MJ GLEESON PLC

Audited results for the year ended 30 June 2017

MJ Gleeson plc, the community regeneration housebuilder and strategic land specialist, is pleased to announce another strong performance with profit before tax up 17%, cash flow up 42% and a proposed final dividend of 17.5p per share.

	2017 £m	2016 £m	Change
Revenue	160.4	142.1	+13%
Operating profit	33.0	28.2	+17%
Profit before tax	33.0	28.2	+17%
EPS	48.5	42.6	+14%
Net cash flow from operating & investing activities	19.7	13.9	+42%
Cash and cash equivalents	34.1	23.2	+47%
ROCE	25.4%	23.2%	+220b.p.
Dividend per share	24.0p	14.5p	+66%

Strong performance across the Group and confident in outlook

Gleeson Homes:

- Operating profit increased to £22.8m (2016: £19.5m)
- 1,013 units sold (2016: 904 units)
- Average Selling Price £122,700 (2016: £125,700) due to completion of the final legacy site and mix
- Target to double unit sales to 2,000 p.a. within 5 years
- Land pipeline, including conditionally purchased sites, of 11,588 plots (2016: 9,284 plots)

Gleeson Strategic Land:

- Operating profit of £12.0m (2016: £10.2m) driven by increase in transactions during the year
- Eight land sales completed during the year with the potential to deliver 841 residential plots
- Planning consent secured during the year for 1,495 residential plots
- Portfolio: 65 sites with the potential to deliver 21,505 plots

Final dividend of 17.5 pence per share proposed (2016: 10.0 pence per share), resulting in total dividend for the year up 66% to 24.0 pence per share (2016: 14.5 pence per share).

Dermot Gleeson, Chairman of MJ Gleeson plc, said:

"Our twin track strategy – the development of low cost homes for open market sale in the North of England and strategic land sales in the South – delivered another excellent year of increased volumes, margins, profit and cash.

Gleeson Homes achieved its milestone target of 1,000 unit sales per annum and has set a new milestone target of 2,000 unit sales per annum within the next 5 years. Affordability remains very attractive and demand exceeds supply, with buyers queueing on site opening days. The division opened another area office in Nottinghamshire, bringing the total number of area offices to seven plus two pilot offices, and has a pipeline of owned and conditionally purchased sites containing 11,588 plots, equivalent to more than 11 years of sales at current build rates.

Gleeson Strategic Land also had a record year and continues to benefit from strong demand for consented land in prime locations from both medium sized and large housebuilders. The division has a strong pipeline of sites, predominantly in the South of England, which have the opportunity of developing 21,505 plots, and anticipates continuing to enjoy a high level of success in promoting commercially attractive sites through the planning system.

The Board is confident in the Group's short and longer term outlook."

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Chairman’s Statement

I am pleased to report a milestone year for volumes and another excellent year of growth in margins, profit and cash.

Gleeson Homes exceeded 1,000 unit sales for the first time, increasing volumes by 12.1% to 1,013 units (2016: 904 units). Gross margins on plot sales strengthened to 33.0% as a result of changes to site mix, increase in selling prices and robust cost controls resulting in a 16.9% increase in operating profit to £22.8m (2016: £19.5m). Taking advantage of relatively low land prices in its target areas in the North of England, the division increased its land pipeline by 2,304 plots and 24 sites.

Gleeson Strategic Land increased operating profit by 17.6% to £12.0m (2016: £10.2m) by continuing to secure attractive residential planning consents and satisfying demand for development sites from both medium sized and large housebuilders.

Profit before tax increased by 17.0% to £33.0m (2016: £28.2m). Profit for the year attributable to equity holders of the parent company was £26.2m (2016: £23.0m).

Earnings per share grew by 13.8% to 48.5p (2016: 42.6p).

Return on capital employed increased by 220 basis points to 25.4% (2016: 23.2%).

Market context

Demand for low cost homes in the North of England was very strong with long queues forming on launch days at new development sites.

Affordability for low income families buying a Gleeson home remained attractive and mortgage availability continued to support the young first time buyers who make up a large proportion of Gleeson Homes buyers.

The Government’s White Paper on housing, published in February 2017, was supportive of the approach to affordable housing on which Gleeson Homes’ business model is based and contains proposals which will, if adopted, make it easier for the division to secure planning permissions.

Gleeson Strategic Land continued to experience strong demand from both medium-sized and large housebuilders for consented land in high value areas in the South of England and attracted multiple bidders for all of its land sales.

Land

We remain one of the few developers building low cost homes on brownfield sites in challenging communities and such sites continue to be available at relatively low cost. The Gleeson Homes’ land pipeline grew by 2,304 plots and 24 sites to a record high of 141 sites (2016: 117), comprising 11,588 plots owned or conditionally purchased (2016: 9,284). The division will continue to commence building on sites as soon as a fully implementable planning permission is obtained.

Gleeson Strategic Land continued to source developable sites in the South of England. During the year it obtained planning consent on 6 sites; and entered agreements involving 6 new sites, potentially providing development opportunities on an additional 1,846 plots. Demand for prime sites with planning consent in the South of England from a wide range of housebuilders remains extremely strong.

Employees

The Group’s strong performance during the year reflects the dedication and hard work of our employees. On behalf of the Board, I would like to congratulate and thank them very warmly indeed.

The average number of employees during the year increased to 370 (2016: 314). The actual number of employees at the year-end was 405 (2016: 333).

Dividends

Reflecting the Group's strong financial performance and our confidence in the prospects for the current year and beyond, the Board is recommending a final dividend for the year of 17.5 pence per share (2016: 10.0 pence per share). Combined with the interim dividend, this will give a total dividend for the year of 24.0 pence per share (2016: 14.5 pence per share), an increase compared to the previous year of 65.5%.

Subject to shareholder approval at the Annual General Meeting ("AGM"), the final dividend will be paid on 14 December 2017 to shareholders on the register at close of business on 17 November 2017. The Board aims to maintain ordinary dividend cover between two and three times for the foreseeable future.

Summary

We have started the new financial year in a strong position. Robust customer demand and continuing site availability will allow Gleeson Homes to continue to grow volumes and profit. Following the achievement in June of the division's interim target of 1,000 unit completions per annum, the Board has now set a new target of 2,000 unit completions per annum within 5 years. Meanwhile, Gleeson Strategic Land continues to experience strong demand for consented greenfield sites. Against this background, the Board is confident that the Group has significant scope to grow both revenue and profits in the current year and beyond.

Dermot Gleeson
Chairman
22 September 2017

STRATEGIC REPORT

Chief Executive's Statement

Operational Performance

Gleeson Homes continued to grow volume and margins and grew operating profits by 16.9% to £22.8m. Gleeson Homes increased its land pipeline by 24.8% to the equivalent of 11.4 years sales at current build rates and active outlets increased by 23% to 59 sites. Whilst we have a growing pipeline, we always apply for planning permission at the earliest possible date and start building as soon as we receive it.

Gleeson Strategic Land increased land sales to 8 sites leading to operating profits growing by 17.6% to £12.0m.

The result of the Group's disciplined approach to investment was a £10.8m increase in our cash balances to £34.1m and a 220 basis points increase in return on capital employed to 25.4%.

Gleeson Homes

Demand for Gleeson Homes remained strong with net reservations taken during the second half of the financial year increasing by 45% compared to the same prior year period. Mortgages remain highly affordable and available to our customers. Two thirds of our customers use the Government's Help-to-Buy scheme; the highest priced home that used the scheme, at £183,445 is significantly below the current Help-to-Buy limit of £600,000. The average priced house purchased with Help-to-Buy was £122,210.

There has been a great deal of media comment about the difficulties young people face purchasing a home, but typical Gleeson Homes buyers are blue collar workers aged between 18 and 33. This year we sold 60 houses to people aged 21 or under. The Real Living Wage (of which we are great supporters) has helped the working class young to qualify for a mortgage and their ability to earn paid overtime enables them to save a deposit.

Our chosen segment of the market is large, mostly untapped and not really affected by the vagaries of politics or the general economy. This is because the outgoings relating to the purchase of one of our homes are significantly less than renting a council or housing association house. If a young blue collar couple want to reduce their outgoings they should buy a Gleeson home.

We recently announced our intention to double unit sales from our original medium term target of 1,000 units p.a. to 2,000 units p.a., within 5 years and expect to either maintain or grow margins. To achieve this, we're:

- Growing the pipeline of owned and conditionally purchased sites by acquiring land in existing and new areas; we now have 141 sites in the pipeline.
- Investing in new office locations; we now have 7 area offices in the North and North Midlands and 2 new pilot offices in Cumbria and East Yorkshire.
- Developing our management team across all levels including Build Managers and Site Managers.
- Developing our employee and key sub-contractor process for finding and retaining key people.
- Continuing our unrelenting focus on cost reduction in order to offset material and employment cost pressures.
- Continuing to listen to our customers to ensure we provide what they need to buy a Gleeson Home.

This is why we are confident that we can double the size of the Gleeson Homes business within five years. We intend expanding in an orderly manner and will put the right people in the right place to deliver that expansion.

Responsible house building

Helping young people out of housing poverty and the rent trap is very rewarding in every way and our responsible business model endeavours to work with our customers and engage with them to our mutual benefit.

Our business model is founded on a close engagement with our customers and their communities, productive cooperation with local landowners, empowerment of our people and fair treatment of our supply chain to ensure that we are building a best in class product.

Our model is unique and is driving growth which mutually benefits our customers, our communities, and our shareholders.

I have never understood the need to sell properties leasehold and our only two leasehold sites are part of an arrangement stipulated by Burnley Council. The ground rent is low and we have reduced it even further to a peppercorn.

We make it our priority to make the house buying process fully transparent to our customers:

- We charge a fee of £200 for covering our costs for vetting architects' drawings and giving permissions for extensions and conservatories but we do not charge for minor permissions.

- Householders on certain sites pay third parties to maintain open space areas. These charges are generally around £100 per year per house and are challengeable by residents.

- There are no other "hidden" costs or charges.

We ask our Mortgage Consultants to stay in contact with our customers for at least two years after purchase in order to help them manage their new financial environment. A two year fixed interest-mortgage can often be re-negotiated to our customer's advantage and we certainly don't want them to take out any pay-day loans.

We are accredited to and great supporters of the Living Wage Foundation which has helped many of our customers become homeowners.

We pay our suppliers and subcontractors promptly and we reward good quality and service by paying our A* subcontractors within a week.

Gleeson Homes prides itself in being active in the communities in which it operates. We have sponsored 79 junior sports teams in the last 5 years and we are currently sponsoring 25.

We have regular community challenge makeovers where local community facilities are refurbished to give local charities and sports facilities better homes. We will be doing three this year which with contributions from suppliers and subcontractors will between them have a cost of around £100,000. We are proud to make a real difference and members of our staff roll up their sleeves and help at weekends.

We have registered YourWatch® as a trade name and we are now able to license it to other organisations. This is a social media platform substitute for Neighbourhood Watch which works extremely well in some of the more socially challenging areas in which we build; it contributes to a reduction in crime and gives our customers a sense of security.

My team are dedicated to all of the above and to developing the financial performance of the business unit.

Our forward order book has never been stronger and we are looking forward to another successful year.

Our unique model will continue to create thriving communities and to drive our business forward to our 2,000 units p.a. target.

Strategic Land

Significant investment over the last few years has led to a growth in operating profit of 17.6% to £12.0m from 8 transactions completed in the year.

Although most major house builders have strong land banks there is always a healthy demand for good land from either major players or mid-range house builders looking for replacement sites.

We do not take the risk of purchasing land outright, preferring to take out options or similar agreements. This low risk and low cost approach has enabled us to invest heavily in the promotion of sites through the planning process and build up a strong portfolio.

Our highly skilled business unit based in Fleet in Hampshire is growing its team in order to support our recent investment which will result in even greater consistency in the flow of transactions.

Current Trading & Outlook

We have plenty of land on which to build homes, people to build them and a strong management team that can grow in a profitable and disciplined way. Demand and affordability of Gleeson Homes continues to be strong. The Gleeson Strategic Land portfolio is in good shape and demand remains strong from other housebuilders. The uplift in dividend signals our confidence in continued cash generative growth. We look forward to delivering our new target of doubling Gleeson Homes volumes to 2,000 p.a. within 5 years.

We are confident the current financial year will be another excellent year for the Group.

Jolyon Harrison
Chief Executive Officer
22 September 2017

Gleeson Homes – Business Performance

Gleeson Homes' results for the year were as follows:

	2017	2016	% change
Units sold	1,013	904	12.1%
Operating profit*	£22.8m	£19.5m	16.9%
Land pipeline (units)	11,588	9,284	24.8%

*2017 includes £1.0m profit on land sales (2016: £nil), of which £0.4m related to the sale of a legacy property (2016: £nil)

1,013 homes were sold during the year, an increase of 12.1% on the prior year's total of 904. During the year Gleeson Homes opened 20 new sites and had on average 50 selling outlets open compared to 43 during the prior year. The outlets are located across the North of England[1]. The number of outlets at the end of the year increased to 59 compared to 48 at the prior year end and is expected to increase to over 60 during the course of the current financial year.

The average selling price ("ASP") for the homes sold in the year was £122,700 (2016: £125,700). The decrease was influenced by a combination of factors: the completion of the final legacy site which had a high ASP, mix of site locations and the mix of 2, 3 and 4 bed homes sold. Our aim is to keep ASP increases modest in order to ensure that our homes remain affordable to our customers.

Gross profit margin on units sold increased to 33.0% (2016: 31.1%) due to completion of the final low margin legacy site and a small increase in selling prices.

Gleeson Homes	2013	2014	2015	2016	2017
Gross margin on unit sales	27.8%	29.8%	29.6%	31.1%	33.0%
Operating margin on unit sales	8.4%	13.3%	15.8%	17.1%	17.5%

* Excludes profit on land sales of £1.0m in 2017; £nil in 2016; £2.7m in 2015; and £0.3m in 2014

The increase in the volume of homes sold along with the improved gross profit margin on units sold has resulted in gross profit on units sold increasing by 15.8% to £41.0m (2016: £35.4m). In addition gross profit on land sales added a further £1.0m (2016: £nil) resulting in total gross profit of £42.0m (2016: £35.4m).

Operating profit on unit sales increased 11.8% to £21.8m (2016: £19.5m). Operating profit on land sales was £1.0m (2016: £nil). Gleeson Homes reported total operating profit of £22.8m (2016: £19.5m).

Gleeson Homes has a large range of bespoke packages to assist customers to become homeowners, including "Save and Build", "First Rung", "Advance to Buy", "Parents Invest" and "Aspire to Own". The Government's Help to Buy Scheme remains popular amongst many of our customers, with 66% of the homes sold in the year utilising this scheme.

Mortgage availability and affordability continued to be strong during the year as the bank base rate remained at historically low levels. As a result, the cost of buying a Gleeson home continued to be more affordable than social rent and will remain so even in the event of modest increases in borrowing costs. We are encouraged by the Government White Paper 'Fixing our broken housing market' published in February 2017 and the definition of Affordable Homes, which should make it easier for planning authorities to provide consent for Gleeson developments.

Gleeson Homes was able to continue to acquire land in the North of England at relatively low cost. This was a busy year of land acquisition which saw the land pipeline grow by 24 sites to a total of 141 at year end; 45 new sites were added to the pipeline, while 21 sites were either completed or we did not proceed to purchase. In terms of units, the pipeline grew by 2,304 units to stand at 11,588 units at June 2017. Of these units 5,320 are owned (2016: 4,357) and 6,268 units are conditionally purchased (2016: 4,927). In addition to owned and conditionally purchased units, there are a further 465 (2016: 997) units which are being actively considered for acquisition but will only proceed to purchase if they meet our strict returns criteria.

[1] Outlets located in Cleveland, County Durham, Derbyshire, Lancashire, Greater Manchester, Merseyside, Northumberland, North Yorkshire, Nottinghamshire, Tyne and Wear, South Yorkshire and West Yorkshire.

Gleeson Strategic Land – Business Performance

	2017	2016	% change
Land sales (no. of sites)	8	7	14.3%
Revenue	£29.9m	£28.4m	5.3%
Operating profit	£12.0m	£10.2m	17.6%

Revenue from Gleeson Strategic Land grew by 5.3% to £29.9m (2016: £28.4m) as the number of successful land transactions increased to 8 (2016: 7). The sites sold, which totalled 126 acres, had the potential to deliver 841 plots (2016: 822 plots) for new housing development.

Operating profit shows the value added by Gleeson Strategic Land on land transactions through securing highly attractive residential planning consents and managing the sale to developers. Operating profit increased by 17.6% to £12.0m (2016: £10.2m) largely driven by the increase in transactions during the year and mix of sites sold.

Gleeson Strategic Land	2013	2014	2015	2016	2017
Operating profit	£3.5m	£4.8m	£8.1m	£10.2m	£12.0m
Number of sites sold	6	7	5	7	8
Number of plots sold	443	617	663	822	841

We continue to see strong demand from a wide range of developers, looking to acquire well located land with planning consent, including both large national and mid-sized house builders. The land market, particularly for sites in prime locations, remains strong despite the uncertainties caused by Brexit and the UK General Election in June 2017, with developers still continuing to need land.

At the year end, our Strategic Land business had a portfolio totalling 65 sites (2016: 68 sites) with the potential to deliver 21,505 plots (2016: 21,111 plots) plus a 60 bed care home and 67 acres of commercial land. The portfolio comprises 1,454 plots (2016: 1,454 plots) that were wholly or part owned by the Group; 10,020 plots (2016: 10,540 plots) that were held under option; and 10,031 plots (2016: 9,009 plots) that were the subject of promotion agreements.

The portfolio is at varying stages through the planning system and, at 30 June 2017, we had 11 sites consented (2,353 plots plus a 60 bed care home) and ready to be sold; 14 sites had a planning application submitted or are being appealed / judicially challenged, and 15 sites had applications being worked up prior to submission. The balance of the portfolio consists of sites which are being promoted through the development plan process.

During the year, we secured planning consents for some 1,495 plots and acquired interests in 6 new sites plus additional land at an existing site. One option was allowed to lapse as it was no longer commercially viable to extend. We continue to invest in replenishing the portfolio with high quality new sites and in advancing existing sites in the portfolio through the planning process. Opportunities for new sites readily come forward and we use our expertise to select and promote those sites where we can deliver the maximum value for stakeholders.

Our portfolio continues to have a geographic bias towards the South of England[1] and sites in the portfolio are forecast to realise maximum value over a mix of short, medium and long term periods.

[1] Sites are located predominantly in Buckinghamshire, Devon, Dorset, Essex, Hampshire, Hertfordshire, Kent, Oxfordshire, Somerset, Surrey, Sussex and Wiltshire.

Financial Review

Highlights

- Revenue increased by 12.9% to £160.4m
- Gross margin on Gleeson Homes unit sales increased to 33.0% from 31.1%
- Operating margin on Gleeson Homes unit sales increased to 17.5% from 17.1%
- Profit before tax increased by 17.0% to £33.0m
- Earnings per share increased by 13.8% to 48.5 pence
- Cash flow from operating & investing activities increased by 41.7% to £19.7m
- Cash balances increased by 47.0% to £34.1m
- Return on Capital Employed (ROCE) increased by 220 basis points to 25.4%
- Total dividend for the year increased by 65.5% to 24.0 pence per share

Consolidated Income Statement

Revenue increased by 12.9% in the year to £160.4m (2016: £142.1m). The revenue of Gleeson Homes increased by 14.9% to £130.5m (2016: £113.6m) due to an increase in the number of homes sold to 1,013 (2016: 904) and including £6.2m from the sale of land and a legacy property (2016: £nil). This was partly offset by a fall in average selling price ("ASP") to £122,700 (2016: £125,700) due to a combination of the completion of the final legacy site which had a high ASP, mix of site locations and the mix of 2, 3 and 4 bed homes sold.

	2013	**2014**	**2015**	**2016**	**2017**
Group profit before tax	£5.8m	£12.2m	£17.3m	£28.2m	£33.0m

Revenue for Gleeson Strategic Land increased by £1.5m to £29.9m, due to the increased sales activity during the year and mix of sites sold.

Gross profit increased by 19.1% to £56.7m (2016: £47.6m). The gross profit of Gleeson Homes increased by 18.9% to £42.1m (2016: £35.4m) due to the increase in volume, completion of the final low margin legacy site, a small increase in selling prices and the profit on land sales. The gross profit of Gleeson Strategic Land increased by 20.5% to £14.7m (2016: £12.2m) primarily due to the increase in sites sold during the year.

Administrative expenses include sales & marketing costs for Gleeson Homes, along with the administrative overheads for Gleeson Strategic Land and the whole Group. Overall administrative expenses increased by £4.7m (24.2%) as a result primarily of further investment for growth in Gleeson Homes and wages and salary cost increases. This included investment in a new regional office that opened during the year near Nottingham and full year costs for the new regional offices at Wakefield and St. Helens, which opened during the previous year. In addition, the number of active sales outlets increased to a total of 59 from 48 at the end of the prior year.

Operating profit from continuing operations was £33.0m (2016: £28.2m), an increase of 17.0% over the previous year. Growth in operating profit was driven by strong trading results in both Gleeson Homes and Gleeson Strategic Land.

Operating profit by division

Operating profit for Gleeson Homes increased by 16.9% to £22.8m, including operating profit on land sales of £1.0m (2016: £nil).

Operating profit for Gleeson Strategic Land increased by 17.6% to £12.0m as a result of the increase in transactions during the year to 8 (2016: 7).

Divisional operating profit*	2013	2014	2015	2016	2017
Gleeson Homes	£4.0m	£9.4m	£17.4m	£19.5m	£22.8m
Gleeson Strategic Land	£3.5m	£4.8m	£8.1m	£10.2m	£12.0m

* Gleeson Homes operating profit includes profit on land sales of £1.0m in 2017; £nil in 2016; £2.7m in 2015; and £0.3m in 2014

Discontinued operations incurred a loss of £0.3m during the year (2016: loss £0.3m). This related to the costs of Gleeson Construction Services Limited, whose only activity is limited to resolving contractual claims from the businesses that were sold in 2005 and 2006. The level of claims has now reduced to an insignificant level.

Return on capital employed

Return on capital employed increased by 220 basis points to 25.4% (2016: 23.2%) reflecting stronger earnings against capital employed, which increased from £125.1m to £132.3m.

	2013	2014	2015	2016	2017
Return on capital employed	10.2%	13.7%	21.1%	23.2%	25.4%

Financing

Financial income of £0.3m (2016: £0.5m) consists primarily of the unwinding of discounts on deferred receivables on land sales and shared equity receivables. Interest earned on unwinding of discounts was lower than the prior year as a result of carrying fewer deferred receivables and shared equity receivables during the year.

Financial expenses of £0.2m (2016: £0.4m) consist of interest payable on bank loans and overdrafts, bank charges and interest and unwinding of discounts relating to deferred payments on land purchases.

Tax

A tax charge for continuing operations of £6.5m (2016: £4.9m) has been recorded reflecting the increase in taxable profits for the year.

Deferred tax assets relating to unused tax losses have been recognised to the extent that it is probable that taxable profits will be available against which the asset can be utilised. The Group now has £26.7m (2016: £28.3m) of gross tax losses, of which £17.8m (2016: £20.1m) is recognised in calculating the deferred asset.

The tax charge attributable to discontinued operations was £0.1m (2016: £nil).

The deferred tax asset recorded within the consolidated statement of financial position totals £5.0m (2016: £4.6m).

Profit for the year

The profit for the year attributable to equity holders was £26.2m (2016: £23.0m).

Earnings per share

Reported basic earnings per share increased by 13.8% to 48.5 pence (2016: 42.6 pence).

Final dividend

Reflecting the financial strength of the Company as well as our confidence in the short term outlook, the Board has proposed a final dividend of 17.5 pence per share (2016: 10.0 pence per share).

Combined with the interim dividend, the dividend for the full year totals 24.0 pence being an increase of 65.5% on the prior year (2016: 14.5 pence per share).

The Board aims to maintain ordinary dividend cover between two and three times for the foreseeable future.

Total dividend	**2013**	**2014**	**2015**	**2016**	**2017**
Interim and final dividend	2.5p	6.0p	10.0p	14.5p	24.0p

Statement of Financial Position

During the year to 30 June 2017, shareholders' funds increased by 12.1% to £171.4m (2016: £152.9m). Net assets per share increased to 317 pence, an increase of 12.0% year on year (2016: 283 pence).

In the year, non-current assets increased by 6.5% to £21.2m (2016: £19.9m). The main reasons for the change are the increase in trade receivables of £1.8m offset by a £0.9m reduction of share equity receivables, in addition to £0.4m of additional deferred tax recognised.

Current assets increased by 21.0% to £194.5m (2016: £160.8m), with inventories increasing by £28.4m to £142.6m, trade and other receivables decreasing by £5.4m to £17.9m and cash balances increasing by £10.8m to £34.1m.

Total liabilities increased by 60.3% to £44.4m (2016: £27.7m). This was mainly due to trade and other payables of £41.6m (2016: £26.9m) being £14.7m higher due to higher build activity.

Cash flow

The Group generated £19.7m (2016: £13.9m) of cash in the year before the payment of dividends of £8.9m (2016: £6.4m), resulting in a net cash balance at 30 June 2017 of £34.1m (2016: £23.2m).

Operating cash flows before working capital movements, generated £34.1m (2016: £29.1m). Investment in working capital of £10.0m (2016: £11.6m) resulted in cash generated from operating activities of £24.1m (2016: £17.5m).

Tax and interest payments amounted to £4.6m (2016: £3.7m).

Cash generated from investing activities totalled £0.2m (2016: £0.0m). Net cash outflows from financing activities totalled £8.9m (2016: £6.4m), including £8.9m (2016: £6.4m) on dividend payments.

	2013	**2014**	**2015**	**2016**	**2017**
Cash balance	£9.9m	£13.7m	£15.8m	£23.2m	£34.1m

Treasury risk management

The Group's cash balances are centrally pooled and invested, ensuring the best available returns are achieved consistent with retaining sufficient liquidity for the Group's operations. The Group deposits funds only with financial institutions which have a minimum credit rating of A.

As the Group operates wholly within the UK, there is no requirement for currency risk management.

Bank facilities

The Group has maintained its £20.0m committed working capital facility with Lloyds Bank plc which currently expires in March 2019. The facility includes an un-committed accordion option that could increase the facility size to £40.0m. The facility provides the Group with additional flexibility and was undrawn throughout the year and at the balance sheet date.

Pension

The Group contributes to a defined contribution pension scheme. A charge of £0.6m (2016: £0.5m) was recorded in the consolidated income statement for pension contributions. The Group has no exposure to defined benefit pension plans.

Stefan Allanson
Chief Financial Officer
22 September 2017

CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2017

	2017	2016
	£000	£000
Continuing operations		
Revenue	**160,384**	142,065
Cost of sales	**(103,674)**	(94,509)
Gross profit	**56,710**	47,556
Administrative expenses	**(24,051)**	(19,390)
Other operating income	**304**	-
Operating profit	**32,963**	28,166
Financial income	**251**	512
Financial expenses	**(202)**	(440)
Profit before tax	**33,012**	28,238
Tax	**(6,488)**	(4,934)
Profit for the year from continuing operations	**26,524**	23,304
Discontinued operations		
Loss for the year from discontinued operations (net of tax)	**(310)**	(345)
Profit for the year	**26,214**	22,959
Earnings per share attributable to equity holders of parent company		
Basic	**48.49 p**	42.59 p
Diluted	**47.75 p**	42.51 p
Earnings per share from continuing operations		
Basic	**49.06 p**	43.23 p
Diluted	**48.31 p**	43.15 p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2017

	2017	2016
	£000	£000
Profit for the year	**26,214**	22,959
Other comprehensive income/(expense)		
Items that may be subsequently reclassified to profit or loss		
Change in value of available for sale financial assets	**(104)**	(584)
Recognition of deferred tax on share-based payments	**665**	-
Other comprehensive income/(expense) for the year, net of tax	**561**	(584)
Total comprehensive income for the year attributable to equity holders of parent company	**26,775**	22,375

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2017

	2017	2016
	£000	£000
Non-current assets		
Plant and equipment	**1,484**	1,274
Investment properties	**303**	506
Trade and other receivables	**14,427**	13,527
Deferred tax assets	**5,001**	4,567
	21,215	19,874
Current assets		
Inventories	**142,550**	114,238
Trade and other receivables	**17,925**	23,284
Cash and cash equivalents	**34,052**	23,244
	194,527	160,766
Total assets	**215,742**	180,640
Non-current liabilities		
Trade and other payables	**(703)**	-
Provisions	**(110)**	(100)
	(813)	(100)
Current liabilities		
Trade and other payables	**(40,924)**	(26,904)
Provisions	**(101)**	(111)
UK corporation tax	**(2,533)**	(620)
	(43,558)	(27,635)
Total liabilities	**(44,371)**	(27,735)
Net assets	**171,371**	152,905
Equity		
Share capital	**1,082**	1,082
Share premium account	**-**	23
Available for sale reserve	**(688)**	(584)
Retained earnings	**170,977**	152,384
Total equity	**171,371**	152,905

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2017

	Share capital £000	Share premium account £000	Available for sale reserve £000	Retained earnings £000	**Total equity £000**
At 1 July 2015	1,074	23	-	135,432	**136,529**
Total comprehensive income for the year					
Profit for the year	-	-	-	22,959	**22,959**
Other comprehensive expense	-	-	(584)	-	**(584)**
Total comprehensive income for the year	-	-	(584)	22,959	**22,375**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue	8	-	-	-	**8**
Purchase of own shares	-	-	-	(46)	**(46)**
Share-based payments	-	-	-	420	**420**
Dividends	-	-	-	(6,381)	**(6,381)**
Transactions with owners, recorded directly in equity	8	-	-	(6,007)	**(5,999)**
At 30 June 2016	1,082	23	(584)	152,384	**152,905**
Total comprehensive income for the year					
Profit for the year	-	-	-	26,214	**26,214**
Other comprehensive income	-	-	(104)	665	**561**
Total comprehensive income for the year	-	-	(104)	26,879	**26,775**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Adjustment to share premium	-	(23)	-	-	**(23)**
Purchase of own shares	-	-	-	(22)	**(22)**
Share-based payments	-	-	-	660	**660**
Dividends	-	-	-	(8,924)	**(8,924)**
Transactions with owners, recorded directly in equity	-	(23)	-	(8,286)	**(8,309)**
At 30 June 2017	1,082	-	(688)	170,977	**171,371**

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 30 June 2017

	2017	2016
	£000	£000
Operating activities		
Profit before tax from continuing operations	**33,012**	28,238
Loss before tax from discontinued operations	**(228)**	(336)
	32,784	27,902
Depreciation of plant and equipment	**818**	763
Share-based payments	**660**	420
Profit on sale of available for sale financial assets	**(216)**	(73)
Loss on sale of plant and equipment	**147**	129
Loss on sale of investment properties	**9**	-
Impairment of investments in joint ventures	**-**	15
Financial income	**(251)**	(512)
Financial expenses	**202**	440
Operating cash flows before movements in working capital	**34,154**	29,084
Increase in inventories	**(28,312)**	(6,016)
Decrease/(increase) in receivables	**3,650**	(604)
Increase/(decrease) in payables	**14,633**	(4,940)
Cash generated in operating activities	**24,124**	17,524
Tax paid	**(4,426)**	(3,224)
Interest paid	**(135)**	(440)
Net cash flows from operating activities	**19,563**	13,860
Investing activities		
Proceeds from disposal of available for sale financial assets	**1,154**	926
Proceeds from disposal of investment properties	**194**	-
Proceeds from disposal of plant and equipment	**5**	8
Interest received	**18**	-
Purchase of plant and equipment	**(1,180)**	(940)
Net cash flows from investing activities	**191**	(6)
Financing activities		
Proceeds from issue of shares	**-**	8
Purchase of own shares	**(22)**	(46)
Dividends paid	**(8,924)**	(6,381)
Net cash flows from financing activities	**(8,946)**	(6,419)
Net increase in cash and cash equivalents	**10,808**	7,435
Cash and cash equivalents at beginning of year	**23,244**	15,809
Cash and cash equivalents at end of year	**34,052**	23,244

1. Accounting policies

Statement of compliance

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union ("IFRSs").

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 2017 or 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies, and those for 2017 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 2016. Of the new standards, amendments and interpretations that are in issue and mandatory for the financial year ended 30 June 2017, there is no financial impact on these preliminary results.

2. Segmental analysis

The Group is organised into the following two operating divisions under the control of the Executive Board, which is identified as the Chief Operating Decision Maker as defined under IFRS 8 'Operating Segments':

- Gleeson Homes
- Gleeson Strategic Land

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

	2017	2016
	£000	£000
Revenue		
Continuing activities:		
Gleeson Homes	**130,492**	113,633
Gleeson Strategic Land	**29,892**	28,432
	160,384	142,065
Discontinued activities	**-**	-
Total revenue	**160,384**	142,065
Profit on activities		
Gleeson Homes	**22,760**	19,465
Gleeson Strategic Land	**12,040**	10,163
	34,800	29,628
Administrative expenses	**(1,837)**	(1,462)
Financial income	**251**	512
Financial expenses	**(202)**	(440)
Profit before tax	**33,012**	28,238
Tax	**(6,488)**	(4,934)
Profit for the year from continuing operations	**26,524**	23,304
Loss for the year from discontinued operations (net of tax)	**(310)**	(345)
Profit for the year attributable to equity holders of the parent company	**26,214**	22,959

The revenue in the Gleeson Homes segment relates to the sale of residential properties and land. All revenue for the Gleeson Strategic Land segment is in relation to the sale of land.

3. Discontinued operations

The Group disposed of certain assets and liabilities of the Gleeson Engineering Division of Gleeson Construction Services to Black and Veatch Limited ("B&V") in a prior period and this is treated as a discontinued operation.

The Group disposed of certain assets and liabilities of the Gleeson Building Division of Gleeson Construction Services to GB Building Solutions Limited, in a prior period and this is treated as a discontinued operation.

	Gleeson Construction Services	**Total**	Gleeson Construction Services	Total
	2017	**2017**	2016	2016
	£000	**£000**	£000	£000
Revenue	**-**	**-**	-	-
Cost of sales	**-**	**-**	(6)	(6)
Gross loss	**-**	**-**	(6)	(6)
Administrative expenses	**(228)**	**(228)**	(330)	(330)
Operating loss	**(228)**	**(228)**	(336)	(336)
Loss before tax	**(228)**	**(228)**	(336)	(336)
Tax	**(82)**	**(82)**	(9)	(9)
Loss for the year from discontinued operations	**(310)**	**(310)**	(345)	(345)

Loss per share - impact of discontinued operations

	2017	2016
	p	p
Basic	**(0.57)**	(0.64)

The cash flow statement includes the following relating to the operating loss on discontinued operations:

	2017	2016
	£000	£000
Operating activities	**(441)**	(47)

4. Financial income and expenses

	2017	2016
	£000	£000
Financial income		
Interest on bank deposits	**14**	4
Other interest	**1**	-
Unwinding of discount	**236**	508
	251	512
Financial expenses		
Bank charges	**(135)**	(440)
Unwinding of discount	**(67)**	-
	(202)	(440)
Net financial income	**49**	72

5. Tax

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
	£000	£000	**£000**	£000	**£000**	£000
Current tax:						
Current year charge	**6,184**	3,797	**-**	-	**6,184**	3,797
Adjustment in respect of prior years	**155**	45	**-**	-	**155**	45
	6,339	3,842	**-**	-	**6,339**	3,842
Deferred tax:						
Current year expense	**88**	1,335	**48**	7	**136**	1,342
Adjustment in respect of prior years	**-**	(519)	**-**	-	**-**	(519)
Impact of rate change	**61**	276	**34**	2	**95**	278
Deferred tax expense for the year	**149**	1,092	**82**	9	**231**	1,101
Total tax charge	**6,488**	4,934	**82**	9	**6,570**	4,943

Reductions in the UK corporation tax rate from 20% to 19%, effective from 1 April 2017, were substantively enacted on 26 October 2015. Corporation tax has been calculated at 20.0% of assessable profit for the year (2016: 17.7%).

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

	2017	2016
	£000	£000
Profit before tax on continuing operations	**33,012**	28,238
Loss before tax from discontinued operations	**(228)**	(336)
Profit before tax	**32,784**	27,902
Profit before taxation multiplied by the standard rate of UK corporation tax 19.75% (2016: 20.0%)	**6,475**	5,580
Tax effect of:		
Expenses not deductible for tax purposes	**37**	99
Deduction in respect of share options exercised	**-**	(417)
Recognition of deferred tax asset on share based payments	**(95)**	-
Land remediation relief	**(75)**	(60)
Deferred tax not recognised	**-**	(74)
Impact of rate changes on deferred tax assets	**95**	289
Adjustments in respect of prior years – current tax	**155**	45
Adjustments in respect of prior years – deferred tax	**-**	(519)
Tax not at standard UK rates	**(22)**	-
Tax charge	**6,570**	4,943

6. Dividends

	2017	2016
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 June 2017 of 6.5p (2016: 4.5p) per share	**3,516**	2,433
Final dividend for the year ended 30 June 2016 of 10.0p (2015: 7.3p) per share	**5,408**	3,948
	8,924	6,381

The proposed final dividend for the year ended 30 June 2017 of 17.5p per share (2016: 10.0p) makes a total dividend for the year of 24.0p (2016: 14.5p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements. The total estimated dividend to be paid is £9,553,000.

7. Earnings per share

Continuing and discontinued operations
The calculation of the basic and diluted earnings per share is based on the following:

	2017	2016
Earnings	**£000**	£000
Earnings for the purposes of basic earnings per share, being net profit attributable to equity holders of the parent company		
Profit from continuing operations	**26,524**	23,304
Loss from discontinued operations	**(310)**	(345)
Profit for the purposes of basic and diluted earnings per share	**26,214**	22,959

	2017	2016
	No. 000	No. 000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**54,066**	53,907
Effect of dilutive potential ordinary shares:		
- share options	**834**	103
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**54,900**	54,010

	2017	2016
From continuing operations		
Basic earnings per share	**49.06p**	43.23p
Diluted earnings per share	**48.31p**	43.15p
From discontinued operations		
Basic earnings per share	**(0.57)p**	(0.64)p
Diluted earnings per share	**(0.56)p**	(0.64)p
From continuing and discontinued operations		
Basic earnings per share	**48.49p**	42.59p
Diluted earnings per share	**47.75p**	42.51p