Gleeson Developments (North East) Ltd

Annual Report and
financial statements

Registered number 03867699
30 June 2023

Contents

Company information

The Board of Directors	S P Allanson G Prothero
Company Secretary	L Johnson
Registered office	6 Europa Court Sheffield Business Park Sheffield S9 1XE
Independent auditors	PricewaterhouseCoopers LLP Central Square 29 Wellington Street Leeds LS1 4DL
Bankers	Lloyds Bank plc 25 Gresham Street London EC2V 7HN Santander UK plc 2 Triton Square Regent's Place London NW1 3AN
Company registration number	03867699

Strategic report

Principal activities

Gleeson Developments (North East) Ltd ("the Company") is part of the MJ Gleeson plc group ("the Group"). The Company's principal activity is building and selling homes across the North of England and the Midlands.

Business model

The Company, together with Gleeson Developments Limited and Gleeson Regeneration Limited, make up the activities of Gleeson Homes, the low-cost house building division of MJ Gleeson plc. Gleeson Homes builds affordable, quality homes where they are needed, for the people who need them most. Our unique, sustainable business model delivers value for shareholders, customers, communities, and our employees.

The Group's sustainable business strategy incorporates the Company's and the Group's strategic objective to grow, together with the environmental, social and economic priorities that are most important to the business. Each strategic priority has a link to the UN SDGs that are relevant to the Group. It is through the achievement of these strategic priorities and targets that the Company and the Group creates sustainable value for stakeholders and society. For more information see the Group's Annual Report at www.mjgleesonplc.com.

The key features of the Gleeson Homes business model are:

Land acquisition	We acquire land, often in brownfield areas or areas in need of regeneration. We transform these into meaningful spaces for people to live. We have clearly defined gateway processes to ensure we buy land in the right areas and at the right price. This is essential to keeping our homes affordable.
Planning	We plan our developments to transform sites into attractive and sustainable communities. We work with local authorities, local residents, community groups and other stakeholders to achieve an implementable planning permission that is sympathetic to local needs.
Designing homes	Our homes are designed to the latest planning and Building Regulations. For example, all new homes built from June 2023 will use highly efficient air source heat pumps (ASHPs) as their source of heating. We regularly review the specification of our homes to ensure they remain highly energy-efficient to help our customers lower their bills.
Build	Our health and safety procedures are designed to ensure everyone connected to our sites remains safe and free from harm. We are reducing carbon emissions in our build activities and supply chain and working to reduce our impact on the environment including through waste reduction and recycling.
Sales and customer experience	Our focus on quality is absolute and we will not hand over a home that we are not 100% proud of. We strive to provide a 5-star customer experience and ensure this commitment to quality extends throughout the customer journey.
Outcome	We enable people to escape from housing poverty caused by the "rent trap" and into home ownership and wealth creation. We sell high-quality, affordable homes primarily to first time buyers or young families as well as home movers and "downsizers" who can benefit from our lower price points.

Business review

The Company completed the sale of 120 homes during the year (2022: 173 homes), a reduction of 30.6% on the previous year. Of the homes sold, 24 were to the four carefully selected partners with whom we have entered multi-unit agreements to sell a total of 45 homes.

Revenue decreased by 25.9% to £20.0m (2022: £27.0m) as resilient selling prices partly mitigated the reduction in the number of homes sold. The average selling price of homes sold during the year increased by 6.7% to £166,500 (2022: £156,000), driven by higher underlying selling prices up 7.6% offset by changes in the mix of site locations and house types.

Strategic report *(continued)*

Business review *(continued)*
Pre-exceptional gross profit margin increased to 26.8% (2022: 26.6%), reflecting the increase in average selling price more than offsetting build cost inflation of 3.4%, increased fixed site costs as site durations extended due to the wider market downturn, 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 resulted in pre-exceptional gross profit decreasing by 25.0% to £5.4m (2022: £7.2m).

Pre-exceptional administrative expenses as a proportion of revenue increased from 13.8% to 16.2%. Consequently pre-exceptional operating profit decreased by 40.0% to £2.1m (2022: £3.5m) and pre-exceptional operating margin decreased from 13.0% to 10.5%.

The Company ended the year with net assets of £13.0m (2022: £10.8m) and current assets of £15.4m (2022: £14.0m).

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

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

Responding to market conditions and restructuring for growth
We took swift action 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 restructuring 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 normal resignations over the period.

Annualised cost savings across the division of £3.2m began to be realised during the second half of the year and will be fully realised from 2024 onwards. Exceptional costs arising from the restructuring amounted to £1.0m. The restructuring costs relating to the Company amounted to £64,000 which has been recognised as an exceptional item in the statement of comprehensive income (2022: £nil).

Future developments
The measures taken have prepared the business for the next phase of its growth. Although market conditions remain subdued, we continue to see demand for our homes. The business also continues to explore selective multi-unit sales with key partners with this presenting opportunities to further accelerate growth.

Principal risks and uncertainties
From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of MJ Gleeson plc group, which include those of the Company, are discussed on pages 36 to 41 of the Group's Annual Report, which does not form part of this report.

Key performance indicators
The Directors of MJ Gleeson plc manage the Group's operations on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary for an understanding of the development, performance or position of the Company. The development, performance and position of the Gleeson Homes division of MJ Gleeson plc, which includes the Company, are discussed on pages 28 to 29 of the Group's Annual Report, which does not form part of this report.

Strategic report *(continued)*

Section 172 (1) statement

From the perspective of the Board, as a result of the Group governance structure whereby the Company's Board is embedded within the Group Board, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ("s172") have been considered to an appropriate extent by the Group's Board in relation both to the Group and to this Company. The Board of Directors of the Company has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Group's Board has considered the matters set out in s172 (for the Group and for the Company) is set out on pages 92 to 95 of the Group's Annual Report, which does not form part of this report.

Signed on behalf of the board

S P Allanson
Director
Approved by the Directors on 9 November 2023

Directors' report

The Directors present their Annual Report and the audited financial statements of Gleeson Developments (North East) Ltd ("the Company") for the year ended 30 June 2023.

Strategic report
In accordance with the requirements of the Companies Act 2006, we present a fair review of the business during the year to 30 June 2023 and of the position of the Company at the end of the financial year along with the future outlook and a description of the principal risks and uncertainties faced in the Strategic report on pages 2 to 4.

Directors
The Directors of the company who were in office during the year and up to the date of signing the financial statements were:

J M D Thomson (resigned 31 December 2022)
S P Allanson
G Prothero (appointed 1 January 2023)

Dividend
The Directors have not recommended payment of a dividend (2022: £nil).

Political contributions
The Company made no political donations or incurred any political expenditure during the year (2022: £nil).

Financial risk management
The Company's operations expose it to a variety of financial risks that include the effects of price risk, credit risk, liquidity risk and interest rate risk. The Company manages these financial risks to minimise their impact on the performance of the business and further details are set out in note 13 to the financial statements.

Employees
The Company uses employees from within the Group to carry on its activities and is recharged for this service. The Company does not have any employees of its own.

Other stakeholders
From the perspective of the Board, as a result of the Group governance structure whereby the Company's Board is embedded within the Group Board, the Group Board has taken the lead in carrying out the duties of the Board in respect of the Company's other stakeholders. The Board of Directors of the Company has also considered relevant matters where appropriate. An explanation of how the Directors on the Group's Board have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year, is set out (for the Group and for the Company) on pages 92 to 95 of the Group's Annual Report, which does not form part of this report.

Qualifying third party indemnity
The Group maintains liability insurance for directors and officers, including the Directors of the Company. In addition, subject to the provisions of and to the extent permitted by relevant statutes, under the articles, the Directors and other officers throughout the year, and at the date of these financial statements, were indemnified out of the assets of the Company against liabilities incurred by them in the course of carrying out their duties or the exercise of their powers.

Post balance sheet events
There were no significant events since balance sheet date which may have a material impact on the financial position or performance of the Company.

Directors' report *(continued)*

Independent auditors
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the next AGM of the Group.

Disclosure of information to auditors
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed on behalf of the board

S P Allanson
Director
Approved by the Directors on 9 November 2023

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

S P Allanson
Director
Approved by the Directors on 9 November 2023

Independent auditors' report to the members of Gleeson Developments (North East) Ltd

Report on the audit of the company financial statements

Opinion

In our opinion, Gleeson Developments (North East) Ltd's company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: Statement of financial position as at 30 June 2023; Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 June 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to deliberate manipulation of results via improper revenue recognition, management bias in key accounting estimates and posting of inappropriate journal entries to manipulate the results for the period. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the valuation of land and work in progress; and
- Identifying and testing journal entries on a sample basis, in particular journal entries posted with unusual account combinations. Specifically we tested journal entries with credits to revenue, duplicate journals and journals transferring costs within work in progress.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andy Ward

Andy Ward (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

9 November 2023

Statement of comprehensive income

For the year ended 30 June 2023

	Note	2023 Pre-exceptional items £000	2023 Exceptional items (note 3) £000	2023 Total £000	2022 Total £000
Revenue		**19,984**	**-**	**19,984**	26,994
Cost of sales		**(14,630)**	**-**	**(14,630)**	(19,813)
Gross profit		**5,354**	**-**	**5,354**	7,181
Administrative expenses		**(3,229)**	**(64)**	**(3,293)**	(3,721)
Other operating income	*5*	**14**	**-**	**14**	12
Operating profit		**2,139**	**(64)**	**2,075**	3,472
Profit before tax	*4*	**2,139**	**(64)**	**2,075**	3,472
Tax	*7*	**25**	**13**	**38**	(611)
Profit and total comprehensive income for the year		**2,164**	**(51)**	**2,113**	2,861

The Company has no other comprehensive income or expense other than the results for the year as set out above.

The notes on pages 14 to 26 form part of these financial statements.

Statement of financial position

As at 30 June 2023

	Note	2023 £000	2022 £000
Non-current assets			
Plant and equipment	*8*	**140**	146
Deferred tax assets	*11*	**113**	73
		253	219
Current assets			
Inventories	*9*	**6,330**	9,068
Trade and other receivables	*10*	**9,115**	4,914
		15,445	13,982
Total assets		**15,698**	14,201
Current liabilities			
Trade and other payables	*12*	**(2,737)**	(3,353)
Total liabilities		**(2,737)**	(3,353)
Net assets		**12,961**	10,848
Equity			
Share capital	*14*	**1,000**	1,000
Retained earnings		**11,961**	9,848
Total equity		**12,961**	10,848

These financial statements on pages 11 to 26 were approved by the Board of Directors on 9 November 2023 and were signed on its behalf by:

S P Allanson
Director

The notes on pages 14 to 26 form part of these financial statements.

Company registration number: 03867699

Statement of changes in equity

For the year ended 30 June 2023

	Ordinary share capital £000	Retained earnings £000	Total equity £000
Balance at 1 July 2021	1,000	6,987	7,987
Profit for the year	-	2,861	2,861
Total comprehensive income for the year	-	2,861	2,861
Balance at 30 June 2022	**1,000**	**9,848**	**10,848**
Profit for the year	-	**2,113**	**2,113**
Total comprehensive income for the year	-	**2,113**	**2,113**
Balance at 30 June 2023	**1,000**	**11,961**	**12,961**

Statement of cash flows

For the year ended 30 June 2023

	Note	2023 £000	2022 £000
Cash flows from operating activities			
Profit before tax		**2,075**	3,472
Depreciation of plant and equipment	*8*	**102**	157
Loss on disposal of plant and equipment	*8*	**13**	19
Operating cash flow before movements in working capital		**2,190**	3,648
Changes in working capital:			
Decrease in inventories		**2,738**	4,153
Decrease/(increase) in trade and other receivables		**609**	(390)
(Decrease)/increase in trade and other payables		**(616)**	801
Decrease in amounts due to other Group undertakings		**-**	(3,491)
Increase in amounts due from other Group undertakings		**(4,812)**	(4,625)
Net cash generated by operating activities		**109**	96
Cash flows from investing activities			
Purchase of plant and equipment	*8*	**(109)**	(96)
Net cash utilised in investing activities		**(109)**	(96)
Net movement in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of year		**-**	-
Cash and cash equivalents at end of year		**-**	-

The notes on pages 14 to 26 form part of these financial statements.

Notes to the financial statements

1 **Accounting policies**

Gleeson Developments (North East) Ltd ("the Company") is a private limited company limited by shares and is incorporated and domiciled in England, United Kingdom. The address of the registered office is given on page 1.

Basis of preparation

The 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. The financial statements have been prepared on a going concern basis and under the historical cost convention.

Assets and liabilities in the financial statements have been valued at historic cost except where otherwise indicated in these accounting policies.

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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.

Current forecasts are based on the latest three-year budget/plan 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 market 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 mitigating actions, the Group, of which the Company is part of, continues to have a sufficient level of liquidity, operate within its financial covenants and meet its liabilities as they fall due.

Based on the results of the analysis undertaken, the Directors have a reasonable expectation that the Group has adequate resources available to continue in operation for the foreseeable future and operate in compliance with the Group's bank facilities and financial covenants. The Company has received written confirmation from its parent company, MJ Gleeson plc, that there is willingness to continue to provide financial support as required for at least the next 12 months. As such, the financial statements for the Company have been prepared on a going concern basis.

Further details relating to the Group's going concern position can be found on page 169 of the Group's Annual Report.

Exceptional items

Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material in nature and of such significance that they require separate disclosure on the face of the statement of comprehensive income in accordance with IAS 1 "Presentation of financial statements". Should these items be reversed, disclosure of this would also be classified within exceptional items.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Revenue recognition

Revenue represents the fair value of the consideration received or receivable in respect of the sale, or sale and leaseback, of homes and land, net of value added tax and discounts, which is based on an underlying signed legal agreement. Revenue is recognised when control transfers to a customer as follows:

- Revenue from the sale, or sale and leaseback, of homes and sales extras is a single performance obligation that is satisfied when control is transferred to the customer, which is deemed to be on legal completion when title of the property passes to the customer. Where deposit and exchange funds are received in advance, no revenue is recognised until legal completion occurs and the remaining funds are received. Revenue on multi-unit sales follows the same treatment, with revenue recognised on legal completion of each unit in accordance with the contracted terms. There are no contracts which would satisfy the requirements to recognise over time rather than at a point in time in accordance with IFRS 15 "Revenue from contracts with customers".

- Revenue from land sales, including land sold under option agreements, freehold land sales, or fixed-price land sales, is typically a single performance obligation that is satisfied at the earlier of when unconditional contracts to sell are exchanged and control has passed to the customer or when contracts to sell are completed and title has passed. Payment terms vary on each land sale; where deferred receipts exceed one year from completion, the transaction price is adjusted to reflect the time value of money. Variable consideration such as an overage is not recognised until the point at which it is considered highly probable that there will not be a significant future reversal, which typically occurs when the amount is agreed by all parties.

The Company has adopted the practical expedient allowed under IFRS 15 "Revenue from contracts with customers" that states an entity need not adjust the amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following basis:

Property:	over the term of the lease for right-of-use assets
Plant and equipment:	between 3 and 6 years

Depreciation of these assets is charged to the statement of comprehensive income.

Inventories

Inventories are valued at the lower of cost and net realisable value and are subject to regular impairment reviews. Inventories comprise all direct costs incurred in bringing the individual inventories to their present condition at the reporting date, including direct materials, direct labour costs and related overheads, less the value of any impairment losses. Inventories are recognised in cost of sales as an allocation of the latest forecast gross margin expected to be generated over the remaining life of that site, which is an output of the site valuation process. These valuations, which are carried out at regular intervals throughout the year, use actual and forecast selling prices, land costs and build costs. Land purchased with deferred consideration terms is included in inventories at its net present value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The key assumptions underpinning the assessment of net realisable value are forecast costs to complete, site margins, contingencies and selling prices.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Trade and other receivables
Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits and cash held in solicitors' client accounts on the Company's behalf and are subject to an insignificant risk of changes in value.

Impairment: financial assets
An assessment of expected credit losses associated with financial assets carried at amortised cost is undertaken on a forward-looking basis. For trade receivables, the simplified approach as permitted by IFRS 9 "Financial instruments" is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment: non-financial assets
The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Trade and other payables
Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Tax
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the values used for tax purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Employee benefits

Defined contribution pension plans

Obligations for contributions to defined contribution pension schemes are charged to the statement of comprehensive income in the period to which the contributions relate.

Share-based payment

Equity-settled share-based payments ("share options") are measured at fair value at the date of grant. Fair value is measured using generally accepted option pricing models, taking into account the terms and conditions upon which the options were granted. The fair value of options granted is recognised as an employee expense with a corresponding credit to equity, spread on a straight-line basis over the vesting period. Where non-market vesting conditions apply, the expense is based on the estimate of shares that will eventually vest. These awards are granted by the ultimate Parent Company and the cost of the share-based award relating to each subsidiary is calculated, based on an appropriate apportionment, at the date of grant, recharged through intercompany and recognised as an expense in the statement of comprehensive income.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year at the balance sheet date are listed below.

The key sources of estimation uncertainty at the balance sheet date were:

1. Margin recognition

Cost of sales is recognised for completed home sales as an allocation of the latest forecast gross margin expected to be generated over the remaining life of that site, which is an output of the site valuation process. These valuations, which are updated at regular intervals throughout the year, use actual and forecast selling prices, land costs and build costs and are sensitive to future movements in both the estimated costs to complete and expected selling prices. These estimates are reflected in the margin recognised on sites in relation to sales recognised in the current and future years. There is a degree of inherent uncertainty in making such estimates. The Company has internal controls that are designed to ensure that an effective assessment of the costs to complete a development is made on a regular basis. If gross margin on homes sold decreased by 100 basis points, profit before tax in the year would have been £0.2m lower (2022: £0.3m lower).

2. Carrying value of inventories (land and work in progress)

Inventories are stated at the lower of cost and net realisable value. The assessment of net realisable value is performed on a site-by-site basis, taking into account an estimation of costs to complete and remaining revenue. If forecast gross margins reduced by 5%, there would be no material impact on profit before tax or the carrying value of inventory.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

***Critical accounting judgements and key sources of estimation uncertainty** (continued)*

3. Climate change & environmental risk
Significant judgement is required to assess the impact of climate change on the operations of the business and the carrying value of its assets, including land held in inventory. Climate change has the potential to significantly impact our business strategy through restricting land availability, disrupted build programmes, material and labour shortages and increased costs. No provisions or impairment of assets have been recognised in these financial statements. Scenario analysis is presented in the TCFD section on pages 76 to 85 of the Group's Annual Report.

Adoption of new and revised standards
For the year ended 30 June 2023, the Company has applied the following new and revised standards that were mandatorily effective for an accounting period beginning on or after 1 January 2022:

- Amendments to IFRS 3, "Business combinations", IAS 16, "Property, plant and equipment", and IAS 37, "Provisions, contingent liabilities and contingent assets" and Annual Improvements to IFRS Standards 2018-2020

The adoption of these standards and amendments has not had any material impact on the disclosures or the amounts reported in these financial statements.

Standards not yet applied
There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not been adopted by the Company in preparing the financial statements for the year ended 30 June 2023:

- IAS 1 "Classification of liabilities" (effective 1 January 2023)
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" (effective 1 January 2023)
- Amendments to IAS 12 "Taxation" (effective 1 January 2023)
- Amendments to IAS 1 "Presentation of financial statements" (effective 1 January 2024)

The application of the standards and interpretations not yet applied is not expected to have a material impact on the Company's financial performance or position, or give rise to additional disclosures in the financial statements.

2 Segmental information

The Company's turnover and results arose from, and the Company's net assets are deployed in, residential development in the United Kingdom. All revenue relates to the sale of residential properties.

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.

Notes to the financial statements *(continued)*

3 Exceptional items *(continued)*

The total restructuring expense of £64,000 consists of redundancy costs of £61,000 and professional fees of £3,000. 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. All employees performing work for the Gleeson Homes operating division are employed by Gleeson Developments Limited. Employees effectively work across all three entities within the Gleeson Homes division and therefore the costs recognised in Gleeson Developments (North East) Ltd are an apportionment for the Company. Termination benefits are further disclosed in note 6.

	2023	2022
	£000	£000
Administrative expenses	**64**	-

4 Profit before tax

	Note	**2023**	2022
		£000	£000
Profit before tax is stated after charging:			
Staff costs	*6*	**2,888**	3,340
Depreciation	*8*	**102**	157
Loss on disposal of plant and equipment	*8*	**13**	19
Auditors' remuneration for:			
Audit of these financial statements		**19**	14

No persons were employed by the Company during either the current or prior year as the Company uses employees from within the Group to carry on its activities and is recharged for this service. The Directors are employed by another Group company and receive no emoluments from the Company (2022: nil).

5 Other operating income

	2023	2022
	£000	£000
Other operating income	**14**	12
	14	12

6 Staff costs and key management personnel

All employees performing work for the Gleeson Homes operating division are employed by Gleeson Developments Limited. Employees effectively work across all three entities within the Gleeson Homes division and therefore the costs below are an apportionment for the Company.

The aggregate payroll costs of these employees were as follows:

	2023	2022
	£000	£000
Wages and salaries	**2,423**	2,847
Termination benefits	**61**	-
Share-based payment charge	**2**	38
Social security costs	**310**	354
Other pension costs	**92**	101
	2,888	3,340

Notes to the financial statements *(continued)*

6 Staff costs and key management personnel *(continued)*

Share-based payments costs relate to share options and LTIP schemes provided by MJ Gleeson plc and recharged to the Company. No share options are offered directly by the Company. Further details relating to the Group's share-based payments can be found in note 24 of the Group's financial statements.

The monthly average number of employees during the year was:

	2023	2022
	No.	No.
Office	32	38
Site sales	5	7
Site build	12	14
	49	59

Key management personnel are defined as the Board of Directors, the Chief Executive and Divisional Managing Directors of Gleeson Homes. A summary of key management remuneration is as follows:

	2023	2022
	£000	£000
Short-term employee benefits	92	175
Post-employment benefits	5	7
Share-based payment (credit)/charge[1]	(3)	34
	94	216

[1]Share-based payment reflects the IFRS 2 "Share-based payment" (credit)/charge through the statement of comprehensive income.

Remuneration for two of the Directors was paid by another Group company and is disclosed in the Annual Report of MJ Gleeson plc. An apportionment of this remuneration, including share-based payment (credits)/charges, has been included in the key management remuneration above but is not recognised in the Company's profit before tax. Retirement benefits accrued to two Directors (2022: two) under a defined contribution scheme.

Highest paid Director

	2023	2022
	£000	£000
Aggregate emoluments	23	64
Company contributions to money purchase pension schemes	1	1
	24	65

Notes to the financial statements *(continued)*

7 Tax

	2023 £000	2022 £000
Current tax:		
Current year expense	-	611
Adjustment in respect of prior years	2	-
Total current tax expense	2	611
Deferred tax:		
Current year income	(31)	(1)
Impact of rate change	(6)	3
Adjustments in respect of prior years	(3)	(2)
Total deferred tax credit	(40)	-
Total tax (credit)/charge	(38)	611

The applicable UK corporation tax rate for the year is 20.5% - representing a rate of 19% to 31 March 2023 and 25% effective from 1 April 2023 (2022: standard rate of 19%). The tax assessed for the year end is lower (2022: lower) than the applicable rate of corporation tax in the United Kingdom. The differences are explained below:

	2023 £000	2022 £000
Profit before tax	2,075	3,472
Profit before tax multiplied by applicable rate of corporation tax in the UK of 20.5% (2022: 19%)	425	660
Effects of:		
Non-qualifying depreciation	13	10
Capital allowances super deduction	(3)	(5)
Land remediation relief	(5)	(13)
Transfer pricing adjustments	45	(32)
Group relief claimed	(501)	-
Impact of rate differences	(6)	3
Adjustments in respect of prior years – current tax	2	-
Adjustments in respect of prior years – deferred tax	(3)	(2)
Residential property developers' tax	(5)	(10)
Total tax (credit)/charge for year	(38)	611

Notes to the financial statements *(continued)*

8 Plant and equipment

	Plant and equipment £000
Cost or valuation	
At 1 July 2021	688
Additions	96
Disposal	(110)
At 30 June 2022	674
Additions	109
Disposals	(46)
At 30 June 2023	**737**
Accumulated depreciation	
At 1 July 2021	462
Charge in the year	157
Disposals	(91)
At 30 June 2022	528
Charge in the year	102
Disposals	(33)
At 30 June 2023	**597**
Net book value	
At 1 July 2021	226
At 30 June 2022	146
At 30 June 2023	**140**

Depreciation expense of £15,000 (2022: £33,000) has been charged in cost of sales and £87,000 (2022: £124,000) in administrative expenses.

9 Inventories

	2023 £000	2022 £000
Land	**1,044**	2,275
Work in progress	**5,286**	6,793
	6,330	9,068

The cost of inventories recognised as an expense in cost of sales was £14,508,000 (2022: £19,665,000).

Net realisable value provisions held against inventories at 30 June 2023 were £nil (2022: £nil).

Notes to the financial statements *(continued)*

10 Trade and other receivables

	2023	2022
	£000	£000
Current assets		
Trade receivables	67	276
VAT recoverable	158	550
Other receivables	67	75
Amounts due from Parent Company	8,823	4,013
	9,115	4,914

The Directors consider that the carrying amount of trade and other receivables approximates their fair value and includes an allowance for impairment of trade receivables of £3,000 (2022: £nil). Amounts owed from Group undertakings are unsecured, interest free, and repayable on demand.

See note 13 for reference to credit risk associated with trade and other receivables.

11 Deferred tax assets

The deferred tax asset recognised by the Company and movements thereon during the current and prior year are as follows:

	Plant and equipment	Provisions	Total
	£000	£000	£000
At 1 July 2021	73	-	73
Credit to income	1	-	1
Adjustments in respect of prior years	2	-	2
Impact of rate change	(3)	-	(3)
As at 30 June 2022	73	-	73
(Charge)/credit to income	(18)	49	31
Adjustments in respect of prior years	-	3	3
Impact of rate change	(3)	9	6
As at 30 June 2023	**52**	**61**	**113**

Of the total deferred tax asset, £61,000 (2022: £nil) is expected to be recovered within 12 months of the balance sheet date.

12 Trade and other payables

	2023	2022
	£000	£000
Current liabilities		
Trade payables	645	1,119
Contract liabilities	11	169
Accruals and other payables	2,081	2,065
	2,737	3,353

Contract liabilities relate to customer deposits and exchange monies that have not yet met the performance obligations to be classified as revenue. Of the prior year balance, £165,000 (2022: £172,000) has been recognised in revenue as the performance obligations were met.

Notes to the financial statements *(continued)*

13 Financial instruments

Risk exposure
The Company operates within the central treasury function for the MJ Gleeson plc group. The treasury function arranges loans and funding, invests any surplus liquidity and manages financial risk. Further information is provided within the Annual Report of MJ Gleeson plc.

Credit risk
The Company's credit risk is primarily attributable to its trade and other receivables. The Company applies a simplified approach in calculating expected credit losses. The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The expected credit loss is based on the risk of default estimated by the Company's management based on prior experience, forward-looking assessments of the economic environment and relative counterparty risk.

For this purpose, a default is determined to have occurred if the Company becomes aware of evidence that it will not receive all contractual cash flows that are due. The Directors consider that the carrying value of trade receivables approximates to their fair value and no expected credit loss is recognised as it is wholly immaterial.

The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers (2022: nil).

Trade receivables ageing
The ageing of gross trade receivables at the reporting date was:

	2023	2022
	£000	£000
Not past due	**69**	275
Past due 0-30 days	**-**	-
Past due 31-120 days	**-**	-
Past due 121-365 days	**1**	-
More than one year	**-**	1
	70	276

The movement in the allowance for impairment of trade receivables was as follows:

	2023	2022
	£000	£000
Balance at 1 July	**-**	-
Impairment loss recognised	**4**	-
Release of impairment allowance	**(1)**	-
Balance at 30 June	**3**	-

Trade and other receivables deemed to have no reasonable expectation of recovery following unsuccessful attempts to pursue the debt are written off in the financial statements, but are still subject to enforcement activity. Subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income.

Interest rate risk
Amounts owed to Group undertakings are unsecured, interest free and repayable on demand.

Fair values
The fair value of the Company's financial assets and liabilities are not materially different from the carrying values.

Notes to the financial statements *(continued)*

13 Financial instruments *(continued)*

Capital risk management

The Company regards its capital being the equity as shown in the statement of changes in equity and note 14 to these financial statements.

The primary objective of the Group's capital management, of which the Company is a part of, is to ensure that the Group maintains investor, creditor and market confidence, to support its business and to maximise shareholder value. The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders and issue or return capital to shareholders.

The Company is not subject to externally imposed capital requirements.

Liquidity risk

The Company meets its day-to-day liquidity requirements through cash surpluses and Group working capital facilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Non-derivative financial liabilities

At 30 June 2023

	Carrying amount £000	**Undiscounted contractual cash flows £000**	**On demand or within 6 months £000**	**6-12 months £000**	**1-2 years £000**
Trade payables	**645**	**645**	**645**	-	-
Accruals and other payables	**2,081**	**2,081**	**2,081**	-	-
	2,726	**2,726**	**2,726**	-	-

At 30 June 2022

	Carrying amount £000	Undiscounted contractual cash flows £000	On demand or within 6 months £000	6-12 months £000	1-2 years £000
Trade payables	1,119	1,119	1,119	-	-
Accruals and other payables	2,065	2,065	2,065	-	-
	3,184	3,184	3,184	-	-

14 Share capital

	2023 Number of shares	**£000**	2022 Number of shares	£000
Issued and fully paid				
Ordinary shares of £1 each	**1,000,000**	**1,000**	1,000,000	1,000

Notes to the financial statements *(continued)*

15 Employee benefits

Defined contribution pension plan

MJ Gleeson plc, the ultimate parent undertaking, operates a defined contribution pension scheme for the benefit of Group employees. The assets of the scheme are administered by trustees in a fund independent from those of the Company. The pension charge represents contributions payable by the Company to the scheme, at rates specified in the plan rules, and amounted to £92,000 (2022: £101,000). At 30 June 2023, contributions of £15,000 (2022: £20,000) due in respect of the current reporting year had not been paid over to the pension plan. Since the year end this amount has been paid.

16 Related party transactions

The Company has a related party relationship with its Parent Company (MJ Gleeson plc) and other subsidiaries of MJ Gleeson plc as well as key management personnel. Key management personnel are defined as the Board of Directors, the Chief Executive and Divisional Managing Directors of Gleeson Homes, and information regarding their compensation can be found in note 6. There were no other transactions between the Company and key management personnel.

Transactions between the Company and other companies in the Group are instances where transactions are paid by one company then recharged to another. The transactions in the year were as follows:

	2023 **£000**	2022 £000
Cost recharges received/receivable from fellow subsidiaries	**9**	**13**
Cost recharges paid/payable to fellow subsidiaries	**3,133**	**3,503**
Cost recharges received/receivable from Parent Company	**9**	**7**
Cost recharges paid/payable to Parent Company	**160**	**217**

The total outstanding balances at the year end are disclosed in note 10. Amounts owed by Group companies are unsecured, repayable on demand and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

17 Capital commitments

The Company has no capital commitments at 30 June 2023 (2022: £nil).

18 Guarantees and bonds

The Company, together with certain other companies in the Group, has given cross guarantees in respect of the bank facilities available to Group undertakings in the normal course of business. At 30 June 2023, borrowings covered by these guarantees amount to £nil (2022: £nil). In the opinion of the Directors, no loss is expected to arise in connection with these matters.

At 30 June 2023, the Group, of which the Company is a part, had bonds and securities with the NHBC of £47,895,000 (2022: £41,149,000) provided in support of ongoing contracts within the Group.

19 Ultimate parent undertaking and parent undertaking of larger group of which the Company is a member

The Company is a subsidiary undertaking of MJ Gleeson plc (registered in England and Wales), its ultimate parent undertaking and controlling party.

The smallest and largest group in which the results of the Company are consolidated is that headed by MJ Gleeson plc. The consolidated financial statements of this Group may be obtained from the Company Secretary at its registered office, 6 Europa Court, Sheffield Business Park, Sheffield S9 1XE, or from the website www.mjgleesonplc.com.