14 September 2023

MJ Gleeson plc (GLE.L)

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

Audited results for the year ended 30 June 2023 ("FY2023")

Results in-line with expectations, reflecting shifting buyer demographics
Pre-emptive actions and higher selling prices ensured resilient operating margins

Graham Prothero, CEO, commented:

"I am pleased to report a robust performance despite the impact on buyer confidence as a result of current economic volatility. We maintained an acceptable sales rate, supported by our first multi-unit and investor sales. We were pleased to see growing levels of interest from purchasers who might previously have considered more expensive homes from other developers, but who are attracted by the combination of Gleeson's affordable price points and high quality.

We took advantage of the quieter market to restructure Gleeson Homes, right-sizing the business for current market conditions and, more importantly, creating a standardised operating platform for the exciting growth which lies ahead. We continued to secure excellent opportunities in our landbank, and we have entered the new financial year in good shape.

Gleeson Land achieved impressive planning successes, and continues to see good demand for consented land, with the rate of conversion partially constrained by increased caution among developers. The business is successfully adding to an already strong portfolio and is strengthening both its regional coverage and research and analysis capabilities.

As set out at our recent Capital Markets Day, we are excited about the longer-term growth opportunities for the business and look forward, as economic conditions stabilise, to achieving our ambition for the business and realise its medium-term potential of delivering 3,000 homes a year.

I believe we have a resilient business operating in an undersupplied market segment, a robust balance sheet, great prospects and an excellent team to ensure that we continue to successfully navigate the current environment and take full advantage of the significant opportunities ahead."

Group financial highlights

	2023	**2022**	**Change**
Revenue			
Gleeson Homes	*£320.8m*	*£334.6m*	*(4.1%)*
Gleeson Land	*£7.5m*	*£38.8m*	*(80.7%)*
Total	**£328.3m**	**£373.4m**	**(12.1%)**
Operating profit by division			
Gleeson Homes[1]	*£35.0m*	*£51.2m*	*(31.6%)*
Gleeson Land	*£1.0m*	*£11.1m*	*(91.0%)*
Profit before tax and exceptional items	**£31.5m**	**£55.5m**	**(43.2%)**
Exceptional items	(£1.0m)	(£12.9m)	
Cash and cash equivalents	£5.2m	£33.8m	(£28.6m)
EPS (pre-exceptional items)[1]	42.9p	78.1p	(45.1%)
ROCE[2]	13.0%	25.4%	(1,240bps)
Dividend per share (total)	14.0p	18.0p	(22.2%)

[1] Stated before exceptional restructuring costs of £1.0m in 2023 and building safety provisions of £12.9m in 2022

[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

Divisional highlights

Gleeson Homes:

- 1,723 homes sold (2022: 2,000)
- Average selling price up by 11.3% at £186,200 (2022: £167,300), underlying prices up 7.6%
- Gross profit margin on homes sold of 27.0% (2022: 29.0%)
- Operating profit pre-exceptional items of £35.0m (2022: £51.2m)
- 82 build sites (30 June 2022: 87) of which 71 are actively selling (30 June 2022: 61)
- Land pipeline up by 561 plots to 17,375 plots (2022: 16,814)

Gleeson Land:

- Three land sales completed during the year (2022: six)
- Six sites with planning or resolution to grant (2022: three)
- Portfolio: 70 sites (2022: 71) with the potential to deliver 17,831 plots (2022: 20,241)
- 18 sites awaiting a planning decision (2022: 16 sites)

Current trading and outlook

Economic uncertainty has continued to subdue the wider market over the summer months. Gleeson Homes' net reservation rate for the 9 weeks to 1 September 2023 was 0.43 per site per week compared with 0.54 per site per week over the comparable period last year. Cancellation rates of 0.10 per site per week were unchanged from the comparable period last year.

However, with a steadying mortgage market and the implementation of a range of sales and marketing initiatives, including the introduction of a shared ownership package, we anticipate an increase in our net reservation rates during the Autumn selling season. We also continue to receive interest in multi-unit transactions, which would further strengthen sales.

Gleeson Land started the financial year in a stronger position with six consented sites and has already completed the sale of one significant site. Demand for consented sites remains strong and further site sales are anticipated throughout the year.

We therefore view the current year with confidence, whilst remaining cautious around continuing risks in the wider economy and any further impact on customer demand. As market conditions improve, we look forward to returning to significant growth.

Analyst presentation

A presentation by Graham Prothero, CEO, and Stefan Allanson, CFO, will be held at 09:30 this morning at the offices of Hudson Sandler, 25 Charterhouse Square, London, EC1M 6AE. To attend:

- by webcast, visit the company website: www.mjgleesonplc.com/investors or access via the following link: https://brrmedia.news/GLE_FY23
- by telephone, please dial-in using the below details:
- Number: +44 (0) 808 109 0700
- Code: MJ Gleeson Full Year Results

About MJ Gleeson plc (www.mjgleesonplc.com)

MJ Gleeson plc comprises two divisions: Gleeson Homes and Gleeson Land.

Gleeson Homes is the leading low-cost, affordable housebuilder. Its customers are typically buyers with a median income of £26,000. Its two-bedroom homes start from £106,500. Gleeson's vision is "Building Homes. Changing Lives", prioritising areas where people need affordable housing the most. Our aim is to ensure that on all of our developments, a material proportion of the homes are affordable to a couple earning the National Living Wage. Buying a Gleeson home typically costs less than renting a similar property. All Gleeson homes are traditional brick built semi or detached homes. Gleeson offers a wide mix of two, three and four bedroom layouts.

Gleeson Land is the Group's land promotion division, which identifies development opportunities and works with stakeholders to promote land through the residential planning system.

As a high-quality, affordable housebuilder, Gleeson has strong and inherent sustainability credentials. Its social purpose underpins the Company's strategy and Gleeson measures itself closely against UN SDGs 5, 8, 11, 12, 13 and 15. More details on the Company's approach to sustainability can be found at: mjgleesonplc.com/sustainability

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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

I was delighted to be appointed Chairman, succeeding Dermot Gleeson who retired on 31 December 2022 after 47 years on the Board and 28 years as Chairman. It was Dermot’s vision that saw the business transform into the UK's leading listed low-cost housebuilder and one that can genuinely say that it changes people's lives. I look forward to maintaining and building on that legacy.

Strategy

Graham Prothero, who joined the Group as Chief Executive Officer on 1 January 2023, set out in July a roadmap to significantly scale the Company’s operations over the long term. Under the banner “Putting in place the foundations for future growth”, this included broadening out Gleeson Homes’ proven model, including widening the audience of target buyers, exploring opportunities in partnerships, and expanding Gleeson Land’s footprint.

We are not complacent about the risks in the short term presented by the wider macroeconomic environment and broader market issues including planning constraints. However, we believe that the scale of unmet demand for affordable and high-quality homes will underpin a swift return to growth as soon as market conditions stabilise and confidence returns. In the interim, our focus on cost controls allied to new sales initiatives, including attracting purchasers who would previously have considered buying a more expensive property, should ensure a resilient performance in the current year.

Restructuring

Gleeson Homes responded proactively to the difficult market conditions by pausing land buying, delaying the opening of new sites and controlling build activity on certain sites. A restructuring of Gleeson Homes operations was completed successfully by June 2023. The business is now in a stronger position to return to growth when conditions allow and has recommenced land buying and site opening.

Board and succession planning

I stepped down as Chief Executive Officer on 31 December 2022, remaining on the Board as Non-Executive Chairman following the retirement of Dermot Gleeson. I was succeeded by Graham Prothero who joined the Group from Vistry Group plc, where he was latterly Chief Operating Officer.

Nicola Bruce joined the Board as a Non-Executive Director with effect from 24 March 2023. Nicola is an experienced Remuneration Committee Chair, with a background in strategy and business development.

People

I would like to thank all my Gleeson colleagues for their commitment, hard work and resilience through these challenging times, ensuring that we were able to deliver results in line with expectations. I am hugely proud of their levels of engagement with the Company and with its vision of “Building Homes. Changing Lives”. In this year’s independently assessed people survey our colleagues’ engagement remained in the top quartile of all companies surveyed, despite the challenges faced.

Sustainability and our commitment to a Science Based Target

Gleeson Homes’ core mission remains fully aligned with UN Sustainable Development Goal 11, the first target of which is “access for all to adequate, safe and affordable housing”, and I am proud that a couple on the UK National Living Wage can still afford to buy a home on any Gleeson Homes development site.

We have had a busy year focusing on our key pillars of People, Communities and the Environment and have employed a Senior Ecologist to further develop our biodiversity and ecology strategies. Most significantly, I am pleased to announce our commitment to setting a Science Based Target in line with the Paris Agreement’s goal of limiting global warming to 1.5^{o}C. Gleeson has been working hard on understanding and eliminating both emitted and embedded greenhouse gases in its construction activities and I look forward to confirming the targets we agree with the Science Based Targets initiative (“SBTi”) well within the two year timetable.

Dividend

Subject to shareholder approval at the 2023 Annual General Meeting, in line with the Board's stated dividend policy, the Company intends to pay a final dividend of 9 pence per share on 24 November 2023, to shareholders on the register at the close of business on 27 October 2023. The total dividend for the year to 30 June 2023 will be 14 pence. The Board intends to maintain an earnings to ordinary dividend cover ratio of between three and five times.

Outlook

We have an excellent team, robust balance sheet and strong underlying demand both for affordable, high-quality homes and well-located land.

The Board is confident of the Group's prospects. It believes that the business is well-placed to take full advantage of a market recovery when it materialises and to deliver sustained, profitable growth over the medium-term.

James Thomson
Chairman
13 September 2023

Chief Executive's Statement

Overview

I am pleased to report a robust performance in a year characterised by economic volatility, a deterioration in buyer confidence and shifting buyer demographics. We continued to experience delays in planning, further exacerbated by the local elections in May and uncertainties around government policy.

We took advantage of the quieter market to implement an important reorganisation of the business, reducing our regional overheads and standardising the structure to facilitate efficient and controlled future growth. We have maintained our geographic coverage whilst reducing the number of divisions from three to two and regional management teams from nine to six, securing £3.2m of annualised administrative cost savings. Importantly, the restructuring has put the business in a stronger position to grow as the market recovers. We enter the new financial year with a stronger operating structure and have re-commenced land buying and site opening.

Since joining the Group on 1 January 2023, I have been hugely impressed with the resilience of our teams across the Group. I would like to thank everyone for remaining focused and committed through a challenging period. These tough market conditions may continue for a while yet, but I know that we have a skilled and dedicated team to navigate the business through these choppy waters.

In anticipation of the economy stabilising and confidence returning to the market, we are implementing a range of measures to further improve our competitiveness and position the business to take advantage of the recovery. At our Capital Markets Day in July we set out our strategy to deliver on what we believe is an exciting opportunity ahead. Under the banner "Putting in place the foundations for future growth", we described how we intend to broaden out Gleeson Homes' proven model and expand Gleeson Land's footprint and capabilities. We have over the medium-term a visible route to delivering 3,000 homes per annum and scaling our land promotion business, and we look forward to reporting our progress on this over the coming months and years.

Results

Group

Group revenue was £328.3m (2022: £373.4m) and profit before tax and exceptional items was £31.5m (2022: £55.5m). Profit before tax was £30.5m (2022: £42.6m) after exceptional restructuring costs of £1.0m (2022: £12.9m building safety provisions).

The Group ended the year with cash and cash equivalents of £5.2m (2022: £33.8m) and continues to have a strong balance sheet and significant liquidity to invest in new sites and future growth.

Gleeson Homes

Gleeson Homes sold 1,723 homes (2022: 2,000). Average selling prices increased by 11.3% to £186,200 (2022: £167,300) due to underlying selling prices increasing by 7.6% and changes in the mix of homes sold.

The division entered into agreements with four carefully selected partners during the year for the sale of a total of 377 homes. The sale of 115 of those homes was completed during the year, with revenue recognised on the plots legally completed. The remaining 262 homes are expected to be completed in the new financial year.

We experienced increases in material and labour costs during the financial year with average inflationary cost increases of 3.4%. Whilst these increases had started to ease during the second half of the year, increases in preliminary costs, as site durations were extended, and increased sales incentives, led to a modest reduction in gross margin of 2.0% to 27.0% (2022: 29.0%).

The division delivered an operating profit before exceptional items of £35.0m (2022: £51.2m) reflecting the market slowdown throughout most of the financial year.

We enter the new financial year with a stronger forward order book of 665 plots (31 December 2022: 319 plots, 30 June 2022: 618 plots).

We opened three new build sites in the year and are now building on 82 sites across the North of England and the Midlands (2022: 87 build sites). Whilst this was lower than we had originally anticipated due to our response to the economic slowdown, we have retained a healthy pipeline of 173 sites at 30 June 2023, which increased by 561 plots to 17,375 plots (2022: 16,814 plots).

Gleeson Land

The division completed the sale of three sites under promotion agreements, with the potential to deliver 413 plots for housing development, and delivered an operating profit of £1.0m (2022: £11.1m). The more cautious approach adopted by housebuilders to buying land resulted in some land sales progressing slower than anticipated particularly in the final quarter.

Gleeson Land ended the year with a stronger portfolio, having six sites consented or with resolution to grant, which have the potential to deliver 1,400 plots for housing development (2022: three sites, 1,206 plots), and a further 18 sites awaiting a planning decision or in appeal, with the potential to deliver 4,285 plots for housing development (2022: 16 sites, 3,559 plots).

Under the leadership of its new Managing Director, Guy Gusterson, the business is well positioned for growth and to expand its geographical reach. Our investment in technology and analytics will enable the division to accelerate growth, and is already differentiating our offering compared to other land promoters.

The overall portfolio comprises 70 sites, with the potential to deliver 17,831 plots, and 25 acres of commercial land (2022: 71 sites, 20,241 plots, 25 acres of commercial land). The majority of these sites are held under promotion or option agreements.

We have a strong pipeline of sites and continue to see demand from mid-size and regional housebuilders for well-located, consented land.

The market

The current economic backdrop has impacted buyer confidence across the market. With first-time buyers particularly affected by the end of Help to Buy, we were pleased to see an increase in demand from existing home-owners which drove a significant shift in our buyer demographics. Reservations from first-time buyers in the second half accounted for circa 50% of open-market reservations compared to a more typical 80%, whilst over 20% of reservations are from buyers aged over 55 years old (2022: 10%).

The average selling price of new build homes in our geographic regions was £272,600, 46% higher than the average selling price of a Gleeson home at £186,200. Gleeson Homes is therefore uniquely positioned to serve customers who might previously have been considering a more expensive property but who, faced with higher mortgage rates, are now looking at more affordable price points. We are broadening our marketing and sales initiatives to target this much wider audience of value-driven potential purchasers. We expect our homes to become increasingly attractive, reinforced by cost of living pressures which will further enhance the attractiveness of a Gleeson home. We also expect that we will see first-time buyer interest returning to more normal levels as confidence returns, further strengthening demand.

The UK's housing market is driven by the structural under-supply of homes in the UK and household formation will continue to ensure strong demand. Our starting point is the estimated nine million rented households in England, of which just under half are in the areas in which we operate. Meanwhile, the cost of renting in the UK continues to outpace the cost of buying a new Gleeson home. Over the last twelve months, in our regions, rental costs for an average three bedroom house increased by 7.7%, and the cost of buying a Gleeson home remains comparable, if not cheaper, than renting. Moreover, Gleeson homeowners see significant savings on their energy bills which are, based on current energy prices, £748 lower per year on a typical 2-bed home compared to older housing.

The market served by Gleeson Land for consented land continues to enjoy good demand, but is seeing increased levels of caution from major housebuilders. In their place, mid-size and regional housebuilders have seized the opportunity to step in and bid on sites and, as a result, the demand for attractive, well-located sites with planning permission remains robust.

Gleeson Land is one of two large land promoters whose interests are aligned to their land owners by maximising value on open market sales and who do not sell land to their housebuilding arm.

Strategic review

We held a Capital Markets Day in July at our Petersmiths Park development in Nottinghamshire which, when completed, will comprise 305 homes. At the event, which was well-attended by sell-side analysts and investors, we set out, under the banner of "Putting in place the foundations for growth", why we are excited about the strong growth potential across both Gleeson Homes and Gleeson Land.

At Gleeson Homes, we have clear visibility for the delivery of 3,000 homes per annum over the medium-term and have set out an ambition to realise the Group's full potential over the longer-term, which could see it delivering circa 10,000 homes per annum.

Gleeson Land is well-placed to expand its regional presence and its rate of acquisitions, using its advanced analytics and research capability, and is expanding its capabilities to become the country's pre-eminent land promoter.

We look forward to keeping the market updated on our progress.

Building safety

The Group remains firmly committed to remediating life-critical fire safety issues on buildings over 11 metres in which it was involved in developing over the last 30 years. In February 2023, the Group entered into the long form agreement with the Department for Levelling Up, Housing and Communities (DLUHC) self-remediation terms following its initial pledge in April 2022.

We moved swiftly to carry out investigation work, intrusive surveys and fire risk assessments where building owners and management companies permitted. Despite our best efforts, progress has been slower than we would like but we are committed to undertaking any remedial work as soon as agreement can be reached. Three additional buildings were identified by Gleeson and notified to DLUHC this year. These buildings are of masonry construction, two of which were conversions from their previous use as mills and one of which was previously notified to DLUHC as a single development but comprises two separate buildings. The overall provision has been reassessed in light of these and a further assessment of the remediation works required on the 14 buildings previously notified and, based on current estimates, the remaining provision of £12.8m at 30 June 2023 remains appropriate for the 17 buildings.

Business restructuring

In response to the economic conditions, the Group took a number of defensive measures early in the financial year. This included pausing land buying, delaying the opening of new sites, and controlling build rates on certain sites in line with demand.

In February 2023, we announced the restructuring of Gleeson Homes. This was completed successfully by June 2023, reducing from nine regional management teams to six and moving to a standardised operating structure. This process had a significant impact on people in the business, and I am grateful for the resilience and support of our colleagues during this period. This action was necessary to reshape the organisational structure and create a strong platform for growth as the market returns. This process resulted in a number of redundancies, generating annualised administrative cost savings of £3.2m and a one-off exceptional cost totalling £1.0m.

We continue to hold a strong pipeline of land and have actively resumed land buying in the new financial year. We have also resumed opening sites, investing in work in progress to provide a platform to accelerate sales as market conditions return.

Immediate priorities

Following on from the restructuring of Gleeson Homes, we now have a standardised operating structure, ensuring that we are more efficient in what we do on a day-to-day basis.

We are rolling out a new and wider product range, including one-bedroom homes, and refreshed elevations to ensure that we attract buyers who might not previously have considered a Gleeson home.

We are widening our marketing and sales activities to all value-driven buyers and placing a particular focus on systems development and training to ensure that we have the best sales processes, to improve our buyer conversion rates.

We are considering further multi-unit sales to carefully selected partners, taking advantage of demand in the rental market to reduce risk and maintain our sales rate.

In addition, we are exploring opportunities to develop longer-term partnerships with selected partners who share our values, which would offer incremental growth, whilst moderating our open-market risk and enhancing returns.

Current trading and outlook

Economic uncertainty has continued to subdue the wider market over the summer months. Gleeson Homes' net reservation rate for the 9 weeks to 1 September 2023 was 0.43 per site per week compared with 0.54 per site per week over the comparable period last year. Cancellation rates of 0.10 per site per week were unchanged from the comparable period last year.

However, with a steadying mortgage market and the implementation of a range of sales and marketing initiatives, including the introduction this month of a shared ownership package, we anticipate an increase in our reservation rates during the Autumn selling season. We also continue to receive interest in multi-unit transactions, which would further strengthen sales.

Gleeson Land started the financial year in a stronger position with six consented sites and has already completed the sale of one significant site. Demand for consented sites remains strong and further site sales are anticipated throughout the year.

We therefore view the current year with confidence, whilst remaining cautious around continuing risks in the wider economy and any further impact on customer demand. As market conditions improve, we look forward to returning to significant growth.

Net reservations per site per week (excluding multi-unit sales)	9 weeks to 1 September 2023	9 weeks to 2 September 2022
Gross reservations	0.53	0.64
Cancellations	0.10	0.10
Net reservations	0.43	0.54

Graham Prothero
Chief Executive Officer
13 September 2023

Sustainability Review

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 working couple on the National Living Wage can afford to buy a high-quality home on any one of our developments. This year 84% of the homes that we sold were either in the most deprived areas of the country or on brownfield land in need of regeneration.

We recognise that home ownership may not be an option for some, and we have entered into agreements with a small number of carefully selected partners to sell homes for rent on selected developments. We will continue to explore these opportunities where these are aligned to our mission, vision and values.

People and health and safety

Our independently-assessed people engagement score, at 87%, remained in the top quartile of all surveyed companies this year, with a higher response rate across the Group. It is pleasing that we have maintained our position as we strive to make Gleeson an even better place to work. We will be responding to the latest constructive feedback over the coming months. We place great emphasis on the importance of personal development and training, and keep our employee value proposition under continual review.

On health and safety performance, the number of reportable incidents rose from one last year to six this year. This was disappointing as health and safety has been an area of significant management priority and investment and we continue to re-enforce our "HomeSafe" message across our sites. Whilst we previously outsourced health and safety inspections to a third-party, this was not yielding the quality and consistency that we expect and have, therefore, taken the decision to bring this activity back in house. This is an important area for us and we seek to measure ourself against best-practice in the industry.

Climate, the environment and our commitment to a Science Based Target

Whilst we have reduced our absolute emissions from direct operations to 3,601 tonnes (2022: 3,714 tonnes), we missed the ambitious target we set in 2021 to reduce our scope 1 & 2 carbon emissions from 2.5 tonnes to 1.75 tonnes per home sold. Emissions per home sold in 2022 had reduced to 1.86 tonnes but increased to 2.09 tonnes in this financial year as a result of the lower number of homes sold.

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 increase the embodied carbon emissions of an average Gleeson home over the next few years despite the actions we are taking.

However, we are working hard to reduce all emissions and in August 2023, we committed to the Science Based Targets initiative (SBTi) to set both a near-term and a long-term carbon reduction target. This affirms our ambition to deliver direct climate action through the decarbonisation of our operations, supply chain and in use emissions. We now have a two-year period to submit our targets and have these validated by the SBTi, which includes setting a baseline year and developing a plan for carbon reduction. We will announce the specific targets once we have had these validated, and report against them in future reporting periods.

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, installing air source heat pumps, and reducing fuel use on sites through improved forklift and generator technology and HVO fuel.

In response to the Future Homes Standard and changes in Building Regulations, we are now installing air source heat pumps in all the homes we commenced building after 15 June 2023 which means that our homes will be net-zero ready in preparation for the UK Grid being decarbonised by 2035.

We are supportive of the measures to improve energy efficiency and our homes already have better energy performance ratings than most other homes, with 95% 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 saves over £748 per year on their energy bills based on actual usage data.

Build quality and customer service

Build quality remains a priority and for most of our customers buying a Gleeson home represents the single largest financial commitment of their lives. We are committed to meeting our customers' expectations for quality and customer service.

We saw a marginal decrease in our overall customer "recommend" scores during the year to 89.0% (2022: 90.7%). The movement in the score was primarily down to a drop in customer satisfaction levels in a couple of regions, principally at the point of handover, and our effectiveness in dealing with defects promptly thereafter.

Following the corrective actions put in place, we have seen a significant improvement in survey scores received in recent months with current "recommend" scores of 93.9% in the two months to 31 August 2023.

Gleeson was one of the first housebuilders to register under the New Homes Quality Code ("NHQC"). We fully support its principles and our processes have been updated to meet these new requirements.

Gleeson Homes – Business Review

	2023	2022
Homes sold	1,723	2,000
Average selling price	£186,200	£167,300
Operating profit*	£35.0m	£51.2m
Operating margin*	10.9%	15.3%

*Stated before exceptional items

	2023	2022
Plots owned	7,674	8,478
Plots conditionally purchased	9,701	8,336
Total plots in pipeline	17,375	16,814

	2023	2022
Plots on brownfield land or areas of deprivation	13,314	13,189
Plots on greenfield land or more affluent areas	4,061	3,625
Total plots in pipeline	17,375	16,814

Results

Gleeson Homes completed the sale of 1,723 homes during the year (2022: 2,000), a reduction of 13.9% on the previous year. Of the homes sold, 115 were to the four carefully selected partners with whom we have entered agreements to sell a total of 377 homes.

Revenue decreased by 4.1% to £320.8m (2022: £334.6m) as resilient selling prices partly mitigated the impact of the reduction in the number of homes sold. The average selling price of homes sold during the year increased by 11.3% to £186,200 (2022: £167,300), driven by higher underlying selling prices which were up 7.6%, changes in the mix of site locations and house types and increased customer extras.

Gross margin on homes sold decreased to 27.0% (2022: 29.0%) reflecting build cost inflation of 3.4%, increased fixed site costs as site durations extended due to the wider market downturn, the impact of multi-unit and affordable sales and the higher use of incentives to secure sales. Despite the increase in average selling prices, the decrease in the volume of homes sold and gross profit margin resulted in gross profit decreasing by 10.7% to £86.5m (2022: £96.9m).

Administrative expenses, which include sales and marketing costs, increased by £5.7m to £51.8m (2022: £46.1m) driven by higher headcount, increased advertising and selling costs and the impact of inflation. Other operating income amounted to £0.4m (2022: £0.4m). Consequently, operating profit before exceptional costs decreased by 31.6% to £35.0m (2022: £51.2m) and operating margin decreased from 15.3% to 10.9%.

Market demand

The combined impact of rising interest rates, the Government's disastrous mini-budget in September 2022 and withdrawal of Help to Buy in October 2022, all led to a rapid slowdown in the housing market in the second quarter and a significant fall in demand. Whilst we started to see early signs of a recovery in January and February 2023, demand did not recover to prior year levels. As a result, net reservation rates remained relatively weak over the second half of the year.

Although it remains too early to call, it appears that interest rates which are currently at 5.25%, are nearing their peak as inflation begins to fall. Equally, mortgage rates are starting to stabilise and reduce, which we anticipate will start to support a return in market confidence and activity.

Responding to market conditions, and restructuring for growth

We took action quickly in response to the weaker market conditions. In the second quarter we implemented a number of defensive measures focused on managing working capital and costs. These included slowing build rates on certain sites in line with demand, delaying the opening of new sites, and pausing land buying.

In February 2023, we announced the reorganisation of Gleeson Homes from three divisions to two and from nine regional management teams to six, adjusting our overhead to suit current volumes whilst maintaining capacity for growth. The process necessarily put at risk a significant proportion of our colleagues, but the final number of redundancies was kept to a minimum through some roles being transferred and through natural attrition over the period.

Annualised administrative cost savings of £3.2m will be fully realised from 2024 onwards. Exceptional costs arising from the restructuring amounted to £1.0m.

An important part of the reorganisation was to restructure the way that the business operates, implementing a standard structure with consistent roles, responsibilities, processes and reporting. This will bring enhanced control and improved quality of both build and customer service, also ensuring that we can confidently maintain these aspects as we grow the business.

Sites

Gleeson Homes opened three new build sites during the year and started the new financial year with 82 active build sites (2022: 87), of which 71 were actively selling (2022: 61). New site openings were paused in response to the economic conditions resulting in a reduction in active build sites. Our average active build sites and sales sites were 85 and 68 respectively (2022: 83 and 63).

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 more than 20 build sites during the new financial year and to be building on between 80 and 85 sites and selling on between 60 and 65 sites by 30 June 2024.

Pipeline

Land continues to be available at sensible prices. The pipeline of owned and conditionally purchased sites increased by 3.3% to 17,375 plots on 173 sites at 30 June 2023, representing over ten years of sales (2022: 16,814 plots on 160 sites). Of the total plots, 7,674 plots are owned (2022: 8,478 plots) and 9,701 plots have been conditionally purchased subject to receiving planning permission (2022: 8,336 plots).

During the year, 37 new sites were added to the pipeline, whilst 24 sites were completed or did not proceed to purchase.

Gleeson Land – Business Review

	2023	2022
Sites sold	3	6
Plots sold	413	1,443
Portfolio	70 sites	71 sites
Operating profit	£1.0m	£11.1m

	2023	2022
Plots held under option	5,512	6,188
Plots held under promotion agreement	11,830	13,564
Plots held freehold	489	489
Total plots in portfolio	17,831	20,241

	2023	2022
Consented (including resolution to grant)	6	3
Awaiting planning	18	16
Allocated	6	8
Unallocated	40	44
Total sites in portfolio	70	71

Results

During the year, the business completed the sale of three sites with residential planning permission for 413 plots (2022: six sites, 1,443 plots) at an average of £8,800 gross profit per plot (2022: £9,550 per plot). All sites were sold under promotion agreements.

As a result, revenue from land sales decreased to £7.5m (2022: £38.8m), including £1.3m relating to the completion of a further phase of a legacy site sold in 2019 (2022: £2.5m). The sites sold in the year totalled 55 gross acres. Total gross profit for the year was £3.6m (2022: £13.8m).

Overheads for the business continued to be well controlled at £2.6m (2022: £2.7m). As a result of the reduction in gross profit, operating profit reduced to £1.0m (2022: £11.1m).

The results reflected a more cautious approach from housebuilders and congestion in the planning system, exacerbated by the local elections in May, which delayed a number of sites, particularly in the final quarter of the financial year. However, the business ended the year with a strong portfolio, having six sites either with planning permission or resolution to grant with the potential to deliver 1,400 plots for housing development (2022: three sites, 1,206 plots). Of these, one site has been sold since the year end.

Portfolio

During the year three sites (706 plots) were added to the portfolio, secured under promotion agreements. One legacy site which was no longer viable to promote was aborted.

At 30 June 2023, the business had a portfolio totalling 70 sites (2022: 71 sites) with the potential to deliver 17,831 plots (2022: 20,241 plots) plus 25 acres of commercial land (2022: 25 acres). The majority of the portfolio is held under option and promotion agreements with landowners.

The portfolio, which is located in the South of England where land values are highest, is expected to realise value over the short, medium and long-term, driven by the planning context of each site.

The land promotion market remains highly competitive but, as one of the largest land promoters, we continue to see opportunities to add well-located, attractive sites to the portfolio. We carefully select sites where we see the potential for residential development and that meet our strict internal hurdle rates. We are making increasing use of technology and data analysis to focus our land searches and support our bids, which improves our efficiency and enhances our competitiveness in the bidding process.

Planning

This year Gleeson Land submitted planning applications on 11 sites with the potential to deliver 2,014 plots (2022: 10 sites, 1,428 plots), and achieved planning consent or resolution to grant on six sites.

The planning system remains chronically slow and this has been further exacerbated during the course of the year by the proposed reforms from government. This has increased uncertainty around planning policy and, in some cases, prompted the withdrawal of housing delivery plans by local authorities. In addition, the delays caused by Natural England's guidance on nutrient neutrality, including phosphates and nitrates, show some signs of being resolved but we await the outcome of the government's planned legislative changes.

Despite these challenges, Gleeson Land has an excellent track record in navigating the complexities of the planning system. We ended the year with 18 sites awaiting a decision on planning applications or in appeal (2022: 16 sites).

Financial Review

Introduction

The economic and market conditions during the year presented significant challenges to demand, reducing revenue and profit for the year. Our response to these challenges, including our defensive capital allocation plan, has allowed us to maintain a strong balance sheet and resilient profits, leaving us well positioned for future growth. We continued to invest heavily in commencing the build of a substantial number of homes during the year to ensure an orderly transition to new building regulations, which resulted in higher than typical site work in progress, which will unwind over the next two years, and was the principal driver for the reduced year end cash balances.

Revenue

Group revenue decreased 12.1% to £328.3m (2022: £373.4m) due to the reduction in sales in both Gleeson Homes and Gleeson Land.

Gleeson Homes' revenue decreased by 4.1% to £320.8m (2022: £334.6m) driven by a 13.9% decrease in the number of homes sold to 1,723 (2022: 2,000) offset by an 11.3% increase in average selling price ("ASP") to £186,200 (2022: £167,300). ASP increases were driven by underlying selling price increases of 7.6% and changes in the mix of sites and house types.

Gleeson Land sold three sites in the year (2022: six sites). Revenue decreased by 80.7% to £7.5m (2022: £38.8m), largely caused by housebuilders taking a more cautious view in response to the economic environment. This resulted in some land sales progressing more slowly than anticipated, particularly in the final quarter of the year. In addition, the delays in the planning system meant that we started the year having only three sites with consent or resolution to grant, and fewer planning applications approved during the year. We commence the new financial year in a stronger position with six sites with consent or resolution to grant (2022: three sites) and 18 sites awaiting a planning decision (2022: 16 sites).

Gross profit

Pre-exceptional gross profit for the Group decreased by 18.6% to £90.1m (2022: £110.7m), with gross profit in Gleeson Homes decreasing by 10.7% to £86.5m (2022: £96.9m). The gross profit margin for Gleeson Homes decreased to 27.0% (2022: 29.0%) as selling price increases began to slow, build cost inflation continued and fixed costs increased as site durations extended.

The reduction in site sales in Gleeson Land resulted in gross profit for Gleeson Land reducing to £3.6m (2022: £13.8m).

Administrative expenses

Administrative expenses excluding exceptional costs increased by £2.5m (4.6%) in the year to £57.0m (2022: £54.5m) reflecting increased payroll costs, advertising spend and office costs.

Profits for the year

Group operating profit before exceptional items was £33.6m (2022: £56.8m), a 40.8% decrease on the prior year. This was due to the 31.6% decrease in operating profit in Gleeson Homes to £35.0m (2022: £51.2m) and the reduction in Gleeson Land operating profit to £1.0m (2022: £11.1m). Group overheads were £2.4m (2022: £5.5m), benefiting from a reduction in bonus and share based payment costs including the unwind of share based payment costs charged in prior years.

Net finance expenses increased in the year to £2.1m (2022: £1.3m) due to the combined impact of increasing interest rates and drawdowns of our facility to fund working capital during the year. As a result, the Group delivered profit before tax and exceptional items of £31.5m (2022: £55.5m) and profit before tax of £30.5m (2022: £42.6m).

Exceptional items

In February 2023, we commenced consultation on the restructure of the Gleeson Homes business, consolidating the three divisions and nine regional management teams to two divisions and six regional management teams. Annualised overhead cost savings of £3.2m were partly realised in the year. The operational restructuring leaves Gleeson Homes better positioned for growth as the market recovers. The £1.0m cost of this restructure included redundancy costs and termination payments, plus professional and legal fees directly associated with the restructuring and is treated as an exceptional item.

The £12.9m exceptional item in the prior year related to the building safety provisions for life-critical fire-safety remediation costs on buildings over 11 metres that the Group had involvement in developing over the last 30 years. The provision has been re-assessed throughout the year as investigations and intrusive surveys have been carried out. As a result of these investigations three additional buildings were identified and notified to the Department for Levelling Up, Housing and Communities (DLUHC). Following the re-assessment of all other provisions at the year end there has been no further impact on profit and the remaining provision of £12.8m is considered appropriate. Further information can be found in note 3 to the financial statements.

Tax

The pre-exceptional tax charge was £6.5m which represents an effective tax rate of 20.7% against the headline rate of 20.5%. This followed the change in the corporation tax rate from 19% to 25% from 1 April 2023. A tax credit of £0.2m was recognised in respect of the exceptional cost (2022: £2.5m), resulting in a total tax charge for the year of £6.3m (2022: £7.5m).

Included in the tax charge is £0.3m relating to residential property developers tax ("RPDT"), which was effective from 1 April 2022 and applies to profit from residential property development activity on profits over £25.0m. Whilst the RPDT charge has been low this year due to subdued trading, the levy continues to create an additional tax burden on the industry.

Profit after tax

Pre-exceptional profit after tax for the year decreased by 45.1% to £25.0m (2022: £45.5m) and reported profit, net of the exceptional charge, decreased 31.1% to £24.2m (2022: £35.1m).

Earnings per share

Pre-exceptional basic earnings per share decreased by 45.1% to 42.9 pence (2022: 78.1 pence). Reported basic earnings per share after exceptional items decreased to 41.5 pence (2022: 60.2 pence).

Return on capital employed

The pre-exceptional return on capital employed decreased 1,240 basis points to 13.0% (2022: 25.4%) caused by the reduction in profit and increases in working capital at 30 June 2023.

Balance sheet

During the year to 30 June 2023, shareholders' funds increased by 5.1% to £286.0m (2022: £272.2m). Net assets per share increased to 490 pence, an increase of 4.9% year on year (2022: 467 pence).

Non-current assets decreased during the year by 14.2% to £12.1m (2022: £14.1m). This was due to a reduction in non-current trade and other receivables of £5.0m as a result of the deferred land payments in Gleeson Land all now being due within one year, offset by an increase in property, plant and equipment of £3.0m as a result of additions to plant and machinery, show homes and leased property and equipment.

Current assets increased by 3.1% to £364.3m (2022: £353.5m). Inventories increased by £57.7m to £344.6m of which approximately £30m was invested on site infrastructure and build starts in preparation for the transition to new building regulations on 15 June 2023 and will unwind over the next two years. Trade and other receivables decreased by £15.3m to £13.9m as a result of net receipts of deferred monies in Gleeson Land of £5.0m, reduction in VAT receivables and Help to Buy monies that were outstanding at the end of last year in Gleeson Homes. The remainder was a result of the reduction in cash, which reduced to £5.2m (2022: £33.8m) due to the investment in inventories and property plant and equipment in the year.

Cash and bank facilities

The Group ended the year with cash of £5.2m (2022: £33.8m). In July 2023, the Group successfully refinanced its club borrowing facility with Lloyds Bank plc and Santander UK plc. The facility was increased from £105m to £135m and extended to October 2026 plus two uncommitted one-year extension options. The increased facility provides the Group with additional liquidity to invest in new sites and support future growth.

Dividends

In line with the Board's stated dividend policy, the Company intends to pay a final dividend of 9 pence per share at a total cost to the Company of £5.2m. The dividend will be paid on 24 November 2023 to shareholders on the register at the close of business on 27 October 2023. Combined with the interim dividend of 5 pence per share paid in April 2023, the total dividend for the year will be 14 pence, representing a decrease of 22.2% on the prior year (2022: total dividend per share 18.0p) and is covered 3.06 times.

The Board intends to maintain an earnings to ordinary dividend cover ratio of between three and five times.

Stefan Allanson
Chief Financial Officer
13 September 2023

AUDITED CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2023

	2023 Pre-exceptional items £000	**2023 Exceptional items (note 3) £000**	**2023 Total £000**	2022 Pre-exceptional items £000	2022 Exceptional items (note 3) £000	2022 Total £000
Revenue	**328,319**	**-**	**328,319**	373,409	-	373,409
Cost of sales	**(238,228)**	**-**	**(238,228)**	(262,753)	(12,867)	(275,620)
Gross profit	**90,091**	**-**	**90,091**	110,656	(12,867)	97,789
Administrative expenses	**(56,952)**	**(1,022)**	**(57,974)**	(54,543)	-	(54,543)
Other operating income	**420**	**-**	**420**	684	-	684
Operating profit	**33,559**	**(1,022)**	**32,537**	56,797	(12,867)	43,930
Finance income	**191**	**-**	**191**	172	-	172
Finance expenses	**(2,261)**	**-**	**(2,261)**	(1,482)	-	(1,482)
Profit before tax	**31,489**	**(1,022)**	**30,467**	55,487	(12,867)	42,620
Tax	**(6,508)**	**210**	**(6,298)**	(9,976)	2,445	(7,531)
Profit for the year attributable to the equity holders of the parent	**24,981**	**(812)**	**24,169**	45,511	(10,422)	35,089
Earnings per share						
Basic	**42.89 p**		**41.49 p**	78.12 p		60.23 p
Diluted	**42.86 p**		**41.47 p**	77.92 p		60.08 p

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2023

	2023 Pre-exceptional items £000	**2023 Exceptional items (note 3) £000**	**2023 Total £000**	2022 Pre-exceptional items £000	2022 Exceptional items (note 3) £000	2022 Total £000
Profit for the year	**24,981**	**(812)**	**24,169**	45,511	(10,422)	35,089
Other comprehensive (expense)/income items that may be subsequently reclassified to profit or loss						
Change in fair value of shared equity receivables at fair value	**(148)**	**-**	**(148)**	120	-	120
Other comprehensive (expense)/ income for the year (net of tax)	**(148)**	**-**	**(148)**	120	-	120
Total comprehensive income/(expense) for the year	**24,833**	**(812)**	**24,021**	45,631	(10,422)	35,209

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2023

	2023	2022
	£000	£000
Non-current assets		
Property, plant and equipment	**11,206**	8,112
Trade and other receivables	**51**	5,051
Deferred tax assets	**797**	941
	12,054	14,104
Current assets		
Inventories	**344,626**	286,882
Trade and other receivables	**13,947**	29,243
UK corporation tax	**542**	3,565
Cash and cash equivalents	**5,159**	33,764
	364,274	353,454
Total assets	**376,328**	367,558
Non-current liabilities		
Trade and other payables	**(8,171)**	(9,703)
Provisions	**(8,206)**	(12,049)
	(16,377)	(21,752)
Current liabilities		
Trade and other payables	**(68,662)**	(72,291)
Provisions	**(5,273)**	(1,339)
	(73,935)	(73,630)
Total liabilities	**(90,312)**	(95,382)
Net assets	**286,016**	272,176
Equity		
Share capital	**1,167**	1,166
Share premium	**15,843**	15,843
Own shares	**(743)**	(471)
Retained earnings	**269,749**	255,638
Total equity	**286,016**	272,176

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2023

	Share capital £000	Share premium £000	Own shares £000	Retained earnings £000	Total equity £000
At 1 July 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**
Profit for the year	-	-	-	**24,169**	**24,169**
Other comprehensive expense	-	-	-	**(148)**	**(148)**
Total comprehensive income for the year	-	-	-	**24,021**	**24,021**
Share issue	**1**	-	-	-	**1**
Purchase of own shares	-	-	**(330)**	-	**(330)**
Utilisation of own shares	-	-	**58**	**(58)**	-
Share-based payments	-	-	-	**(307)**	**(307)**
Movement in tax on share-based payments taken directly to equity	-	-	-	**362**	**362**
Dividends	-	-	-	**(9,907)**	**(9,907)**
Transactions with owners, recorded directly in equity	**1**	-	**(272)**	**(9,910)**	**(10,181)**
At 30 June 2023	**1,167**	**15,843**	**(743)**	**269,749**	**286,016**

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2023

	2023 £000	2022 £000
Operating activities		
Profit before tax	**30,467**	42,620
Depreciation of property, plant and equipment	**3,972**	3,124
Share-based payments	**(307)**	1,568
Profit on redemption of shared equity receivables	**(285)**	(375)
Increase in provisions including exceptional items	**91**	13,129
Loss on disposal of property, plant and equipment	**305**	403
Finance income	**(191)**	(172)
Finance expenses	**2,261**	1,482
Operating cash flows before movements in working capital	**36,313**	61,779
Increase in inventories	**(57,744)**	(46,921)
Decrease/(increase) in receivables	**19,337**	(8,165)
(Decrease)/increase in payables	**(7,490)**	13,244
Cash (used)/generated from operating activities	**(9,584)**	19,937
Tax paid	**(2,770)**	(7,059)
Finance costs paid	**(2,066)**	(1,043)
Net cash flow (deficit)/surplus from operating activities	**(14,420)**	11,835
Investing activities		
Proceeds from disposal of shared equity receivables	**1,279**	1,566
Interest received	**7**	20
Purchase of property, plant and equipment	**(4,441)**	(3,684)
Net cash flow deficit from investing activities	**(3,155)**	(2,098)
Financing activities		
Net proceeds from issue of shares	**1**	1
Purchase of own shares	**(330)**	(403)
Dividends paid	**(9,907)**	(9,338)
Principal element of lease payments	**(794)**	(564)
Net cash flow deficit from financing activities	**(11,030)**	(10,304)
Net decrease in cash and cash equivalents	**(28,605)**	(567)
Cash and cash equivalents at beginning of year	**33,764**	34,331
Cash and cash equivalents at end of year	**5,159**	33,764

NOTES TO THE FINANCIAL INFORMATION
for the year ended 30 June 2023

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 2023 or 2022, but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies, and those for 2023 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 2022.

Going concern

In July 2023, the Group renegotiated its committed facility with Lloyds Bank plc and Santander UK plc. The facility has a limit of £135m (previously £105m), which expires in October 2026 with two further optional one-year extensions.

The Group ended the year with cash and cash equivalents of £5.2m (30 June 2022: £33.8m).

Current forecasts are based on the latest three-year budget approved by the Board in July 2023. This reflected a cautious view on the trading outlook based on the current market conditions and the degree of macro-economic 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:

- reduction in Gleeson Homes volumes of approximately 20%;
- permanent reduction in Gleeson Homes selling prices by 5%; and
- a delay on the timing of Gleeson Land transactions and 15% fall in 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:

	2023 Pre-exceptional items £000	**2023 Exceptional items (note 3) £000**	**2023 Total £000**	2022 Pre-exceptional items £000	2022 Exceptional items (note 3) £000	2022 Total £000
Revenue						
Gleeson Homes	**320,848**	**-**	**320,848**	334,571	-	334,571
Gleeson Land	**7,471**	**-**	**7,471**	38,838	-	38,838
Total revenue	**328,319**	**-**	**328,319**	373,409	-	373,409
Divisional operating profit						
Gleeson Homes	**35,045**	**(1,022)**	**34,023**	51,227	(12,867)	38,360
Gleeson Land	**1,032**	**-**	**1,032**	11,061	-	11,061
	36,077	**(1,022)**	**35,055**	62,288	(12,867)	49,421
Group administrative expenses	**(2,518)**	**-**	**(2,518)**	(5,491)	-	(5,491)
Finance income	**191**	**-**	**191**	172	-	172
Finance expenses	**(2,261)**	**-**	**(2,261)**	(1,482)	-	(1,482)
Profit before tax	**31,489**	**(1,022)**	**30,467**	55,487	(12,867)	42,620
Tax	**(6,508)**	**210**	**(6,298)**	(9,976)	2,445	(7,531)
Profit for the year	**24,981**	**(812)**	**24,169**	45,511	(10,422)	35,089

All revenue in the Gleeson Homes segment relates to the sale of residential properties. 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 (2022: no single customer).

Balance sheet analysis of business segments:

	2023 Assets £000	**2023 Liabilities £000**	**2023 Net assets/ (liabilities) £000**	2022 Assets £000	2022 Liabilities £000	2022 Net assets/ (liabilities) £000
Gleeson Homes	**326,722**	**(86,033)**	**240,689**	280,481	(85,170)	195,311
Gleeson Land	**43,207**	**(1,733)**	**41,474**	49,230	(5,869)	43,361
Group activities	**1,240**	**(2,546)**	**(1,306)**	4,083	(4,343)	(260)
Cash and cash equivalents	**5,159**	**-**	**5,159**	33,764	-	33,764
	376,328	**(90,312)**	**286,016**	367,558	(95,382)	272,176

3. Exceptional items

Restructuring

In February 2023, we announced the restructuring of Gleeson Homes from nine regional management teams to six and moved to a standard operating structure with consistent roles, responsibilities, processes and reporting. The restructuring impacted a significant proportion of our colleagues, but the final number of redundancies was kept to a minimum.

The restructuring expense of £1,022,000 consists of redundancy costs of £975,000 and professional fees of £47,000. The amount, combined with the number of colleagues directly and indirectly impacted by the restructure, and the fact that this was a one-off cost, make this an exceptional item in the year.

Building safety

In the prior year, the Group established an exceptional provision for the costs estimated to remediate life-critical fire-safety issues on buildings over 11 metres in which the Group was involved in developing over the last 30 years. In February 2023, the Group entered into the long form agreement of the Department for Levelling Up, Housing and Communities (DLUHC) self-remediation terms following its initial pledge in April 2022.

We continue to carry out investigation work, intrusive surveys and fire risk assessments. As a result of these investigations, three additional buildings were identified by Gleeson and notified to DLUHC this year. These buildings are of masonry construction, two of which were conversions from their previous use as mills and one of which was previously notified to DHLUC as a single development but comprises two separate buildings. The overall provision has been reassessed in light of these and a further assessment of the remediation works required on the 14 buildings previously notified.

Whilst the estimated remediation costs were increased for the three new buildings identified during the year, this was offset by reductions in the estimated costs associated with the 14 existing buildings based on the work carried out during the year and latest information. As such, no further exceptional costs were recognised in the year for life-critical fire-safety remedial works (2022: £12,867,000).

4. Tax

	2023	2022
	£000	£000
Current tax		
Current year expense	**5,834**	7,571
Adjustment in respect of prior years	**(42)**	(165)
Current tax expense for the year	**5,792**	7,406
Deferred tax		
Current year expense	**495**	253
Adjustment in respect of prior years	**(53)**	(165)
Impact of rate change	**64**	37
Deferred tax expense for the year	**506**	125
Total tax charge	**6,298**	7,531

Corporation tax has been calculated at 20.7% of assessable profit for the year (2022: 17.7%). The applicable UK corporation tax rate is 20.5% - representing a rate of 19% to 31 March 2023 and 25% effective from 1 April 2023.

4. Tax *(continued)*

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

	2023	2022
	£000	£000
Profit before tax	**30,467**	42,620
Profit before tax multiplied by the standard rate of UK corporation tax 20.5% (2022: 19%)	**6,246**	8,098
Tax effect of:		
Expenses not deductible for tax purposes	**42**	13
Non-qualifying depreciation	**128**	82
Relief for share-based payments	**111**	84
Capital allowances super deduction	**(131)**	(161)
Land remediation relief	**(354)**	(412)
Impact of rate differences	**64**	37
Adjustments in respect of prior years – current tax	**(42)**	(165)
Adjustments in respect of prior years – deferred tax	**(53)**	(165)
Residential property developers tax	**287**	120
Total tax charge for the year	**6,298**	7,531

Tax recognised on equity-settled share-based payments	**2023**	2022
	£000	£000
Current tax related to equity-settled share-based payments	**-**	(39)
Deferred tax related to equity-settled share-based payments	**(362)**	167
Total tax recognised on equity-settled share-based payments	**(362)**	128

5. Dividends

	2023	2022
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 June 2023 of 5.0p (2022: 6.0p) per share	**2,911**	3,507
Final dividend for the year ended 30 June 2022 of 12.0p (2021: 10.0p) per share	**6,996**	5,831
	9,907	9,338

A final dividend of 9.0 pence per share has been proposed for the year ended 30 June 2023, equating to £5,241,000 (2022: £6,999,000). This is subject to approval by shareholders at the AGM on 16 November 2023 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	**2023 £000**	2022 £000
Profit for the year	**24,169**	35,089
Exceptional items (note 3)	**1,022**	12,867
Tax on exceptional items	**(210)**	(2,445)
Profit for the year – pre-exceptional items	**24,981**	45,511

	2023 No. 000	2022 No. 000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**58,246**	58,259
Effect of dilutive potential ordinary shares:		
- Share-based payments	**41**	145
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**58,287**	58,404

	2023 p	2022 p
Basic earnings per share	**41.49**	60.23
Diluted earnings per share	**41.47**	60.08
Basic earnings per share – pre-exceptional items	**42.89**	78.12
Diluted earnings per share – pre-exceptional items	**42.86**	77.92

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

	2023 £000	2022 £000
Balance at 1 July	**1,485**	2,522
Redemptions	**(849)**	(1,071)
Shared equity provision	**70**	-
Unwind of discount (finance income)	**16**	35
Fair value movement recognised in other comprehensive income	**(293)**	(1)
Balance at 30 June	**429**	1,485

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.

7. Financial instruments *(continued)*

Redemptions in the year of shared equity loans carried at fair value of £849,000 (2022: £1,071,000) generated a profit on redemption of £285,000 (2022: £375,000), which has been recognised in other operating income in the consolidated income statement.

In addition, a net decrease in the value of shared equity receivables of £148,000 (2022: increase of £120,000) has been recognised in other comprehensive income. This is made up as follows:

	2023	2022
	£000	£000
Fair value movement recognised in other comprehensive income	**(293)**	(1)
Fair value recycled through profit and loss	**145**	121
Total movement recognised in other comprehensive income	**(148)**	120

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: 0%
- Average period to redemption: 6 years
- Discount rate: 12%

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	**2023 Increase/(decrease) in fair value**	2022 Increase/(decrease) in fair value
	£000	£000
Forecast regional house price inflation – increase by 1%	**51**	107
Average period to redemption – increase by 1 year	**(103)**	(116)
Discount rate – decrease by 1%	**45**	102

8. Related party transactions

During the year ended 30 June 2021, 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 shareholder 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 2023 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 2023 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 2023 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 2023 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

Graham Prothero
Chief Executive Officer
13 September 2023

Stefan Allanson
Chief Financial Officer

The 2023 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 1X