme, which will close to new applications in October 2022, reduced as expected to 53% (2021: 69%). The withdrawal of the scheme is not expected to impact demand and we continue to provide a range of other bespoke packages to assist potential customers. These include our Key Worker Priority Programme and Forces Property Direct programme, which provide priority access and vouchers toward optional extras for key workers and military personnel.

Outlook

Strong first time buyer demand, driven by the acute shortage of new homes, is expected to continue, albeit with more modest house price growth widely expected in the short term. Crucially, the affordability of our homes will help to mitigate the impact of both inflationary pressures and higher interest rates for first time buyers and home movers, which will continue to drive demand.

Gleeson Land – Business Review

Market context and position

- Gleeson Land is one of the largest residential land promoters in England
- Land promoters deliver two out of every five consented sites to housebuilders
- Planning delays are slowing the residential planning process
- Increasing demand for consented land is leading to higher land values

The market for consented land remains strong, with demand being seen from housebuilders of all sizes. We are receiving a high number of bids on the sites we bring to market and bidders are seeking to be more competitive on their offers.

At the same time, the supply of consented land has been adversely impacted by planning delays which are affecting both developers and land promoters alike. The planning process has been slowed by staff shortages in local councils and local authorities holding back on reviewing their Local Plans whilst potential changes in planning policy are uncertain. Natural England's guidance on nutrient neutrality, together with phosphate and nitrate mitigation requirements, has also caused further delays across the industry and Gleeson Land is currently unable to progress planning on nine sites until a resolution is agreed. These factors have led to pressure on land supply, which in turn has increased land values, with annual growth of UK greenfield residential development land values up 9.9% to June 2022[1].

[1] *Savills Residential Development Land Q2 2022*

Competitive advantages

- High planning success rate, including through appeal
- Strong relationships with all major housebuilders
- Strong pipeline of sites held under promotion or option agreements
- High cash conversion

Gleeson Land specialises in sourcing high-quality land opportunities to promote for residential development. We have a dedicated and highly-skilled team who navigate the complexities of the planning system, plus an in-house technical team experienced in dealing with drainage, flooding, landscaping and other physical site constraints. We have an outstanding planning success rate of over 90% and bring high-quality, "technically solved" sites to market.

The business operates a low capital intensity model, securing land interests either through option or promotional agreements rather than taking freehold land ownership, therefore avoiding the speculative risk on land value. Gleeson Land generates a high cash return which enables continuous investment in the portfolio and sites. Our reputation, experience and relationships with landowners, agents, local authorities and other stakeholders set us apart.

	2022	2021
Sites sold	6	8
Plots sold	1,443	1,978
Portfolio	71 sites	71 sites
Operating profit	£11.1m	£11.1m

	2022	2021	2020
Sites with planning consent or resolution to grant	3	6	11
Sites with planning submitted	16	15	7

	2022	2021
Plots held under option	6,188	6,953
Plots held under promotion agreement	13,564	14,583
Plots held freehold	489	779
Total plots in pipeline	20,241	22,315

Results

During the year, the business sold six sites with residential planning permission for 1,443 plots (2021: eight sites, 1,978 plots) at an average of £9,550 gross profit per plot (2021: £6,910 per plot). These were sold to a range of housebuilders, and increasingly we are seeing housing associations and smaller private housebuilders bidding on equally competitive terms to major housebuilders. Total gross profit for the year was £13.8m (2021: £13.7m).

Revenue from land sales increased to £38.8m (2021: £22.8m), driven by the mix of option and planning promotion sites sold (which have different accounting treatments for revenue recognised on sale). Included within revenue is £2.5m relating to further phases of a legacy site sold in 2019. The sites sold in the year totalled 221 gross acres.

Overheads for the business continue to be well controlled at £2.7m (2021: £2.6m). As a result, operating profit remained in line with the prior year at £11.1m (2021: £11.1m).

Portfolio

This year Gleeson Land added seven sites (904 plots) to its portfolio secured under option and promotion agreements, and split two existing sites. Three legacy sites which were no longer viable to promote were aborted.

At 30 June 2022, the business had a portfolio totalling 71 sites (2021: 71 sites) with the potential to deliver 20,241 plots (2021: 22,315 plots) plus 25 acres of commercial land (2021: 44 acres).

The portfolio is expected to realise value over the short, medium and long term, driven by the planning context of each site. It continues to have a geographic bias towards the South of England where land values are highest.

We continue to see opportunities to add well-located, attractive sites to the portfolio both through our strong relationships with land agents and through proactive in-house land sourcing. We carefully select sites where we see the potential for development and where we can unlock maximum value for landowners.

Planning

This year Gleeson Land submitted planning applications for 10 sites with the potential to deliver 1,428 plots (2021: 10 sites, 1,281 plots). Whilst in the prior year the slowdown in the planning system was attributable to the impact of Covid-19, other factors are now delaying applications in certain local authorities including potential changes to planning policy and environmental issues such as nitrate and phosphate mitigation and nutrient neutrality.

Whilst the planning system remains extremely congested, our team is experienced in navigating these challenges and we have a record number of sites being promoted through the planning system.

Outlook

Although the shortage of consented land in the market is having a positive increase in land values, a cautious approach is maintained for the future outlook. Land value growth is expected to slow as developers contend with more modest house price growth and supply chain pressures. However, Gleeson Land is well positioned to deal with the market dynamics with an agile, low capital intensity model and resources to invest in its portfolio. It has a strong pipeline of sites at different stages in the planning process that will continue to support profit delivery and growth.

Financial Review

The Group delivered a strong performance for the year with revenue up 29.4% and underlying profit before tax and exceptional items up 33.1%.

Strong trading results – pre-exceptional items

Group revenue increased by 29.4% to £373.4m (2021: £288.6m) as a result of significant growth in Gleeson Homes and the mix of sites sold by Gleeson Land.

Gleeson Homes' revenue increased by 25.9% to £334.6m (2021: £265.8m) driven by a 10.4% increase in the number of homes sold to 2,000 (2021: 1,812) and a 14.7% increase in the average selling price ("ASP") to £167,300 (2021: £145,800), driven by underlying selling prices up 11.8% and changes in the mix of sites and house types.

Gleeson Land sold six sites in the year (2021: eight sites). Revenue increased by 70.2% to £38.8m (2021: £22.8m), driven by the mix of sites sold under option and promotion agreements.

Underlying gross profit for the Group increased by 24.0% to £110.7m (2021: £89.3m), with gross profit in Gleeson Homes increasing by 28.0% to £96.9m (2021: £75.7m). The gross profit margin for Gleeson Homes increased to 29.0% (2021: 28.5%) as increases in selling prices more than offset cost inflation. Gross profit for Gleeson Land remained relatively flat at £13.8m (2021: £13.7m) due to continued congestion in the planning system slowing the progress of sites in the pipeline.

Administrative expenses increased by £7.3m (15.5%) in the year to £54.5m (2021: £47.2m) as investment to support the future growth of the business continued.

Underlying Group operating profit was £56.8m, a 31.8% increase (2021: £43.1m) on the prior year. This growth was driven by the 36.9% increase in operating profit in Gleeson Homes to £51.2m (2021: £37.4m) with Gleeson Land operating profit remaining flat at £11.1m (2021: £11.1m). Group overheads were £5.5m (2021: £5.4m).

Net finance expenses of £1.3m (2021: £1.4m) consisted of finance expenses of £1.5m (2021: £1.7m) being interest payable on bank facilities, bank charges and the unwinding of discounts on deferred payables, partly offset by finance income of £0.2m (2021: £0.3m) consisting of the unwinding of discounts on deferred receivables on land sales and shared equity receivables.

As a result, the Group delivered underlying profit before tax and exceptional items of £55.5m (2021: £41.7m).

Exceptional items – building safety provision

In April 2022, MJ Gleeson plc signed the Department for Levelling Up, Housing and Communities' ("DLUHC") pledge, taking responsibility for performing or funding mitigation works to address life-critical fire-safety issues on buildings over 11 metres in which the Group had, over the last 30 years, some involvement in developing and to secure withdrawal of those buildings from the Building Safety Fund and ACM Funds.

Following the detailed assessment of the buildings covered by the pledge, an exceptional provision of £12.9m was recorded. This is management's best estimate of the life-critical fire-safety remediation costs for these buildings based on reviews and surveys completed to date. We are in the process of undertaking a programme of intrusive inspections and fire risk assessments, where permitted by the building owners.

Tax

The pre-exceptional tax charge was £10.0m, which represents an effective tax rate of 18.0%. Included in the tax charge is £0.1m related to the newly-enacted residential property developers tax ("RPDT"), which was effective from 1 April 2022 and applies to profit from residential development activity.

A tax credit of £2.5m was recognised in respect of the exceptional provision. This resulted in a total tax charge for the year of £7.5m (2021: £7.8m), reflecting an effective tax rate of 17.7% (2021: 18.8%).

The effective tax rate will increase from next year as a result of a full year of RPDT and the planned increase in the standard rate of corporation tax to 25% from April 2023.

Profit for the year

Underlying profit after tax for the year increased 34.2% to £45.5m, while reported profit, net of the exceptional charge, increased 3.5% to £35.1m (2021: £33.9m).

Earnings per share

Underlying basic earnings per share increased by 34.2% to 78.1 pence (2021: 58.2 pence). Reported basic earnings per share increased to 60.2 pence (2021: 58.2 pence).

Improved return on capital employed

Pre-exceptional return on capital employed increased 400 basis points to 25.4% (2021: 21.4%) driven by the strong returns in Gleeson Homes.

Strong balance sheet

During the year to 30 June 2022, shareholders' funds increased by 11.1% to £272.2m (2021: £244.9m). Net assets per share increased to 467 pence, an increase of 11.2% year on year (2021: 420 pence).

Non-current assets increased during the year by 11.9% to £14.1m (2021: £12.6m). This was primarily due to an increase in property, plant and equipment of £1.4m, being mostly the cost of sales offices, show homes and site compounds.

Current assets increased by 17.6% to £353.5m (2021: £300.5m), with inventories increasing by £46.9m to £286.9m, mostly as a result of investment in Gleeson Homes land and build activity, and trade and other receivables increasing by £6.8m to £29.2m (2021: £22.4m). Cash and cash equivalents reduced marginally from £34.3m to £33.8m. Corporation tax receivable decreased by £0.3m to £3.6m.

Total liabilities increased by £27.2m to £95.4m (2021: £68.2m). This includes the £12.9m building safety provision made in the year, as well as a £10.9m increase in accruals and deferred income to £37.9m (2021: £27.0m), and a £2.1m increase in trade payables to £36.5m (2021: £34.4m). Land creditors remained low at £10.7m (2021: £7.8m).

Cash and bank facilities

The Group generated cash before financing activities of £9.7m (2021: £21.2m). After dividend payments of £9.3m, lease payments of £0.5m and the purchase of own shares of £0.4m, the Group had a net cash outflow of £0.5m (2021: £42.5m outflow, reflecting the repayment of borrowings of £60.0m in November 2020).

At 30 June 2022, the Group had cash and cash equivalents of £33.8m (2021: £34.3m).

The Group continues to have a £105m borrowing facility available, provided by Lloyds Bank plc and Santander UK plc.

Dividends

As a result of the strong financial performance in the year and our confidence in our future growth, the Board proposes a final dividend of 12.0p per share, which equates to £7.0m. The dividend will be paid on 25 November 2022 to shareholders on the register at the close of business on 28 October 2022. Combined with the interim dividend of 6.0p per share paid in April 2022, the total dividend for the year will be 18.0p, representing an increase of 20% on the prior year (2021: total dividend of 15.0p per share).

The Board intends to maintain an earnings to ordinary dividend cover ratio of between three and five times and expects to continue paying a final dividend representing two-thirds of the total dividend each year.

Stefan Allanson
Chief Financial Officer
14 September 2022

AUDITED CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2022

	2022 Pre-exceptional items £000	2022 Exceptional items (note 3) £000	2022 Total £000	2021 £000
Revenue	**373,409**	**-**	**373,409**	288,575
Cost of sales	**(262,753)**	**(12,867)**	**(275,620)**	(199,230)
Gross profit	**110,656**	**(12,867)**	**97,789**	89,345
Administrative expenses	**(54,543)**	**-**	**(54,543)**	(47,185)
Other operating income	**684**	**-**	**684**	923
Operating profit	**56,797**	**(12,867)**	**43,930**	43,083
Finance income	**172**	**-**	**172**	377
Finance expenses	**(1,482)**	**-**	**(1,482)**	(1,749)
Profit before tax	**55,487**	**(12,867)**	**42,620**	41,711
Tax	**(9,976)**	**2,445**	**(7,531)**	(7,839)
Profit for the year attributable to the equity holders of the parent	**45,511**	**(10,422)**	**35,089**	33,872
Earnings per share				
Basic	**78.12 p**		**60.23 p**	58.16 p
Diluted	**77.92 p**		**60.08 p**	58.07 p

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2022

	2022 Pre-exceptional items £000	2022 Exceptional items (note 3) £000	2022 Total £000	2021 £000
Profit for the year	**45,511**	**(10,422)**	**35,089**	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	**120**	**-**	**120**	33
Movement in tax on share-based payments taken directly to equity	**-**	**-**	**-**	302
Other comprehensive income for the year (net of tax)	**120**	**-**	**120**	335
Total comprehensive income for the year	**45,631**	**(10,422)**	**35,209**	34,207

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2022

	2022	2021
	£000	£000
Non-current assets		
Property, plant and equipment	**8,112**	6,684
Trade and other receivables	**5,051**	4,672
Deferred tax assets	**941**	1,233
	14,104	12,589
Current assets		
Inventories	**286,882**	239,961
Trade and other receivables	**29,243**	22,378
UK corporation tax	**3,565**	3,875
Cash and cash equivalents	**33,764**	34,331
	353,454	300,545
Total assets	**367,558**	313,134
Non-current liabilities		
Trade and other payables	**(9,703)**	(6,917)
Provisions	**(12,049)**	(236)
	(21,752)	(7,153)
Current liabilities		
Trade and other payables	**(72,291)**	(61,027)
Provisions	**(1,339)**	(23)
	(73,630)	(61,050)
Total liabilities	**(95,382)**	(68,203)
Net assets	**272,176**	244,931
Equity		
Share capital	**1,166**	1,165
Share premium	**15,843**	15,843
Own shares	**(471)**	-
Retained earnings	**255,638**	227,923
Total equity	**272,176**	244,931

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2022

	Share capital £000	Share premium £000	Own shares £000	Retained earnings £000	Total equity £000
At 1 July 2020	1,161	15,843	-	195,601	212,605
Profit for the year	-	-	-	33,872	33,872
Other comprehensive income	-	-	-	335	335
Total comprehensive income for the year	-	-	-	34,207	34,207
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**
Profit for the year	**-**	**-**	**-**	**35,089**	**35,089**
Other comprehensive income	**-**	**-**	**-**	**120**	**120**
Total comprehensive income for the year	**-**	**-**	**-**	**35,209**	**35,209**
Share issue	**1**	**-**	**-**	**-**	**1**
Transfer of own shares	**-**	**-**	**(136)**	**136**	**-**
Purchase of own shares	**-**	**-**	**(403)**	**-**	**(403)**
Utilisation of own shares	**-**	**-**	**68**	**268**	**336**
Share-based payments	**-**	**-**	**-**	**1,568**	**1,568**
Movement in tax on share-based payments taken directly to equity	**-**	**-**	**-**	**(128)**	**(128)**
Dividends	**-**	**-**	**-**	**(9,338)**	**(9,338)**
Transactions with owners, recorded directly in equity	**1**	**-**	**(471)**	**(7,494)**	**(7,964)**
At 30 June 2022	**1,166**	**15,843**	**(471)**	**255,638**	**272,176**

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2022

	2022 £000	2021 £000
Operating activities		
Profit before tax	**42,620**	41,711
Depreciation of property, plant and equipment	**3,124**	2,772
Share-based payments	**1,568**	1,089
Profit on redemption of shared equity receivables	**(375)**	(230)
Increase in provisions including exceptional items	**13,129**	-
Loss on disposal of property, plant and equipment	**403**	200
Disposal of right-of-use assets	**-**	50
Finance income	**(172)**	(377)
Finance expenses	**1,482**	1,749
Operating cash flows before movements in working capital	**61,779**	46,964
Increase in inventories	**(46,921)**	(23,626)
Increase in receivables	**(8,165)**	(6,709)
Increase in payables	**13,244**	19,706
Cash generated from operating activities	**19,937**	36,335
Tax paid	**(7,059)**	(10,216)
Finance costs paid	**(1,043)**	(1,934)
Net cash flow surplus from operating activities	**11,835**	24,185
Investing activities		
Proceeds from disposal of shared equity receivables	**1,566**	858
Proceeds from disposal of property, plant and equipment	**-**	7
Interest received	**20**	6
Purchase of property, plant and equipment	**(3,684)**	(3,839)
Net cash flow deficit from investing activities	**(2,098)**	(2,968)
Financing activities		
Repayment of loans and borrowings	**-**	(60,000)
Net proceeds from issue of shares	**1**	4
Purchase of own shares	**(403)**	(61)
Dividends paid	**(9,338)**	(2,913)
Principal element of lease payments	**(564)**	(723)
Net cash flow deficit from financing activities	**(10,304)**	(63,693)
Net decrease in cash and cash equivalents	**(567)**	(42,476)
Cash and cash equivalents at beginning of year	**34,331**	76,807
Cash and cash equivalents at end of year	**33,764**	34,331

NOTES TO THE FINANCIAL INFORMATION
for the year ended 30 June 2022

1. Accounting policies

Statement of compliance
The Group Financial Statements have been prepared and approved by the directors in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

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 2022 or 2021, but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies, and those for 2022 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 2021, with the exception of the below.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group and Company transitioned to UK-adopted International Accounting Standards in its consolidated Group and Company financial statements on 1 July 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

Going concern
In the prior year to 30 June 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), 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 and cash equivalents of £33.8m (2021: £34.3m).

Current forecasts are based on the latest three-year budget approved by the Board in May 2022. This reflected a cautious view on the trading outlook based on the current market and the degree of macroeconomic risk.

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 combined 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:

1. Accounting policies *(cont.)*

- reduction in Gleeson Homes volumes of approximately 20%;
- reduction in Gleeson Homes selling prices by 5% recovering over a medium term of five years;
- 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 certain 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. Segmental information about the Group's operations is presented below:

	2022 Pre-exceptional items £000	2022 Exceptional items (note 3) £000	2022 Total £000	2021 £000
Revenue				
Gleeson Homes	**334,571**	**-**	**334,571**	265,770
Gleeson Land	**38,838**	**-**	**38,838**	22,805
Total revenue	**373,409**	**-**	**373,409**	288,575
Divisional operating profit				
Gleeson Homes	**51,227**	**(12,867)**	**38,360**	37,437
Gleeson Land	**11,061**	**-**	**11,061**	11,080
	62,288	**(12,867)**	**49,421**	48,517
Group administrative expenses	**(5,491)**	**-**	**(5,491)**	(5,434)
Finance income	**172**	**-**	**172**	377
Finance expenses	**(1,482)**	**-**	**(1,482)**	(1,749)
Profit before tax	**55,487**	**(12,867)**	**42,620**	41,711
Tax	**(9,976)**	**2,445**	**(7,531)**	(7,839)
Profit for the year	**45,511**	**(10,422)**	**35,089**	33,872

The revenue in the Gleeson Homes segment primarily relates to the sale of residential properties. In addition, within revenue for Gleeson Homes is £nil relating to land sales (2021: £1,521,000). 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 (2021: no single customer).

2. Segmental analysis *(cont.)*

Balance sheet analysis of business segments:

	2022			2021		
	Assets	**Liabilities**	**Net assets/ (liabilities)**	Assets	Liabilities	Net assets
	£000	**£000**	**£000**	£000	£000	£000
Gleeson Homes	**280,481**	**(85,170)**	**195,311**	223,328	(54,892)	168,436
Gleeson Land	**49,230**	**(5,869)**	**43,361**	50,487	(9,106)	41,381
Group activities	**4,083**	**(4,343)**	**(260)**	4,988	(4,205)	783
Net cash/(debt)	**33,764**	**-**	**33,764**	34,331	-	34,331
	367,558	**(95,382)**	**272,176**	313,134	(68,203)	244,931

3. Exceptional items and building safety provision

In April 2022, MJ Gleeson plc signed the Department for Levelling Up, Housing and Communities ("DLUHC") pledge, which confirms that the Group takes responsibility for performing or funding mitigation works to address life-critical fire-safety issues on buildings over 11 metres in which the Group had, over the last 30 years, some involvement in developing and to secure withdrawal of those buildings from the Building Safety Fund and ACM Funds.

The Group was involved in the development of 14 buildings over 11 metres, none of which were over 18 metres. The Group originally notified DLUHC of 15 buildings in total, but one building has subsequently been identified as having not been developed by Gleeson. The remaining buildings were developed before the Group exited from its legacy businesses and dedicated itself to low-cost house building and land promotion.

During the year, the Group completed an extensive exercise to locate the records of all buildings affected in which, over the last 30 years, the Group had some involvement in developing. A third-party firm of surveyors was then engaged to examine the 14 buildings covered under the DLUHC pledge and desktop surveys were undertaken. A programme of intrusive inspections and fire risk assessments has commenced, where permitted by the building owners.

As a result of the work performed, a provision of £12,867,000 has been recognised which represents the Board's best estimate of the life-critical fire-safety remediation costs for these 14 buildings. The Group has provided for the cost of remediation where there is a liability, where build issues have been identified or it is considered that such build issues are likely to exist. The cost of the building safety provision has been recognised as an exceptional item within cost of sales.

The Group will review the building safety provision at each reporting date and, where necessary, adjust it to reflect the current best estimate of these costs.

Exceptional items for the year relate solely to building safety.

4. Tax

	2022	2021
	£000	£000
Current tax:		
Current year expense	**7,571**	7,261
Adjustment in respect of prior years	**(165)**	(533)
Current tax expense for the year	**7,406**	6,728
Deferred tax:		
Current year expense	**253**	674
Adjustment in respect of prior years	**(165)**	589
Impact of rate change	**37**	(152)
Deferred tax expense for the year	**125**	1,111
Total tax charge	**7,531**	7,839

Corporation tax has been calculated at 17.7% of assessable profit for the year (2021: 18.8%). 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:

	2022	2021
	£000	£000
Profit before tax	**42,620**	41,711
Profit before tax multiplied by the standard rate of UK corporation tax 19% (2021: 19%)	**8,098**	7,925
Tax effect of:		
Expenses not deductible for tax purposes	**13**	3
Non-qualifying depreciation	**82**	64
Relief for share-based payments	**84**	(6)
Capital allowances super deduction	**(161)**	(51)
Land remediation relief	**(412)**	-
Impact of rate differences	**37**	(152)
Adjustments in respect of prior years – current tax	**(165)**	(533)
Adjustments in respect of prior years – deferred tax	**(165)**	589
Residential property developers tax	**120**	-
Total tax charge for the year	**7,531**	7,839

Tax recognised on equity-settled share-based payments	**2022**	2021
	£000	£000
Current tax related to equity-settled share-based payments	**(39)**	(134)
Deferred tax related to equity-settled share-based payments	**167**	(168)
Total tax recognised on equity-settled share-based payments	**128**	(302)

In accordance with IAS 12 “Income taxes”, the tax relating to items recognised directly in equity should also be recognised directly in equity. In the prior year, the tax relating to equity-settled share-based payments was recognised in other comprehensive income.

5. Dividends

	2022 £000	2021 £000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 June 2022 of 6.0p (2021: 5.0p) per share	**3,507**	2,913
Final dividend for the year ended 30 June 2021 of 10.0p (2020: nil) per share	**5,831**	-
	9,338	2,913

A final dividend of 12.0 pence per share has been proposed for the year ended 30 June 2022, equating to £6,999,000 (2021: £5,831,000). This is subject to approval by shareholders at the AGM on 18 November 2022 and has not been recognised in these financial statements.

6. Earnings per share

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

Earnings	2022 £000	2021 £000
Profit for the year	**35,089**	33,872
Exceptional items (note 3)	**12,867**	-
Tax on exceptional items	**(2,445)**	-
Profit for the year – pre-exceptional items	**45,511**	33,872

	2022 No. 000	2021 No. 000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**58,259**	58,235
Effect of dilutive potential ordinary shares:		
- share-based payments	**145**	97
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**58,404**	58,332

	2022 p	2021 p
Basic earnings per share	**60.23**	58.16
Diluted earnings per share	**60.08**	58.07
Basic earnings per share – pre-exceptional items	**78.12**	58.16
Diluted earnings per share – pre-exceptional items	**77.92**	58.07

7. 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

	2022	2021
	£000	£000
Balance at 1 July	**2,522**	3,668
Redemptions	**(1,071)**	(594)
Shared equity provision	**-**	(600)
Unwind of discount (finance income)	**35**	49
Fair value movement recognised in other comprehensive income	**(1)**	(1)
Balance at 30 June	**1,485**	2,522

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 £1,071,000 (2021: £594,000) generated a profit on redemption of £375,000 (2021: £230,000), 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 £120,000 (2021: £33,000) has been recognised in other comprehensive income. This is made up as follows:

	2022	2021
	£000	£000
Fair value movement recognised in other comprehensive income	**(1)**	(1)
Fair value recycled through profit and loss	**121**	34
Total movement recognised in other comprehensive income	**120**	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 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%
- Average period to redemption: 5 years
- Discount rate: 8%

7. 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	**2022 Increase/(decrease) in fair value**	2021 Increase/(decrease) in fair value
	£000	£000
Forecast regional house price inflation – increase by 1%	107	156
Average period to redemption – increase by 1 year	(116)	(173)
Discount rate – decrease by 1%	102	149

8. Related party transactions

During the previous 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 full Statement of Directors’ Responsibilities is made in respect of the Annual Report and Accounts and the financial statements, not the extracts from the financial statements as set out in this announcement.

The 2022 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, contained in the 2022 Annual Report and Accounts, which have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006, 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, contained in the 2022 Annual Report and Accounts, 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 2022 Annual Report and Accounts, 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
14 September 2022

Stefan Allanson
Chief Financial Officer

The 2022 Annual Report and Accounts is to be published on the Company's website, mjgleesonplc.com, in due course 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.