gleeson

19 February 2018

MJ GLEESON PLC

Results for the half-year ended 31 December 2017

MJ Gleeson plc, the community regeneration housebuilder and strategic land specialist, is pleased to announce another strong performance with profit before tax up 19.1% and an increase in the interim dividend of 38.5% to 9.0p per share.

	H1 17/18	H1 16/17	Change
Volume - Homes (plots)	593	451	31.5%
- Strategic Land (land sales)	3	3	-
Operating profit - Homes	£12.3m	£8.5m	44.7%
- Strategic Land	£2.3m	£4.0m	(42.5%)
Profit before tax	£13.7m	£11.5m	19.1%
Net cash flow from operating & investing activities	£2.1m	£8.6m	(£6.5m)
Cash and cash equivalents	£26.7m	£26.4m	1.1%
Return on capital employed	26.0%	22.1%	390 bp
Basic earnings per share	20.6 pence	16.8 pence	22.6%
Dividend per share	9.0 pence	6.5 pence	38.5%

A strong start to the year and confident in outlook for the full year and beyond

Gleeson Homes:

- Unit sales increased 31.5% to 593 units (H1 16/17: 451)
- ASP up 2.5% to £124,400 (H1 16/17: £121,400)
- Revenue increased 34.7% to £73.7m (H1 16/17: £54.7m)
- Gross margin improved to 32.2% (H1 16/17: 31.9%)
- Operating profit increased 44.7% to £12.3m (H1 16/17: £8.5m)
- Operating margin increased to 16.7% (H1 16/17: 15.5%)
- Land pipeline of 12,001 plots (June 2017: 11,588 plots)
- New pilot office opened in Ashington, Northumberland bringing total to 7 area offices and 3 pilot offices (June 2017: 7 area offices and 2 pilot offices)

Gleeson Strategic Land:

- Completed 3 land sales (H1 16/17: 3 land sales)
- Operating profit lower at £2.3m (H1 16/17: £4.0m), as expected, due to smaller site size
- 11 sites with planning permission or a resolution to grant permission (H1 16/17: 13 sites)

Dividend

Interim dividend increased 38.5% to 9.0 pence per share (H1 16/17: 6.5 pence).

Full year dividend cover policy revised to between 1.75 times and 2.75 times.

Dermot Gleeson, Chairman of MJ Gleeson, commented:

“The Group has once again delivered a very encouraging start to the year. Gleeson Homes continued to benefit from its unique business model, increasing unit sales by 31.5% and operating profit by 44.7%.

“Land remains available to us at sensible prices and demand for our homes amongst our customer base remains strong.

“The division continues to source additional sites in both existing and new geographic areas and has recently opened another pilot office in Ashington, Northumberland.

“Gleeson Strategic Land completed the same number of site sales as in the prior first half year period. As anticipated, however, these sites were of a smaller size.

“Demand for consented sites remains strong from both large and medium sized developers. The division has a significant number of sites progressing to sale and is confident of achieving stronger second half results than in the comparable period last year.

“Against this background, the Board is confident that the Group will deliver a result for the full year in line with expectations.”

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CHAIRMAN'S STATEMENT

It gives me great pleasure to report another strong first half performance.

Group operating profit, net of group overheads, increased 18.3% to £13.6m (H1 16/17: £11.5m) driven by an excellent performance in Gleeson Homes.

Strong cash generation in Gleeson Homes resulted in a small increase in cash from £26.4m to £26.7m despite both significantly higher dividend payments and the timing of Strategic Land's receipts, which were especially high in the prior half year period.

Gleeson Homes increased unit sales 31.5% to 593 units (H1 16/17: 451 units), ended the period with 59 active sites (31 December 2016: 51 active sites), and acquired a further 1,069 plots during the first half of the year, increasing the pipeline to 12,001 plots at 31 December 2017.

Gleeson Strategic Land completed three site sales (H1 16/17: three site sales). The mix of site sales expected this financial year has resulted in smaller sites completing in the first half. Sales in the second half are expected to substantially exceed those of the prior half year period.

Gleeson Homes

Gleeson Homes is a housing regeneration specialist working in challenging communities to build new homes for sale to people on low incomes in the North of England. The division's customers are highly motivated, financially prudent and too often ignored by the more 'traditional' big housebuilders.

During the period the division achieved growth in volume, margins and profit.

Revenue increased 34.7% to £73.7m (H1 16/17: £54.7m), reflecting a 31.5% rise in the total number of units sold from 451 to 593.

The average selling price ("ASP") for the units sold in the period increased 2.5% to £124,400 (H1 16/17: £121,400) reflecting modest price increases and the effect of plot mix and development mix.

Gross margin on units sold in the period increased 30 basis points to 32.2% (H1 16/17: 31.9%).

Operating margin increased 120 basis points to 16.7% (H1 16/17: 15.5%) and operating profit increased 44.7% to £12.3m (H1 16/17: £8.5m).

During the period, 63% (H1 16/17: 66%) of unit sales benefited from the Government's Help to Buy scheme. In addition, our own bespoke purchaser assistance packages continued to prove attractive.

At 31 December 2017, we were selling from 59 sites, an increase of seven sites on the corresponding period last year. We expect to open a significant number of sites during the coming months and anticipate the number of active selling sites to be approaching 70 by June 2018.

The pipeline of owned plots increased during the period by a net 329 plots to 5,649 plots and conditionally purchased plots increased by a net 84 plots to 6,352 plots, bringing the total pipeline of owned and conditionally purchased plots to 12,001 plots on 148 sites at December

2017 (June 2017: 11,588 plots on 141 sites). 13 new sites were added to the pipeline during the period, while 6 sites were either completed or we did not proceed to purchase.

We continue to see significant scope for expanding our proven model and are actively sourcing sites beyond our existing areas of operation. In July 2017 we announced our plan to achieve a doubling of completions to 2,000 units per annum within five years. We are already making excellent progress towards achieving our target.

Gleeson Strategic Land

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

The division recorded the sale of three sites (H1 16/17: three sites), covering combined residential development totalling 133 plots.

Revenue decreased £4.6m to £3.7m (H1 16/17: £8.3m), reflecting the smaller size of the three sites sold.

Gross profit decreased £1.7m to £3.1m (H1 16/17: £4.8m). Operating profit decreased £1.7m to £2.3m (H1 16/17: £4.0m).

There are currently 11 sites in the portfolio with planning permission or a resolution to grant permission (H1 16/17: 13 sites). Eight of these sites, which will deliver 1,593 plots, are currently being progressed for sale (H1 16/17: seven sites, 1,055 plots).

In total, there are 11 sites where the division is currently awaiting either the determination of a planning application or the outcome of a planning appeal.

The Strategic Land portfolio continues to be replenished with one further agreement, with the potential to deliver 100 plots, having been secured in the period.

At 31 December 2017 Gleeson Strategic Land had a portfolio of 63 sites (30 June 2017: 65 sites) having sold three sites and acquired one site during the period. The portfolio, in which the Group has an overall 74% beneficial interest, has the potential to develop in excess of 21,400 plots.

Dividend and Dividend timetable

In light of these strong results and of our confidence in the future, the Board is declaring an interim dividend of 9.0 pence per share, an increase of 38.5% over the prior year (H1 16/17: 6.5 pence per share).

The interim dividend will be paid on 6 April 2018 to shareholders on the register at close of business on 9 March 2018 and with an ex-entitlement date of 8 March 2018.

The Board aims to maintain a progressive dividend policy with the interim dividend representing one third of the total dividend. Gleeson Homes' unique business model, which is highly cash generative with low land costs, has led the Board to approve a new dividend cover policy of between 1.75 times and 2.75 times. This compares with the previous policy of maintaining a dividend cover level of between 2 times and 3 times.

Summary & Outlook

The Group has once again delivered a very encouraging start to the year. Gleeson Homes continued to benefit from its unique business model, increasing unit sales by 31.5% and operating profit by 44.7%.

Land remains available to us at sensible prices and demand for our homes amongst our customer base remains strong.

The division continues to source additional sites in both existing and new geographic areas and has recently opened another pilot office in Ashington, Northumberland.

Gleeson Strategic Land completed the same number of site sales as in the prior first half year period. As anticipated, however, these sites were of a smaller size.

Demand for consented sites remains strong from both large and medium sized developers. The division has a significant number of sites progressing to sale and is confident of achieving stronger second half results than in the comparable period last year.

Against this background, the Board is confident that the Group will deliver a result for the full year in line with expectations.

Financial Overview

Income Statement

Group revenue increased 22.9% to £77.4m (H1 16/17: £63.0m), with revenue growth in Gleeson Homes and the sale of smaller sites in Gleeson Strategic Land.

Group gross profit increased 21.2% to £26.9m (H1 16/17: £22.2m).

The Group's operating profit increased 18.3% to £13.6m (H1 16/17: £11.5m). Net interest income of £0.1m (H1 16/17: nil) resulted in profit before tax increasing 19.1% to £13.7m (H1 16/17: £11.5m).

The tax charge for the period was £2.4m (H1 16/17: £2.3m) reflecting an effective rate of 17.4% (H1 16/17: 19.6%). The profit after tax from continuing operations was £11.3m (H1 16/17: £9.3m). Discontinued operations recorded a post-tax loss of £0.2m (H1 16/17: £0.2m loss). The profit for the period attributable to equity holders was £11.2m (H1 16/17: £9.1m).

Balance Sheet and Cash Flow

Total shareholders' equity stood at £173.7m at 31 December 2017 compared to £156.7m at 31 December 2016. This equates to net assets per share of 318.3 pence (31 December 2016: 289.6 pence).

Cash flows from operating and investing activities reduced by £6.5m to £2.1m (H1 16/17: £8.6m inflow) due to the timing of cash flows in Gleeson Strategic Land.

The Group's net cash balance at 31 December 2017 was £26.7m (31 December 2016: £26.4m).

Risks and Uncertainties

The Group is subject to a number of risks and uncertainties as part of its activities. The Board regularly considers these and seeks to ensure that appropriate processes are in place to identify, control, and monitor these risks. The directors consider that the principal risks and uncertainties facing the Group are those outlined on pages 33 to 35 of the Report and Accounts for the year ended 30 June 2017.

Dermot Gleeson
Chairman

Condensed Consolidated Income Statement
for the six months to 31 December 2017

	Note	**Unaudited Six months to 31 December 2017 £000**	Unaudited Six months to 31 December 2016 £000	Audited Year to 30 June 2017 £000
Continuing operations				
Revenue		**77,398**	63,005	160,384
Cost of sales		**(50,527)**	(40,776)	(103,674)
Gross profit		**26,871**	22,229	56,710
Administrative expenses		**(13,334)**	(10,692)	(24,051)
Other operating income		**112**	-	304
Operating profit		**13,649**	11,537	32,963
Financial income		**180**	96	251
Financial expenses		**(96)**	(113)	(202)
Profit before tax		**13,733**	11,520	33,012
Tax	*4*	**(2,387)**	(2,258)	(6,488)
Profit for the period from continuing operations		**11,346**	9,262	26,524
Discontinued operations				
Loss for the period from discontinued operations (net of tax)	*3*	**(157)**	(158)	(310)
Profit for the period		**11,189**	9,104	26,214
Earnings per share attributable to equity holders of the parent company				
Basic	*6*	**20.61 p**	16.84 p	48.49 p
Diluted	*6*	**20.34 p**	16.67 p	47.75 p
Earnings per share from continuing operations				
Basic	*6*	**20.90 p**	17.13 p	49.06 p
Diluted	*6*	**20.62 p**	16.96 p	48.31 p

Condensed Consolidated Statement of Comprehensive Income
for the six months to 31 December 2017

	Unaudited Six months to 31 December 2017 £000	Unaudited Six months to 31 December 2016 £000	Audited Year to 30 June 2017 £000
Profit for the period	**11,189**	9,104	26,214
Other comprehensive income/(expense)			
Items that may be subsequently reclassified to profit or loss			
Change in value of available for sale financial assets	**11**	(106)	(104)
Deferred tax on share-based payments	**181**	-	665
Other comprehensive income/(expense) for the period, net of tax	**192**	(106)	561
Total comprehensive income for the period attributable to equity holders of the parent company	**11,381**	8,998	26,775

Condensed Consolidated Statement of Financial Position
at 31 December 2017

	Unaudited 31 December 2017 £000	Unaudited 31 December 2016 £000	Audited 30 June 2017 £000
Non-current assets			
Plant and equipment	**1,708**	1,437	1,484
Investment properties	**258**	506	303
Investments in joint ventures	**-**	-	-
Trade and other receivables	**13,053**	8,175	14,427
Deferred tax assets	**4,909**	4,409	5,001
	19,928	14,527	21,215
Current assets			
Inventories	**150,379**	126,586	142,550
Trade and other receivables	**13,021**	15,811	17,925
UK corporation tax	**-**	751	-
Cash and cash equivalents	**26,684**	26,414	34,052
	190,084	169,562	194,527
Total assets	**210,012**	184,089	215,742
Non-current liabilities			
Trade and other payables	**(402)**	-	(703)
Provisions	**(110)**	(100)	(110)
	(512)	(100)	(813)
Current liabilities			
Trade and other payables	**(33,554)**	(27,210)	(40,924)
Provisions	**(99)**	(54)	(101)
UK corporation tax	**(2,116)**	-	(2,533)
	(35,769)	(27,264)	(43,558)
Total liabilities	**(36,281)**	(27,364)	(44,371)
Net assets	**173,731**	156,725	171,371
Equity			
Share capital	**1,091**	1,082	1,082
Share premium account	**-**	23	-
Available for sale reserve	**(677)**	(690)	(688)
Retained earnings	**173,317**	156,310	170,977
Total equity	**173,731**	156,725	171,371

Condensed Consolidated Statement of Changes in Equity
for the six months to 31 December 2017

	Note	Share capital £000	Share premium account £000	Available for sale reserve £000	Retained earnings £000	Total equity £000
At 1 July 2016 (audited)		1,082	23	(584)	152,384	152,905
Total comprehensive income for the period						
Profit for the period		-	-	-	9,104	9,104
Other comprehensive expense		-	-	(106)	-	(106)
Total comprehensive income for the period		-	-	(106)	9,104	8,998
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Purchase of own shares		-	-	-	(24)	(24)
Share-based payments		-	-	-	254	254
Dividends	*5*	-	-	-	(5,408)	(5,408)
Transactions with owners, recorded directly in equity		-	-	-	(5,178)	(5,178)
At 31 December 2016 (unaudited)		1,082	23	(690)	156,310	156,725
Total comprehensive income for the period						
Profit for the period		-	-	-	17,110	17,110
Other comprehensive income		-	-	2	665	667
Total comprehensive income for the period		-	-	2	17,775	17,777
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Adjustment to share premium		-	(23)	-	-	(23)
Purchase of own shares		-	-	-	1	1
Share-based payments		-	-	-	406	406
Dividends	*5*	-	-	-	(3,516)	(3,516)
Transactions with owners, recorded directly in equity		-	(23)	-	(3,109)	(3,132)
At 30 June 2017 (audited)		**1,082**	**-**	**(688)**	**170,977**	**171,371**
Total comprehensive income for the period						
Profit for the period		**-**	**-**	**-**	**11,189**	**11,189**
Other comprehensive income		**-**	**-**	**11**	**181**	**192**
Total comprehensive income for the period		**-**	**-**	**11**	**11,370**	**11,381**
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Share issue		**9**	**-**	**-**	**-**	**9**
Sale of own shares		**-**	**-**	**-**	**25**	**25**
Share-based payments		**-**	**-**	**-**	**476**	**476**
Dividends	***5***	**-**	**-**	**-**	**(9,531)**	**(9,531)**
Transactions with owners, recorded directly in equity		**9**	**-**	**-**	**(9,030)**	**(9,021)**
At 31 December 2017 (unaudited)		**1,091**	**-**	**(677)**	**173,317**	**173,731**

Condensed Consolidated Statement of Cash Flow
for the six months to 31 December 2017

	Unaudited Six months to 31 December 2017 £000	Unaudited Six months to 31 December 2016 £000	Audited Year to 30 June 2017 £000
Operating activities			
Profit before tax from continuing operations	**13,733**	11,520	33,012
Loss before tax from discontinued operations	**(157)**	(158)	(228)
	13,576	11,362	32,784
Depreciation of plant and equipment	**469**	376	818
Share-based payments	**476**	254	660
Profit on sale of available for sale financial assets	**(71)**	(30)	(216)
Loss on sale of plant and equipment	**22**	11	147
Loss on sale of investment properties	**-**	-	9
Financial income	**(180)**	(96)	(251)
Financial expenses	**96**	113	202
Operating cash flows before movements in working capital	**14,388**	11,990	34,153
Increase in inventories	**(7,828)**	(12,349)	(28,312)
Decrease in receivables	**6,105**	12,380	3,650
(Decrease) / increase in payables	**(7,702)**	220	14,633
Cash generated from operating activities	**4,963**	12,241	24,124
Tax paid	**(2,531)**	(3,472)	(4,426)
Interest paid	**(66)**	(85)	(135)
Net cash flow surplus from operating activities	**2,366**	8,684	19,563
Investing activities			
Proceeds from disposal of available for sale financial assets	**431**	453	1,154
Proceeds from disposal of investment properties	**45**	-	194
Proceeds from disposal of plant and equipment	**-**	-	5
Interest received	**4**	15	18
Purchase of plant and equipment	**(717)**	(550)	(1,180)
Net cash flow (deficit) / surplus from investing activities	**(237)**	(82)	191
Financing activities			
Proceeds from issue of shares	**9**	-	-
Sale / (purchase) of own shares	**25**	(24)	(22)
Dividends paid	**(9,531)**	(5,408)	(8,924)
Net cash flow deficit from financing activities	**(9,497)**	(5,432)	(8,946)
Net (decrease) / increase in cash and cash equivalents	**(7,368)**	3,170	10,808
Cash and cash equivalents at beginning of period	**34,052**	23,244	23,244
Cash and cash equivalents at end of period	**26,684**	26,414	34,052

Notes to the Condensed Consolidated Financial Statements
for the six months to 31 December 2017

1. Basis of preparation and accounting policies

The Interim Report of the Group for the six months ended 31 December 2017 has been prepared in accordance with IAS 34 "Interim Financial Reporting", International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRC IC") interpretations as adopted for use in the European Union ("EU") and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority.

The Interim Report does not constitute financial statements as defined in Section 434 of the Companies Act 2006 and is neither audited nor reviewed. It should be read in conjunction with the Report and Accounts for the year ended 30 June 2017, which is available either on request from the Group's registered office, 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE, or can be downloaded from the corporate website www.mjgleesonplc.com.

The comparative figures for the financial year ended 30 June 2017 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters which the auditor drew attention to by way of emphasis without qualifying their report and (iii) did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

The accounting policies, method of computation, and presentation adopted are consistent with those of the Report and Accounts for the year ended 30 June 2017, as described in those financial statements.

The preparation of condensed half-yearly financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may subsequently differ from these estimates. In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 30 June 2017.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2017. These new standards are not expected to have a material impact for the Group:

- IAS 7 (Amended) 'Statement on cash flows'
- IAS 12 (Amended) 'Income Taxes'

Going concern

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

2. Segmental analysis

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

- Gleeson Homes
- Gleeson Strategic Land

2. Segmental analysis *(cont.)*

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

	Note	**Unaudited Six months to 31 December 2017 £000**	Unaudited Six months to 31 December 2016 £000	Audited Year to 30 June 2017 £000
Revenue				
Continuing activities:				
Gleeson Homes		**73,747**	54,747	130,492
Gleeson Strategic Land		**3,651**	8,258	29,892
Total revenue		**77,398**	63,005	160,384
Profit on activities				
Gleeson Homes		**12,348**	8,466	22,760
Gleeson Strategic Land		**2,259**	3,952	12,040
		14,607	12,418	34,800
Group activities		**(958)**	(881)	(1,837)
Financial income		**180**	96	251
Financial expenses		**(96)**	(113)	(202)
Profit before tax		**13,733**	11,520	33,012
Tax		**(2,387)**	(2,258)	(6,488)
Profit for the period from continuing operations		**11,346**	9,262	26,524
Loss for the period from discontinued operations (net of tax)	3	**(157)**	(158)	(310)
Profit for the period		**11,189**	9,104	26,214

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

Balance sheet analysis of business segments:

	Unaudited 31 December 2017		
	Assets £000	**Liabilities £000**	**Net assets £000**
Gleeson Homes	**134,029**	**(30,294)**	**103,735**
Gleeson Strategic Land	**48,442**	**(3,446)**	**44,996**
Group activities / discontinued operations	**857**	**(2,541)**	**(1,684)**
Net cash	**26,684**	**-**	**26,684**
	210,012	**(36,281)**	**173,731**

	Unaudited 31 December 2016		
	Assets £000	Liabilities £000	Net assets £000
Gleeson Homes	114,181	(19,739)	94,442
Gleeson Strategic Land	41,774	(5,983)	35,791
Group activities / discontinued operations	1,720	(1,642)	78
Net cash	26,414	-	26,414
	184,089	(27,364)	156,725

2. Segmental analysis *(cont.)*

	Audited 30 June 2017		
	Assets £000	Liabilities £000	Net assets £000
Gleeson Homes	133,785	(34,482)	99,303
Gleeson Strategic Land	47,085	(7,217)	39,868
Group activities / discontinued operations	820	(2,672)	(1,852)
Net cash	34,052	-	34,052
	215,742	(44,371)	171,371

3. Discontinued operations

The activity of Gleeson Construction Services now only relates to remedial works and the division is classified as discontinued.

	Unaudited Six months to 31 December 2017 £000	Unaudited Six months to 31 December 2016 £000	Audited Year ended 30 June 2017 £000
Revenue	**-**	-	-
Cost of sales	**-**	-	-
Gross loss	**-**	-	-
Administrative expenses	**(157)**	(158)	(228)
Operating loss	**(157)**	(158)	(228)
Loss before tax	**(157)**	(158)	(228)
Tax	**-**	-	(82)
Loss for the period from discontinued operations	**(157)**	(158)	(310)

4. Tax

The results for the six months to 31 December 2017 include a tax charge of 17.4% of profit before tax (31 December 2016: 19.6%; 30 June 2017: 20.0%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted into law before the balance sheet date.

5. Dividends

	Unaudited Six months to 31 December 2017 £000	Unaudited Six months to 31 December 2016 £000	Audited Year to 30 June 2017 £000
Amounts recognised as distributions to equity holders:			
Final dividend for the year ended 30 June 2016 of 10.0p per share	**-**	5,408	5,408
Interim dividend for the year ended 30 June 2017 of 6.5p per share	**-**	-	3,516
Final dividend for the year ended 30 June 2017 of 17.5p per share	**9,531**	-	-
	9,531	5,408	8,924

On 16 February 2018 the Board approved an interim dividend of 9.0 pence per share at an estimated total cost of £4,910,000. The dividend has not been included as a liability as at 31 December 2017.

6. Earnings per share

Continuing and discontinued operations

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

Earnings	**Unaudited Six months to 31 December 2017 £000**	Unaudited Six months to 31 December 2016 £000	Audited Year to 30 June 2017 £000
Earnings for the purposes of basic earnings per share, being net profit/(loss) attributable to equity holders of the parent company			
Profit from continuing operations	**11,346**	9,262	26,524
Loss from discontinued operations	**(157)**	(158)	(310)
Earnings for the purposes of basic and diluted earnings per share	**11,189**	9,104	26,214

Number of shares	**31 December 2017 No. 000**	31 December 2016 No. 000	30 June 2017 No. 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**54,300**	54,065	54,066
Effect of dilutive potential ordinary shares:			
Share options	**712**	542	834
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**55,012**	54,607	54,900

From continuing operations	**Six months to 31 December 2017 pence**	Six months to 31 December 2016 pence	Year to 30 June 2017 pence
Basic	**20.90**	17.13	49.06
Diluted	**20.62**	16.96	48.31

From discontinued operations	**Six months to 31 December 2017 pence**	Six months to 31 December 2016 pence	Year to 30 June 2017 pence
Basic	**(0.29)**	(0.29)	(0.57)
Diluted	**(0.29)**	(0.29)	(0.56)

From continuing and discontinued operations	**Six months to 31 December 2017 pence**	Six months to 31 December 2016 pence	Year to 30 June 2017 pence
Basic	**20.61**	16.84	48.49
Diluted	**20.34**	16.67	47.75

7. Financial instruments

The fair value of the Group's financial assets and liabilities are not materially different from the carrying values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Available for sale financial assets

	Unaudited 31 December 2017 Level 3 £000	Unaudited 31 December 2016 Level 3 £000	Audited 30 June 2017 Level 3 £000
Balance at start of period	**5,669**	**6,611**	6,611
Additions	**-**	**-**	-
Redemptions	**(325)**	**(393)**	(902)
Unwind of discount (financial income)	**46**	**53**	100
Fair value movement recognised in other comprehensive income	**(24)**	**(136)**	(140)
Balance at end of period	**5,366**	**6,135**	5,669

Available for sale financial assets represent shared equity loans advanced to customers and secured by way of a second charge on the property sold. They are carried at fair value which is determined by discounting forecast cash flows for the residual period of the contract. The difference between the nominal value and the initial fair value is credited over the deferred term to financial income, with the financial asset increasing to its forecast cash settlement value on the anticipated receipt date.

Redemptions in the period of shared equity loans carried at £325,000 (H1 16/17: £423,000) generated a profit on redemption of £71,000 (H1 16/17: £30,000) which has been recognised in other operating income in the consolidated income statement. In the prior year, the profit on redemption of shared equity loans was recognised in cost of sales.

In addition, a net change in value of available for sale assets of £11,000 (H1 16/17: £106,000 expense) has been recognised in other comprehensive income. This is made up as follows:

	Unaudited 31 December 2017 £000	Unaudited 31 December 2016 £000	Audited 30 June 2017 £000
Fair value movement recognised in other comprehensive income	**(24)**	**(136)**	(140)
Fair value recycled through profit and loss	**35**	**30**	36
Total movement recognised in other comprehensive income	**11**	**(106)**	(104)

Forecast cash flows are determined using inputs based on current market conditions and the Group's historic experience of actual cash flows resulting from such arrangements. These inputs are by nature estimates and as such the fair value has been classified as Level 3 under the fair value hierarchy laid out in IFRS 13: Fair Value Measurement. There have been no transfers between fair value levels in the period.

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

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

- Forecast regional house price inflation: 2.0%
- Average period to redemption: 5.5 years
- Discount rate: 8%

7. Financial instruments *(cont.)*

The sensitivity analysis of changes to each of the key assumptions applied in calculating fair value, whilst holding all other assumptions constant, is as follows:

	Increase / (decrease) in fair value £000
Change in assumption	
Forecast regional house price inflation – increase by 1%	290
Average period to redemption – increase by 1 year	(298)
Discount rate – decrease by 1%	276

8. Group pension scheme

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

The total pension cost charged to the consolidated income statement in the six months to 31 December 2017 of £326,000 (six months to 31 December 2016: £302,000; year to 30 June 2017: £624,000) represents contributions payable to the defined contribution pension plan by the Group at rates specified in the plan rules. At 31 December 2017, contributions of £84,000 (31 December 2016: £75,000; 30 June 2017: £77,000) due in respect of the current reporting period had not been paid over to the pension plan. Since the period end, this amount has been paid.

9. Related party transactions

On 7 December 2017, the Group entered into a conditional agreement to purchase an area of land from Jolyon Harrison, CEO, for £98,750. The land, if purchased, will form part of a new Gleeson Homes site being developed in the ordinary course of business. The price paid by the Group was supported by an independent valuation and approved by the Board.

Other than disclosed above, there have been no material changes to the related party arrangements as reported in note 29 of the Report and Accounts for the year ended 30 June 2017.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

10. Seasonality

Reservations in Gleeson Homes are largely unaffected by seasonal variations and tend to be driven more by the timing of site openings than by seasonality. However, the number of completions in the second half of the financial year tends to be higher than the first half.

There is no seasonality in the Gleeson Strategic Land division. However, the number of transactions in the second half of the financial year tends to be higher than the first half.

Statement of Directors' responsibility

for the six months to 31 December 2017

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

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

The Board

The Board of Directors of MJ Gleeson plc at 30 June 2017 and their respective responsibilities can be found on pages 38 to 39 of the MJ Gleeson plc Report and Accounts 2017. There have been no changes since that date.

By order of the Board,

Stefan Allanson
Chief Financial Officer
16 February 2018