gleeson

11 February 2021

MJ GLEESON PLC

Results for the half-year ended 31 December 2020

Strong demand for high-quality, low-cost homes | Strategic Land deal momentum into H2
Full year results set to be significantly ahead of current market consensus

Group:

- Revenue up 35.8% to £142.6m (H1 19/20: £105.0m)
- Profit before tax up 52.6% to £20.3m (H1 19/20: £13.3m)
- EPS up 43.9% to 28.2p (H1 19/20: 19.6p)
- All Government furlough grants of £1.3m repaid in full on 28 January 2021
- Dividends resumed, 5p interim dividend

Gleeson Homes:

- Homes sold increased 17.3% to 951 homes (H1 19/20: 811)
- Average selling price increased 9.1% to £140,600 (H1 19/20: £128,900)
- Operating profit increased 28.9% to £20.5m (H1 19/20: £15.9m)
- Record 17 new sites opened (H1 19/20: 5 sites opened)
- Land pipeline of 14,937 plots (June 2020: 13,801 plots)

Gleeson Strategic Land:

- Four land sales completed in H1 (H1 19/20: no land sales)
- A further four sites currently in a sale process
- Increasing demand for consented sites
- Five new sites added to the portfolio (715 plots)

	H1 20/21	**H1 19/20**	**Change**
Revenue			
Homes	£134.4m	£105.0m	28.0%
Strategic Land	£8.2m	-	-
Total	**£142.6m**	**£105.0m**	**35.8%**
Operating profit/(loss) by division			
Homes	£20.5m	£15.9m	28.9%
Strategic Land	£2.6m	(£0.7m)	-
Profit before tax	**£20.3m**	**£13.3m**	**52.6%**
Cash balances	**£31.6m**	**£30.6m**	**3.3%**
ROCE[1]	**7.2%**	**19.1%**	**(1,190bp)**
EPS[2]	**28.2p**	**19.6p**	**43.9%**
Dividend per share	**5.0p**	**- [3]**	**-**

[1] Return on capital employed is calculated based on earnings before interest and tax from continuing and discontinued operations, expressed as a percentage of the average of opening and closing net assets for the prior 12 months after deducting deferred tax balances and cash net of borrowings.
[2] Basic, from continuing and discontinued operations
[3] Previously declared interim dividend of 12.0p was cancelled on 25 March 2020 in response to the Covid-19 pandemic

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

"This was a very robust performance reflecting the strong demand – even in difficult times – for the high-quality, low-cost homes that Gleeson Homes builds for first time buyers, many of whom are key workers, as well as from buyers of consented land brought to market by Gleeson Strategic Land.

Gleeson Homes opened a record 17 sites during the first half, enters the second half with a strong forward order book and now expects to deliver 1,775 homes in the current financial year. The timing of opening sites for sales means that we are comfortably on track to deliver our original target of 2,000 homes next financial year.

Gleeson Strategic Land is experiencing strong demand for consented land from both medium and large-sized housebuilders and has a healthy pipeline of sites, four of which are in a sale process and expected to complete in the second half of the financial year.

The Group is well-placed for the future. In the absence of any unforeseen circumstances, the Board is confident that results for the full year to 30 June 2021 will be significantly ahead of current market consensus."

A live presentation by James Thomson, CEO and Stefan Allanson, CFO, will be held via webcast at 9:00am today. To attend:

- by webcast, go to the company website: https://www.mjgleesonplc.com/investors or click on the following link: https://us02web.zoom.us/webinar/register/WN_kDbJfLEuQwuSb5q1a8OoMQ
- by telephone, please register on gleeson@instinctif.com or call Instinctif

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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.

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CHIEF EXECUTIVE'S STATEMENT

I am very pleased to report an excellent first half performance. When we announced our results this time last year none of us could have anticipated what the following twelve months would bring.

However, despite the ongoing and major disruption caused by the pandemic, the demand for affordable homes remained high and we saw a recovery in the demand for good quality, consented land, which continues today. Overall, this result confirms Gleeson's relevance and underlines its resilience in turbulent times.

I would like to place on record our appreciation of the support from Government during these challenging times in keeping the industry open and operational. I am delighted to report that following a strong recovery we have re-paid all of the £1.3m of furlough grants received.

Group Performance

Revenue increased 35.8% to £142.6m (H1 19/20: £105.0m) with gross profit increasing 30.9% to £41.5m (H1 19/20: £31.7m). The Group's operating profit increased 57.1% to £20.9m (H1 19/20: £13.3m). Following a net interest charge of £0.6m (H1 19/20: £nil), profit before tax increased 52.6% to £20.3m (H1 19/20: £13.3m).

The tax charge for the period was £3.7m (H1 19/20: £2.4m) reflecting an effective rate of 18.4% (H1 19/20: 18.5%). The profit for the period after losses on discontinued operations was £16.4m (H1 19/20: £10.7m).

Total shareholders' equity was £229.5m at 31 December 2020 compared to £202.3m at 31 December 2019. This equates to net assets per share of 394.0 pence (31 December 2019: 365.5 pence).

The Group's net cash balance at 31 December 2020 increased by £1.0m to £31.6m (31 December 2019: £30.6m), reflecting strong home sales offset by the high number of site openings during the period.

Gleeson Homes

Gleeson Homes builds and sells high-quality, low-cost homes to young, first time buyers on lower incomes in the Midlands and North of England, all of whom are highly motivated by the desire to own their own home in areas underserved by traditional housebuilders. Four out of five customers are first time buyers, three out of four are under the age of 35 and two out of three are key workers.

Revenue increased 28.0% to £134.4m (H1 19/20: £105.0m), reflecting a 17.3% rise in the total number of homes sold from 811 to 951 and including one land sale for £0.7m (H1 19/20: £0.5m).

The average selling price ("ASP") for homes sold in the period increased 9.1% to £140,600 (H1 19/20: £128,900) reflecting strong underlying selling price increases of 7.0% and development mix.

Gross profit on homes sold increased 19.7% to £37.6m (H1 19/20: £31.4m) and gross profit on land sales was £0.2m (H1 19/20: £0.1m). The gross margin on homes sold in the period was 28.1% (H1 19/20: 30.1%), reflecting the partial recovery from Covid-impacted gross margins in the second half of last year.

Administrative expenses increased 10.8% to £17.4m (H1 19/20: £15.7m) reflecting increased investment in the operating structure of the business and the opening of additional sites.

Operating margin on homes sold increased 10 basis points to 15.2% (H1 19/20: 15.1%), with operating profit, including land sales, increasing 28.9% to £20.5m (H1 19/20: £15.9m).

During the period, 68% (H1 19/20: 68%) of homes sold benefited from the Government's Help to Buy scheme. Given that four out of five Gleeson customers are first time buyers and that our average selling prices are significantly below the regional price caps, we do not expect to be impacted by changes coming into effect from 1 April 2021.

The division opened a record 17 new sites during the first half-year and was building on 80 sites at 31 December 2020 (31 December 2019: 64 sites) and selling from 65 active sites (31 December 2019: 63 sites). By the end of the financial year the division expects to be building on approximately 80 sites and actively selling on at least 65 sites.

The pipeline of owned plots increased during the period by a net 623 plots to 7,472 plots. The total pipeline of owned and conditionally purchased plots was 14,937 plots on 151 sites at December 2020 (June 2020: 13,801 plots on 149 sites). During the period 16 new sites were added to the pipeline, while 14 sites were either merged, completed or did not proceed to purchase.

Demand for our high-quality, low-cost homes remains strong and we enter the second half with a strong forward order book of 795 plots (June 2020: 1,033 plots), of which 720 are expected to complete in the second half.

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

Gleeson Strategic Land

Gleeson Strategic Land, our land promotion business, saw a strong recovery in demand from medium and large housebuilders for good quality residential sites in the South of England.

The division completed four land sales in the first half-year (H1 19/20: nil). As a result, the operating profit for the first half was £2.6m (H1 19/20: operating loss £0.7m).

A further four sites are currently being progressed for sale, which have the potential to deliver 1,708 plots (31 December 2019: four sites being progressed for sale, 1,894 plots).

At 31 December 2020, there were nine sites in the portfolio with either planning permission or a resolution to grant permission for a total of 3,209 plots (H1 19/20: 10 sites, 3,384 plots).

There are a further 14 sites where the division is currently awaiting the determination of a planning application (H1 19/20: 9 sites).

We continue to invest prudently in the Gleeson Strategic Land portfolio. Five new sites with the potential to deliver 715 plots were secured in the period, with a significant number of other potential sites currently being progressed.

At 31 December 2020 the portfolio, in which the Group has a beneficial interest of 78%, comprised 70 sites with the potential to deliver more than 23,000 plots (30 June 2020: 68 sites, 23,314 plots).

Coronavirus Job Retention Scheme

The Company repaid all furlough grants claimed under the Government's Coronavirus Job Retention Scheme on 28 January 2021. The total amount claimed and repaid was £1.3m, of which £1.2m related to FY20 and £0.1m related to H1 FY21. The repayment will be reflected in the full year results to 30 June 2021.

Dividend and Dividend Timetable

The Covid-19 pandemic has reinforced the Group's commitment to its distinctive corporate purpose and strategy. In view of the changed landscape and the opportunity this provides to deliver much-needed affordable homes, the Board is conducting a review of its capital allocation policy including determining an appropriate dividend policy going forwards. This will be concluded in time for the publication of the full-year results and will take effect for the following financial year.

In the meantime, and in recognition of the strong half-year performance as well as its confidence for the future, the Board is pleased to resume dividend payments and declared an interim dividend of 5.0 pence per share (H1 19/20: previously declared but cancelled 12.0 pence). It is expected that the interim dividend will represent one third of the total dividend for the year.

The interim dividend will be paid on 6 April 2021 to shareholders on the register at close of business on 5 March 2021. The ex-entitlement date will be 4 March 2021.

Summary & Outlook

The Group is well-placed for the future. Gleeson Homes enters the second half with a strong forward order book and Gleeson Strategic Land has a healthy pipeline of sites, four of which are in a sale process and expected to complete this year.

Although we have performed strongly through this difficult period and remain optimistic for the future, there is still considerable uncertainty around the timing and speed of economic recovery amidst the ongoing pandemic.

We currently expect Gleeson Homes to deliver 1,775 homes and Gleeson Strategic Land to complete further sales in the current financial year. Consequently, in the absence of further Covid-related disruption or other unforeseen circumstances, the Board is confident that results for the full year to 30 June 2021 will be significantly ahead of current market consensus.

James Thomson
Chief Executive

Condensed Consolidated Income Statement

for the six months to 31 December 2020

	Note	**Unaudited Six months to 31 December 2020 £000**	Unaudited Six months to 31 December 2019 £000	Audited Year to 30 June 2020 £000
Continuing operations				
Revenue		**142,646**	105,042	147,181
Cost of sales		**(101,148)**	(73,382)	(106,744)
Gross profit		**41,498**	31,660	40,437
Impairment losses		**-**	-	(257)
Administrative expenses		**(20,761)**	(18,483)	(34,533)
Other operating income		**141**	147	282
Operating profit		**20,878**	13,324	5,929
Finance income		**220**	410	708
Finance expenses		**(787)**	(398)	(1,071)
Profit before tax		**20,311**	13,336	5,566
Tax	*3*	**(3,710)**	(2,442)	(758)
Profit for the period from continuing operations		**16,601**	10,894	4,808
Discontinued operations				
Loss for the period from discontinued operations (net of tax)		**(188)**	(160)	(289)
Profit for the period		**16,413**	10,734	4,519
Earnings per share from continuing and discontinued operations				
Basic	*5*	**28.19 p**	19.62 p	8.13 p
Diluted	*5*	**28.18 p**	19.32 p	8.04 p
Earnings per share from continuing operations				
Basic	*5*	**28.51 p**	19.91 p	8.65 p
Diluted	*5*	**28.50 p**	19.61 p	8.55 p

Condensed Consolidated Statement of Comprehensive Income
for the six months to 31 December 2020

	Unaudited Six months to 31 December 2020 £000	Unaudited Six months to 31 December 2019 £000	Audited Year to 30 June 2020 £000
Profit for the period	**16,413**	10,734	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	**9**	30	13
Movement in tax on share-based payments taken directly to equity	**34**	58	265
Other comprehensive income for the period, net of tax	**43**	88	278
Total comprehensive income for the period	**16,456**	10,822	4,797

Condensed Consolidated Statement of Financial Position
at 31 December 2020

	Note	**Unaudited 31 December 2020 £000**	Unaudited 31 December 2019 £000	Audited 30 June 2020 £000
Non-current assets				
Property, plant and equipment		**6,182**	5,857	5,913
Investment properties		**-**	257	-
Trade and other receivables		**4,987**	12,403	12,238
Deferred tax assets		**1,893**	2,232	2,176
		13,062	20,749	20,327
Current assets				
Inventories	*6*	**221,378**	191,899	216,336
Trade and other receivables		**19,947**	19,384	8,328
UK corporation tax		**1,208**	1,463	253
Cash and cash equivalents	*7*	**31,616**	30,602	76,807
		274,149	243,348	301,724
Total assets		**287,211**	264,097	322,051
Non-current liabilities				
Trade and other payables	*9*	**(4,710)**	(11,732)	(11,866)
Provisions		**(243)**	(130)	(200)
		(4,953)	(11,862)	(12,066)
Current liabilities				
Loans and borrowings		**-**	-	(60,000)
Trade and other payables	*9*	**(52,720)**	(49,942)	(37,365)
Provisions		**(16)**	-	(15)
		(52,736)	(49,942)	(97,380)
Total liabilities		**(57,689)**	(61,804)	(109,446)
Net assets		**229,522**	202,293	212,605
Equity				
Share capital		**1,165**	1,107	1,161
Share premium		**15,843**	-	15,843
Retained earnings		**212,514**	201,186	195,601
Total equity		**229,522**	202,293	212,605

Condensed Consolidated Statement of Changes in Equity
for the six months to 31 December 2020

	Note	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 July 2019 (audited)		1,092	-	202,804	203,896
Adjustment on adoption of IFRS 16 on 1 July 2019		-	-	(108)	(108)
Total comprehensive income for the period					
Profit for the period		-	-	10,734	10,734
Other comprehensive income		-	-	88	88
Total comprehensive income for the period		-	-	10,822	10,822
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue		15	-	-	15
Purchase of own share		-	-	(33)	(33)
Share-based payments		-	-	268	268
Dividends	*4*	-	-	(12,567)	(12,567)
Transactions with owners, recorded directly in equity		15	-	(12,440)	(12,425)
At 31 December 2019 (unaudited)		1,107	-	201,186	202,293
Adjustment on adoption of IFRS 16 on 1 July 2019		-	-	21	21
Total comprehensive expense for the period					
Loss for the period		-	-	(6,215)	(6,215)
Other comprehensive income		-	-	190	190
Total comprehensive expense for the period		-	-	(6,004)	(6,004)
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue		54	15,843	-	15,897
Purchase of own shares		-	-	(30)	(30)
Share-based payments		-	-	449	449
Transactions with owners, recorded directly in equity		54	15,843	419	16,316
At 30 June 2020 (audited)		**1,161**	**15,843**	**195,601**	**212,605**
Total comprehensive income for the period					
Profit for the period		**-**	**-**	**16,413**	**16,413**
Other comprehensive income		**-**	**-**	**43**	**43**
Total comprehensive income for the period		**-**	**-**	**16,456**	**16,456**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue		**4**	**-**	**-**	**4**
Purchase of own shares		**-**	**-**	**(30)**	**(30)**
Share-based payments		**-**	**-**	**487**	**487**
Transactions with owners, recorded directly in equity		**4**	**-**	**457**	**461**
At 31 December 2020 (unaudited)		**1,165**	**15,843**	**212,514**	**229,522**

Condensed Consolidated Statement of Cash Flow

for the six months to 31 December 2020

	Unaudited Six months to 31 December 2020 £000	Unaudited Six months to 31 December 2019 £000	Audited Year to 30 June 2020 £000
Operating activities			
Profit before tax from continuing operations	**20,311**	13,336	5,566
Loss before tax from discontinued operations	**(188)**	(160)	(307)
	20,123	13,176	5,259
Depreciation of property, plant and equipment[1]	**1,301**	1,061	2,289
Share-based payments	**487**	268	717
Profit on redemption of shared equity receivables	**(93)**	(105)	(223)
Loss on disposal of property, plant and equipment	**27**	-	254
Impairment of investment properties	**-**	-	257
Finance income	**(220)**	(410)	(708)
Finance expenses	**787**	398	1,071
Operating cash flows before movements in working capital	**22,412**	14,388	8,916
Increase in inventories	**(5,042)**	(8,778)	(33,215)
(Increase)/decrease in receivables	**(4,353)**	31,684	42,207
Increase/(decrease) in payables	**9,077**	(16,816)	(28,236)
Cash generated/(used) from operating activities	**22,094**	20,478	(10,328)
Tax paid	**(4,348)**	(6,793)	(3,596)
Interest paid	**(1,001)**	(187)	(728)
Net cash flow surplus/(deficit) from operating activities	**16,745**	13,498	(14,652)
Investing activities			
Proceeds from redemption of shared equity receivables	**327**	634	1,065
Interest received	**3**	23	64
Purchase of plant and equipment	**(1,802)**	(870)	(2,410)
Net cash flow deficit from investing activities	**(1,472)**	(213)	(1,281)
Financing activities			
(Decrease)/increase in loans and borrowings	**(60,000)**	-	60,000
Principle element of lease payments[1]	**(438)**	(404)	(848)
Proceeds from issue of shares	**4**	15	15,912
Purchase of own shares	**(30)**	(33)	(63)
Dividends paid	**-**	(12,567)	(12,567)
Net cash flow (deficit)/surplus from financing activities	**(60,464)**	(12,989)	62,434
Net (decrease)/increase in cash and cash equivalents	**(45,191)**	296	46,501
Cash and cash equivalents at beginning of period	**76,807**	30,306	30,306
Cash and cash equivalents at end of period	**31,616**	30,602	76,807

[1] These two lines have been re-presented in the comparative period to 31 December 2019 to show the gross impact of IFRS 16 Leases (£404,000) as presented for the full year ended 30 June 2020.

Notes to the Condensed Consolidated Financial Statements

for the six months to 31 December 2020

1. Basis of preparation and accounting policies

The Interim Report of the Group for the six months ended 31 December 2020 has been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Interim Report does not constitute financial statements as defined in Section 434 of the Companies Act 2006 and is neither audited nor reviewed. It should be read in conjunction with the Annual Report and Accounts for the year ended 30 June 2020, which is available either on request from the Group's registered office, 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE, or can be downloaded from the corporate website www.mjgleesonplc.com.

The comparative figures for the financial year ended 30 June 2020 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters which the auditor drew attention to by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The preparation of condensed half-yearly financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may subsequently differ from these estimates. In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 30 June 2020.

The accounting policies, method of computation, and presentation adopted are consistent with those of the Annual Report and Accounts for the year ended 30 June 2020, as described in those financial statements.

Going concern

The Directors have, at the time of approving the interim accounts, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of approval of the Interim Report. Thus they continue to adopt the going concern basis of accounting in preparing the Interim Report.

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 Strategic Land

The revenue in the Gleeson Homes segment relates to the sale of residential properties and land. All revenue for the Gleeson Strategic Land segment is in relation to the sale of land interests. Discontinued operations reflects the activity of Gleeson Construction Services Limited which relates to remedial works and historic employment liability claims. All of the Group’s operations are carried out entirely within the United Kingdom. Segment information about the Group's operations is presented below:

	Note	**Unaudited Six months to 31 December 2020 £000**	Unaudited Six months to 31 December 2019 £000	Audited Year to 30 June 2020 £000
Revenue				
Continuing activities:				
Gleeson Homes		**134,396**	105,042	140,860
Gleeson Strategic Land		**8,250**	-	6,321
Total revenue		**142,646**	105,042	147,181
Profit / (loss) on activities				
Gleeson Homes		**20,549**	15,909	8,960
Gleeson Strategic Land		**2,600**	(705)	229
		23,149	15,204	9,189
Group activities		**(2,271)**	(1,880)	(3,260)
Finance income		**220**	410	708
Finance expenses		**(787)**	(398)	(1,071)
Profit before tax		**20,311**	13,336	5,566
Tax	3	**(3,710)**	(2,442)	(758)
Profit for the period from continuing operations		**16,601**	10,894	4,808
Loss for the period from discontinued operations (net of tax)		**(188)**	(160)	(289)
Profit for the period		**16,413**	10,734	4,519

Balance sheet analysis of business segments:

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

	Unaudited 31 December 2019		
	Assets £000	Liabilities £000	Net assets £000
Gleeson Homes	175,610	(44,169)	131,441
Gleeson Strategic Land	55,343	(14,968)	40,375
Group activities / discontinued operations	2,542	(2,667)	(125)
Net cash	30,602	-	30,602
	264,097	(61,804)	202,293

2. Segmental analysis *(cont.)*

	Audited 30 June 2020		
	Assets £000	Liabilities £000	Net assets £000
Gleeson Homes	198,201	(37,082)	161,119
Gleeson Strategic Land	45,902	(9,831)	36,071
Group activities / discontinued operations	1,141	(2,533)	(1,392)
Net cash	76,807	(60,000)	16,807
	322,051	(109,446)	212,605

3. Tax

The results for the six months to 31 December 2020 include a tax charge of 18.4% of profit before tax (31 December 2019: 18.5%, 30 June 2020: 14.1%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

4. Dividends

	Unaudited Six months to 31 December 2020 £000	Unaudited Six months to 31 December 2019 £000	Audited Year to 30 June 2020 £000
Amounts recognised as distributions to equity holders:			
Final dividend for the year ended 30 June 2019 of 23.0p per share	**-**	12,567	12,567
	-	12,567	12,567

On 9 February 2021 the Board approved an interim dividend of 5.0 pence per share at an estimated total cost of £2,913,000. The dividend has not been included as a liability as at 31 December 2020. The interim dividend declared in the previous year of 12.0 pence was cancelled on 25 March 2020 in response to the Covid-19 pandemic.

5. Earnings per share

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

Earnings	**Unaudited Six months to 31 December 2020 £000**	Unaudited Six months to 31 December 2019 £000	Audited Year to 30 June 2020 £000
Profit from continuing operations	**16,601**	10,894	4,808
Loss from discontinued operations	**(188)**	(160)	(289)
Earnings for the purposes of basic and diluted earnings per share	**16,413**	10,734	4,519

Number of shares	**31 December 2020 No. 000**	31 December 2019 No. 000	30 June 2020 No. 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**58,231**	54,701	55,583
Effect of dilutive potential ordinary shares:			
Share-based payments	**17**	847	625
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**58,248**	55,548	56,208

Continuing operations	**Six months to 31 December 2020 pence**	Six months to 31 December 2019 pence	Year to 30 June 2020 pence
Basic	**28.51**	19.91	8.65
Diluted	**28.50**	19.61	8.55

Continuing and discontinued operations			
Basic	**28.19**	19.62	8.13
Diluted	**28.18**	19.32	8.04

6. Inventories

	Unaudited 31 December 2020 £000	Unaudited 31 December 2019 £000	Audited 30 June 2020 £000
Land held for development	**88,134**	76,993	79,941
Work in progress	**133,245**	114,906	136,395
	221,379	191,899	216,336

Net realisable value provisions held against inventories at 31 December 2020 were £5,148,000 (31 December 2019: £2,224,000, 30 June 2020: £5,249,000). The cost of inventories recognised as an expense in cost of sales was £100,997,000 (31 December 2019: £73,792,000, 30 June 2020: £107,181,000).

7. Net cash/(debt)

	Unaudited 31 December 2020 £000	Unaudited 31 December 2019 £000	Audited 30 June 2020 £000
Cash and cash equivalents	**31,616**	30,602	76,807
Borrowings	**-**	-	(60,000)
Cash net of borrowings	**31,616**	30,602	16,807
Lease liabilities	**(2,469)**	(3,446)	(3,083)
Net cash/(debt)	**29,147**	27,156	13,724

At 31 December 2020, monies held by solicitors on behalf of the Group and included within cash and cash equivalents were £877,000 (31 December 2019: £2,712,000, 30 June 2020: £1,910,000).

	Cash and cash equivalents £000	**Borrowings £000**	**Cash net of borrowings £000**	**Lease liabilities £000**	**Total £000**
Net cash/(debt) at 1 July 2020	76,807	(60,000)	16,807	(3,083)	13,724
Cash flows	(45,191)	60,000	14,809	438	15,247
New leases	-	-	-	(24)	(24)
Amendments to lease terms	-	-	-	230	230
Finance expense	-	-	-	(30)	(30)
Net cash/(debt) at 31 December 2020	**31,616**	**-**	**31,616**	**(2,469)**	**29,147**

8. Financial instruments

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

Shared equity receivables at FVOCI

	Unaudited 31 December 2020 £000	Unaudited 31 December 2019 £000	Audited 30 June 2020 £000
Balance at start of period	**3,668**	4,436	4,436
Redemptions	**(225)**	(464)	(793)
Unwind of discount (finance income)	**25**	33	61
Fair value movement recognised in other comprehensive income	**1**	(35)	(36)
Balance at end of period	**3,469**	3,970	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 period of shared equity receivables carried at £225,000 (H1 19/20: £464,000) generated a profit on redemption of £93,000 (H1 19/20: £105,000) which has been recognised in other operating income in the consolidated income statement.

In addition, a net change in value of shared equity receivables of £9,000 (H1 19/20: £30,000) has been recognised in other comprehensive income. This is made up as follows:

	Unaudited 31 December 2020 £000	Unaudited 31 December 2019 £000	Audited 30 June 2020 £000
Fair value movement recognised in other comprehensive income	**1**	(35)	(36)
Fair value recycled through profit and loss	**8**	65	49
Total movement recognised in other comprehensive income	**9**	30	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 period.

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

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

- Forecast regional house price inflation: 2.0%
- Average period to redemption: 5 years
- Discount rate: 8%

8. 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	**Increase / (decrease) in fair value £000**
Forecast regional house price inflation – increase by 1%	172
Average period to redemption – increase by 1 year	(193)
Discount rate – decrease by 1%	164

9. Trade and other payables

Trade and other payables includes £10,064,000 of deferred payables on the purchase of land by the Homes division (31 December 2019: £8,033,000), of which £2,671,000 is due in more than one year (31 December 2019: £2,870,000).

10. Group pension scheme

The Group operates a defined contribution pension plan. The assets of the pension plan are held separately from those of the Group in funds under the control of the trustees.

The total pension cost charged to the consolidated income statement in the six months to 31 December 2020 of £557,000 (six months to 31 December 2019: £466,000) represents contributions payable to the defined contribution pension plan by the Group at rates specified in the plan rules. At 31 December 2020, contributions of £230,000 (31 December 2019: £179,000) due in respect of the current reporting period had not been paid over to the pension plan. Since the period end, this amount has been paid.

11. Related party transactions

During the period 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"), which is 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 as disclosed above, there have been no material changes to the related party arrangements as reported in note 28 of the Annual Report and Accounts for the year ended 30 June 2020.

12. Seasonality

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

13. Group risks and uncertainties

The Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance remain consistent with those set out in the Strategic Report on pages 43 to 45 of the Group's Annual Report and Financial Statements, with the exception of an increase to "Planning policy and regulations" risk in relation to energy efficiency and two additional risks identified below.

The two additional risks identified are as follows:

Risk	Description	Assessment	Mitigation
Climate Risk Residual Risk: Medium	The physical effects of climate change could result in reduced land availability, disrupted build programmes and/or shortages of materials due to more frequent extreme weather events.	The speed at which climate related legislation and society's expectations on corporate business to respond to climate change is accelerating. The Group is taking progressive and proactive action to monitor and reduce the impact of our activities on climate change both now and in the future, and ensure that our reporting is in line with the expectations of stakeholders.	• The Group has established a Sustainability Committee which reports to the Audit Committee and Board. • We have set clear targets to reduce our carbon emissions and waste from sites. • We track carbon emissions, waste and other sustainability projects to evaluate the success of our actions. • We are working towards reporting in line with the recommendations of the Financial Stability Board's (FSB) Task Force on Climate related Financial Disclosures (TCFD).
Sustainability Residual Risk: Medium	The evolution of the Company's operations to embed sustainable practices within its day-to-day activities is essential to ensure that our business model remains relevant and sustainable and that we continue to meet the expectations of our employees, customers, suppliers, sub-contractors, communities, investors and other stakeholders.	Failure to ensure we remain a sustainable business could affect the Group's ability to secure sites, planning permissions, attract house buyers, recruit new employees, appeal to investors or raise finance when needed. By not having clear targets and effective communication of our sustainability strategy, this could result in damage to the Group's reputation.	• The Group has established a Sustainability Committee which reports to the Audit Committee and Board. • We have set clear targets to ensure that our business operates in a sustainable and socially responsible manner improving the lives of our customers, communities, employees and environment. • The business is focused on ensuring progress against targets in all aspects of our activities including customer satisfaction, recycling, carbon emissions to health & safety. • We have published our first Sustainability Report and are working towards enhanced sustainability reporting.

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

14. Subsequent events

On 4 January 2021, the UK government announced the third national lockdown. All our sites are Covid-secure, remain open for construction and sales, and are operating in line with the most recent government lockdown requirements.

The Company repaid all furlough grants claimed under the Government's Coronavirus Job Retention Scheme on 28 January 2021. The total amount claimed and repaid was £1.3m of which £1.2m related to FY20 and £0.1m related to H1 FY21. The repayment will be reflected in the full year results to 30 June 2021.

The UK formally withdrew from the European Union on 31 December 2020 following the transition period. As expected, the operations of the business have not been impacted.

Statement of Directors' Responsibility

for the six months to 31 December 2020

The Directors confirm that, to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim financial reporting" as adopted by the European Union and the ASB's 2007 statement on half-yearly reports;
b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The Board

The Board of Directors of MJ Gleeson plc at 30 June 2020 and their respective responsibilities can be found on pages 50 and 51 of the MJ Gleeson plc Annual Report and Accounts 2020. There have been no changes since that date.

By order of the Board

Stefan Allanson
Chief Financial Officer
10 February 2021