

MJ GLEESON PLC

Audited results for the year ended 30 June 2018

MJ Gleeson plc, the low-cost housebuilder and strategic land specialist, is pleased to announce another strong performance with profit before tax up 12%, operating cash flow before dividends up 10% and a proposed final dividend of 23 pence per share, resulting in a total dividend for the year of 32 pence per share, an increase of 33%.

	2018 £m	2017 £m	Change
Revenue	196.7	160.4	+23%
Operating profit	36.9	33.0	+12%
Profit before tax	37.0	33.0	+12%
EPS	55.6	48.5	+15%
Operating cash flow before dividends	21.6	19.7	+10%
ROCE	26.6%	25.4%	+120bps
Dividend per share	32.0p	24.0p	+33%
Cash and cash equivalents	41.3	34.1	+21%

Another strong performance and a confident outlook

Gleeson Homes:

- Volumes up 21% to 1,225 units sold (2017: 1,013 units)
- Operating profit on unit sales up 20% to £26.2m (2017: £21.8m)
- Operating profit on land sales £nil (2017: £1.0m from two land sales)
- Average Selling Price £125,200 (2017: £122,700) due to higher selling prices and mix
- Land pipeline, including conditionally purchased sites, of 12,852 plots (2017: 11,588 plots)
- Substantial investment in new office locations and central support services
- On track to double sales to 2,000 units p.a. by 2022

Gleeson Strategic Land:

- Operating profit of £12.6m (2017: £12.0m) driven by increase in transactions
- Ten land sales completed during the year with the potential to deliver 1,970 residential plots
- Nine sites with planning consent or resolution to grant with the potential to deliver 2,089 plots
- Portfolio: 61 sites with the potential to deliver 22,838 plots

Final dividend proposed of 23.0 pence per share (2017: 17.5 pence per share), resulting in an increase in the total dividend for the year of 33.3% to 32.0 pence per share (2017: 24.0 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 the Midlands and strategic land sales in the South – delivered another excellent year of increased volumes, profit and cash.

Gleeson Strategic Land had a record year and continues to benefit from high levels of demand for consented land in prime locations from both large and medium-sized housebuilders. The division has a strong portfolio of sites and anticipates that it will continue to maintain its very successful track record in promoting potentially high value developments through the planning system.

Gleeson Homes is on track to deliver its next milestone target of doubling annual completions of low-cost homes between 2017 and 2022 to 2,000 units. Led by a strong and highly experienced management team, who have created a very attractive land pipeline, the division’s scope for expansion continues to be underpinned by strong demand from our customers who aspire to home ownership but who are ill-served by the majority of housebuilders.

Against this background, the Board is confident that the Group’s unique business model will continue to deliver significant growth in both revenue and profits in the current year and beyond.”

This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of the company is Stefan Allanson, Chief Financial Officer.

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Chairman's Statement

I am pleased to report another year of strong growth in profits and cash.

Following further investment in new office locations and the strengthening of our central support services, we are comfortably on track to achieve our target of doubling Gleeson Homes volumes to 2,000 units p.a. in the five years from 2017 to 2022.

Gleeson Homes grew sales by 20.9% to 1,225 units (2017: 1,013 units). Operating profit on unit sales increased by 20.2% and the operating profit for the division was £26.2m (2017: £22.8m including £1.0m from land sales). The continued availability of low-cost land in the North of England allowed the division to increase its land pipeline by 1,264 plots. The proportion of the pipeline that is owned increased from 46% to over 50%.

Gleeson Strategic Land increased operating profit by 5.0% to £12.6m (2017: £12.0m) by continuing to secure attractive residential planning consents and by taking advantage of the strong demand from both medium-sized and large housebuilders for development sites in prime locations.

Group profit before tax increased by 12.1% to £37.0m (2017: £33.0m). Profit for the year attributable to equity holders of the parent company was £30.2m (2017: £26.2m).

Earnings per share grew by 14.6% to 55.6p (2017: 48.5p).

Return on capital employed increased by 120 basis points to 26.6% (2017: 25.4%).

Market context

Demand for low-cost homes among Gleeson Homes' traditional customers, hard-working families on low incomes, who dream of owning their own homes, remains strong.

Mortgages for such families remain very affordable. The current wide range of mortgage products continues to be supportive of the young first time buyers who make up the vast majority of Gleeson Homes' purchasers.

The Government's recent adjustments to The National Planning Policy Framework (NPPF) should make it easier for Gleeson Homes to secure planning permissions. We are supporters of the Government's Help to Buy scheme. However, we believe that there is a strong case for amending the scheme so that it provides assistance primarily for those who need it most, young people on low incomes.

Gleeson Strategic Land continues to attract multiple bidders for its sales of land in the South of England where demand for greenfield sites remains strong from both medium-sized and large housebuilders.

Land

For Gleeson Homes the land market remains favourable. The division is one of the few developers building affordable homes on brownfield sites in challenging communities where such sites continue to be available at relatively low cost. Gleeson Homes' land pipeline grew by 1,264 plots and 8 sites to a record high of 149 sites (2017: 141), comprising 12,852 plots owned or conditionally purchased (2017: 11,588). The division will continue to commence building on sites as soon as a fully implementable and satisfactory planning permission is obtained.

Gleeson Strategic Land continues to source highly attractive sites with development potential in the South of England. During the year it obtained planning consent on 7 sites and entered into agreements to promote 4 new sites, potentially providing development opportunities on an additional 3,570 plots. Demand from a wide range of housebuilders for prime sites with planning consent in the South of England remains strong.

Employees

The average number of employees during the year increased to 480 (2017: 370). The actual number of employees at the year end was 509 (2017: 405).

The Group's strong performance during the year would not have been possible without the expertise and commitment of our employees. On behalf of the Board, I would like to congratulate and thank them very sincerely and very warmly.

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 23.0 pence per share (2017: 17.5 pence per share). Combined with the interim dividend, this will give a total dividend for the year of 32.0 pence per share (2017: 24.0 pence per share), an increase compared to the previous year of 33.3%.

Subject to shareholder approval at the Annual General Meeting ("AGM"), the final dividend will be paid on 14 December 2018 to shareholders on the register at close of business on 16 November 2018. The ex-dividend date is 15 November 2018. The Board aims to maintain ordinary dividend cover between one and three quarter and two and three quarter times for the foreseeable future.

Summary

We are on track to achieve our target of doubling Gleeson Homes' sales to 2,000 units p.a. over the five years from 2017 to 2022. We continue to maintain a vigorous approach to cost control, land continues to be available at sensible prices and demand for our low-cost homes remains strong. Meanwhile, Gleeson Strategic Land continues to experience high levels of demand for consented greenfield sites. Against this background, the Board is confident that our unique business model will continue to deliver significant growth in both revenue and profits in the current year and beyond.

Dermot Gleeson

Chairman

14 September 2018

STRATEGIC REPORT

Chief Executive's Statement

Our unique and resilient business model, combined with our land pipeline and experienced management team, gives me great confidence in continued profitable growth for many years to come.

Operational performance

Gleeson Homes grew sales volumes by 20.9% to 1,225 units and operating profit by 14.9% to £26.2m. The land pipeline increased by 10.9% to the equivalent of 10.5 years sales at current build rates and active outlets increased by 10.2% to 65 sites. Gleeson Homes always applies for planning permission at the earliest possible date and starts building as soon as implementable permission is received.

Gleeson Strategic Land completed the sale of 10 sites leading to operating profit growing by 5.0% to £12.6m.

A strong cash result for the year saw the Group's cash balance increase by £7.2m to £41.3m and our disciplined approach to investment led to a 120 basis points increase in return on capital employed to 26.6%.

Gleeson Homes

Demand for low-cost homes in the North of England remains strong, build costs remain under control and land continues to be available at sensible prices.

Two thirds of our customers use the Government's Help to Buy scheme and the highest priced home that used the scheme, at £187,995, is significantly below the current Help to Buy limit of £600,000. The average priced house purchased with Help to Buy was £125,610.

Typical Gleeson Homes buyers are blue collar workers aged between 18 and 33. This year we sold 85 homes 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 generally unaffected by the vagaries of politics or the general economy. This is because the outgoings relating to the purchase of one of our homes are often significantly less than renting a council or housing association house. If a young couple want to reduce their outgoings they should buy a Gleeson home.

We have completed the first year of our 5 year plan to double unit sales to 2,000 units p.a. and we are on track to meet this target. To achieve this, we are:

- Growing the pipeline of owned and conditionally purchased sites by acquiring land at attractive hurdle rates in existing and new areas; we now have 149 sites in the pipeline.
- Investing in new office locations; we now have 8 area offices in the North and Midlands and 2 pilot offices in Northumberland (opened during the year) and Cumbria.
- Developing our management team across all levels including Build Managers and Site Managers. We recently promoted two directors to Managing Director and Chief Operations Officer.
- Developing our employee and key subcontractor processes for finding and retaining key people.
- Continuing our unrelenting focus on cost reduction 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.

We will continue expanding in an orderly manner and will continue to put the right people in the right places to deliver that expansion.

Large & resilient market

Gleeson Homes operates in the fastest growing and most resilient part of the housing market, selling new homes to people on low incomes in the North of England and the Midlands.

Our typical buyers are first time buyers presently renting or living with family. More than 4 million homes are currently rented in Gleeson's target geographic market. The vast majority of tenants want to escape the poverty trap of renting and begin wealth creation through home ownership. Gleeson is the only listed housebuilder dedicated to this market and we continue to see high demand when we open new sites.

Unlike other housebuilders, Gleeson Homes is unique, selling 6 out of every 7 homes to first time buyers and therefore without the same exposure to secondary market risks.

Our buyers want to satisfy their dream of home ownership, often buying a home for life. They have a strong work ethic, will always be in work and will buy a Gleeson home if it is well built, located in their desired area and the cost of ownership is less than, or similar to, renting.

Ownership costs for a typical Gleeson home are significantly less than the cost of renting and mortgage availability continues to increase. Mortgage payments for our average buyer take up less than 20% of take-home pay.

Our young buyers are not typically burdened with student debt and can earn overtime so saving for a deposit can be achieved whilst their Gleeson home is being built.

Help to Buy, operated by Homes England, has supported a recovery in the housing market and may soon be amended by the Government. We think it appropriate that changes to Help to Buy should be targeted towards the people who need it most, specifically people on low incomes. We welcome any changes that reduce the ceiling, restrict it to first time buyers, restrict it to people on low incomes, or all three.

There is a great deal of land available in areas in which other housebuilders don't want to build but where potential Gleeson buyers want to live. We are skilled at building high quality homes for sale at affordable prices. Gleeson Homes is uniquely focused on this large segment of the market, with other housebuilders offering a higher priced product that does not meet the needs of lower income customers.

Gleeson Homes' unique differences

Our house prices are affordable and we sell to people who need a home rather than to those that already own a home. We buy land that other housebuilders do not want, at low cost, and build good quality homes that low income families can afford in areas that they want to live in.

We don't sell to registered social landlords or private landlords because renting traps people in housing poverty. We don't build flats, we build traditional 2, 3 and 4 bedroom houses with a front garden, back garden and a driveway. We don't sell to landlords because we believe a development of homeowners creates a stronger community and we don't do part-exchange sales and therefore are not exposed to the resale market.

The Gleeson Homes operating model is highly developed to meet the specific needs of a large and under-served market. We challenge many norms of the traditional house building industry and are not afraid to be different as illustrated by a selection of metrics below:

Challenging industry norms	Gleeson Homes	Other listed housebuilders (Lowest – Highest)
Average selling price (Private sales)	£125,200	£234,000 - £880,000
First time buyers (% of private sales)	87%	35 – 50%
Renting or living with family (% of total sales)	88%	40% (estimated average)
Buy-to-let sales (% of total sales)	0%	3% - 9%
Part-exchange sales (% of private sales)	0%	8% - 38%
Flats v houses (Flats as % of total sales)	0%	6% - 24%
Sales rate (Sales per site p.a.)	20 p.a.	30 - 40 p.a.
Average land cost (Per plot)	£9,000	£28,000 - £71,000
Annual growth (3 year average p.a. growth in volumes)	18%	0% - 14%

We deliver amongst the highest gross margins and highest volume growth rates of any listed housebuilder.

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

Strategic Land

Operating profit grew 5.0% to £12.6m from 10 transactions completed in the year.

Gleeson Strategic Land is in a strong position with a healthy pipeline of 61 sites which could deliver 22,838 residential plots.

Although most major housebuilders have strong land banks there is always a healthy demand for good quality land from either the large national or mid-range housebuilders looking for replacement sites.

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

The number and blend of sites already allocated for housing, sites with planning applications submitted and sites with planning consent gives us confidence that the year-on-year flow of transactions will generate financial consistency.

Current trading & outlook

Demand for low-cost homes in the North is strong. Our traditional buyers are hard-working families on low incomes who just want to get on with their lives and own their own home.

Our homes continue to remain highly affordable despite the recent increase in bank rates and mortgage finance remains readily available.

We have plenty of land on which to build homes, people to build them and a strong management team that can grow the business in a disciplined and profitable way.

The Gleeson Strategic Land portfolio is in a strong position with continuing strong demand from other housebuilders.

The uplift in dividend signals our confidence in continued cash generative growth. We are well on track to meet our target of doubling Gleeson Homes sales volumes to 2,000 units p.a. by 2022.

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

Jolyon Harrison
Chief Executive Officer
14 September 2018

Gleeson Homes – Business Performance

Gleeson Homes’ results for the year were as follows:

	2018	2017	% Change
Units sold	1,225	1,013	20.9%
Operating profit*	£26.2m	£22.8m	14.9%
Land pipeline (units)	12,852	11,588	10.9%

*2018 includes £nil profit on land sales (2017: £1.0m of which £0.4m related to the sale of a legacy property)

1,225 homes were sold during the year, an increase of 20.9% on the prior year’s total of 1,013. During the year Gleeson Homes opened 17 new sites and had on average 61 selling outlets open compared to 50 during the prior year. The outlets are located across the North of England¹. The number of outlets at the end of the year increased to 65 compared to 59 at the prior year end and is expected to increase to over 70 during the course of the current financial year.

The average selling price (“ASP”) for the homes sold in the year was £125,200 (2017: £122,700). The increase was influenced by a combination of factors: house price inflation, the mix of site locations and the mix of 2, 3 and 4 bed homes sold. Our aim is to keep ASP increases modest to ensure that our homes remain affordable to our customers.

Gross profit margin on units sold decreased marginally to 32.7% (2017: 33.0%) due to development mix.

The increase in the volume of homes sold and higher ASP has resulted in gross profit on units sold increasing by 22.2% to £50.1m (2017: £41.0m). Gross profit on land sales was £nil (2017: £1.0m) resulting in total gross profit of £50.1m (2017: £42.1m).

Operating profit on unit sales increased 20.2% to £26.2m (2017: £21.8m). Operating profit on land sales was £nil (2017: £1.0m). Gleeson Homes reported total operating profit of £26.2m (2017: £22.8m). Operating margin on units sold decreased from 17.5% to 17.1% as a result of development mix and investment in overheads to support the business’ growth plans.

Gleeson Homes	2014	2015	2016	2017	2018
Unit volumes	561	751	904	1,013	1,225
Operating profit on unit sales	£9.1m	£14.7m	£19.5m	£21.8m	£26.2m

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 (2017: 66%).

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 ongoing cost of buying a Gleeson home continued to be more affordable than renting and will remain so even in the event of modest increases in borrowing costs.

We are supportive of the revised National Planning Policy Framework published in July 2018 and the definition of Affordable Homes which is consistent with our business model. This will 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 another busy year of land acquisition which saw the land pipeline grow by 8 sites to a total of 149 at year end; 35 new sites were added to the pipeline, while 27 sites were completed or we did not proceed to purchase. The pipeline grew by 1,264 to stand at 12,852 plots at 30 June 2018. Of these plots 6,475 are owned (2017: 5,320) and 6,377 plots are conditionally purchased (2017: 6,268). In addition to owned and conditionally purchased plots, there are a further 354 (2017: 465) plots 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, East Yorkshire, Lancashire, Lincolnshire, Greater Manchester, Merseyside, Northumberland, North Yorkshire, Nottinghamshire, South Yorkshire, Tyne and Wear and West Yorkshire.

Gleeson Strategic Land – Business Performance

	2018	2017	Change
Land sales (no. of sites)	10	8	2 sites
Land portfolio (plots)	22,838	21,505	6.2%
Operating profit	£12.6m	£12.0m	5.0%

Revenue from Gleeson Strategic Land grew by 44.8% to £43.3m (2017: £29.9m) as the number of successful land transactions increased to 10 (2017: 8). The sites sold, which totalled 335 acres, have the potential to deliver 1,970 plots (2017: 841 plots) for new housing development plus a 60 bed care home.

Operating profit reflects the value added by Gleeson Strategic Land on land transactions through securing attractive residential planning consents and managing the onward sale to developers. Operating profit increased by 5.0% to £12.6m (2017: £12.0m). This was driven by the increase in the number of transactions during the year.

Gleeson Strategic Land	2014	2015	2016	2017	2018
Operating profit	£4.8m	£8.1m	£10.2m	£12.0m	£12.6m
Number of sites sold	7	5	7	8	10

We continue to see strong demand from a wide range of developers looking to acquire well-located land including both large national and mid-sized housebuilders. The land market, particularly for sites in prime locations in the South of England, remains strong despite the uncertainties caused by Brexit.

At the year end, we had a portfolio totalling 61 sites (2017: 65 sites) with the potential to deliver 22,838 plots (2017: 21,505 plots) plus 67 acres of commercial land (2017: 67 acres). The portfolio comprises 1,552 plots (2017: 1,454 plots) that were wholly or part owned by the Group, 8,754 plots (2017: 10,020 plots) that were held under option, and 12,532 plots (2017: 10,031 plots) that were the subject of promotion agreements.

The portfolio is at varying stages through the planning system and, at 30 June 2018, we had 9 sites (2,089 plots) which were consented or had a resolution to grant; 8 sites which had a planning application submitted and awaiting decision, and 11 sites with 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 7 sites, acquired interest in 4 new sites and we split 2 existing sites prior to sale. These activities contributed a further 3,570 plots to the portfolio.

Our Strategic Land team is based in Fleet, Hampshire and the portfolio continues to have a geographic bias towards the South of England¹. Sites in the portfolio are expected to realise value for stakeholders over the short, medium and long term.

The division continues to be strongly cash generative. We replenish the portfolio with high quality new sites and continue to advance existing sites in the portfolio through the planning process. Opportunities for new land readily come forward and we use our knowledge and expertise to select and promote those sites where we see the potential for sustainable future development and where we can deliver maximum value for stakeholders.

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

Financial Review

The Group delivered another year of strong growth with operating profit up 11.8%, operating cash flow before dividends up 9.6% and return on capital employed rising to 26.6%.

Highlights

- Revenue increased by 22.6% to £196.7m
- Profit before tax increased by 12.1% to £37.0m
- Earnings per share increased by 14.6% to 55.6 pence
- Operating cash flow before dividends increased by 9.6% to £21.6m
- Cash balances increased by 21.1% to £41.3m
- Return on capital employed (ROCE) increased by 120 basis points to 26.6%
- Total dividend for the year increased by 33.3% to 32.0 pence per share

Consolidated Income Statement

	2014	2015	2016	2017	2018
Group profit before tax	£12.2m	£17.3m	£28.2m	£33.0m	£37.0m

Group revenue increased by 22.6% in the year to £196.7m (2017: £160.4m). The revenue of Gleeson Homes increased by 17.5% to £153.4m (2017: £130.5m) due to an increase in the number of homes sold to 1,225 (2017: 1,013) and an increase in average selling price (“ASP”) to £125,200 (2017: £122,700). ASP increased due to higher selling prices, the mix of site locations and the mix of 2, 3 and 4 bed homes sold.

Revenue for Gleeson Strategic Land increased by £13.4m to £43.3m due to the increased sales activity and the mix of transaction types during the year.

Gross profit for the Group increased by 15.2% to £65.3m (2017: £56.7m). The gross profit of Gleeson Homes increased by 19.0% to £50.1m (2017: £42.1m includes profit on land sales of £1.0m) due to the increase in both volume and selling prices. The gross profit of Gleeson Strategic Land increased by 3.4% to £15.2m (2017: £14.7m) primarily due to the increase in sites sold during the year.

Administrative expenses increased by £4.6m (19.1%) as a result of significant further investment for growth in Gleeson Homes and wages and salary increases. This included investment in a new pilot office that opened during the year in Northumberland, the pilot office in Scunthorpe which became a fully staffed area office and full year costs for the regional office near Nottingham, which opened during the previous year.

In addition, the number of active sales outlets increased to a total of 65 from 59 at the end of the prior year.

Operating profit from continuing operations was £36.9m (2017: £33.0m), an increase of 11.8% 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

Divisional operating profit*	2014	2015	2016	2017	2018
Gleeson Homes	£9.4m	£17.4m	£19.5m	£22.8m	£26.2m
Gleeson Strategic Land	£4.8m	£8.1m	£10.2m	£12.0m	£12.6m

* Gleeson Homes operating profit includes profit on land sales of £nil in 2018; £1.0m in 2017; £nil in 2016; £2.7m in 2015; and £0.3m in 2014

Operating profit for Gleeson Homes increased by 14.9% to £26.2m (2017: £22.8m). Excluding land sales, operating profit for Gleeson Homes increased by 20.2%.

Operating profit for Gleeson Strategic Land increased by 5.0% to £12.6m as a result of the increase in transactions during the year to 10 (2017: 8).

Discontinued operations incurred a loss of £0.3m during the year (2017: £0.3m). This related to the costs of Gleeson Construction Services Limited, whose only activity is limited to resolving claims from the legacy 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 120 basis points to 26.6% (2017: 25.4%) reflecting stronger earnings and disciplined investment in capital employed, which increased from £132.3m to £143.1m.

	2014	2015	2016	2017	2018
Return on capital employed	13.7%	21.1%	23.2%	25.4%	26.6%

Financing

Finance income of £0.4m (2017: £0.3m) consists primarily of the unwinding of discounts on deferred receivables on land sales and shared equity receivables. Interest earned on unwinding of discounts was higher than the prior year as a result of carrying more deferred receivables during the year.

Finance expenses of £0.3m (2017: £0.2m) consist of interest payable on bank loans and overdrafts, bank charges and interest and unwinding of discounts relating to deferred payables on land purchases.

Tax

A tax charge for continuing operations of £6.5m (2017: £6.5m) has been recorded reflecting a reduced effective rate of tax of 17.8% (2017: 20.0%) driven largely by the tax benefit on vesting of share awards during 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 £21.2m (2017: £26.7m) of gross tax losses, of which £12.3m (2017: £17.8m) are recognised in calculating the deferred tax asset.

The deferred tax asset recorded within the consolidated statement of financial position totals £3.7m (2017: £5.0m).

Profit for the year

The profit for the year attributable to equity holders was £30.2m (2017: £26.2m).

Earnings per share

Reported basic earnings per share increased by 14.6% to 55.6 pence (2017: 48.5 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 23.0 pence per share (2017: 17.5 pence per share).

Combined with the interim dividend, the dividend for the full year totals 32.0 pence representing an increase of 33.3% on the prior year (2017: 24.0 pence per share).

The Board aims to maintain ordinary dividend cover between 1.75 times and 2.75 times in line with the policy set at the half year.

Total dividend	2014	2015	2016	2017	2018
Interim and final dividend	6.0p	10.0p	14.5p	24.0p	32.0p

Statement of Financial Position

During the year to 30 June 2018, shareholders' funds increased by 9.7% to £188.1m (2017: £171.4m). Net assets per share increased to 345 pence, an increase of 8.8% year on year (2017: 317 pence).

In the year, non-current assets increased by 43.4% to £30.4m (2017: £21.2m). The main reason for the change is the increase in deferred receivables of £10.9m offset by a £0.7m reduction of share equity receivables and a decrease in deferred tax asset of £1.3m.

Current assets increased by 9.2% to £212.4m (2017: £194.5m), with inventories increasing by £17.9m to £160.5m, trade and other receivables decreasing by £7.3m to £10.6m and cash balances increasing by £7.2m to £41.3m.

Total liabilities increased by 23.2% to £54.7m (2017: £44.4m). This was mainly due to trade and other payables of £51.6m (2017: £41.6m) being £10.0m higher due to an increase in deferred land payables in Gleeson Strategic Land.

Cash flow

The Group generated £21.6m (2017: £19.7m) of cash in the year before the payment of dividends of £14.4m (2017: £8.9m), resulting in a net cash balance at 30 June 2018 of £41.3m (2017: £34.1m).

Operating cash flows before working capital movements, generated £38.6m (2017: £34.1m). Investment in working capital of £11.4m (2017: £10.0m) resulted in cash generated from operating activities of £27.2m (2017: £24.1m).

Tax and interest payments amounted to £5.3m (2017: £4.6m).

Cash outflows from investing activities totalled £0.3m (2017: £0.2m inflow). Net cash outflows from financing activities totalled £14.4m (2017: £8.9m), including £14.4m (2017: £8.9m) on dividend payments.

	2014	2015	2016	2017	2018
Cash balance	£13.7m	£15.8m	£23.2m	£34.1m	£41.3m

Treasury risk management

The Group's cash balances are centrally pooled and invested, ensuring the best available returns are achieved whilst 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

During the year, the Group extended its £20m bank borrowing facility with Lloyds Bank plc for a further three years to 18 March 2021. The facility includes an uncommitted accordion option that could increase the facility

limit 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 £0.7m (2017: £0.6m) 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
14 September 2018

CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2018

	2018	2017
	£000	£000
Continuing operations		
Revenue	196,741	160,384
Cost of sales	<u>(131,474)</u>	<u>(103,674)</u>
Gross profit	65,267	56,710
Administrative expenses	(28,670)	(24,051)
Other operating income	<u>257</u>	<u>304</u>
Operating profit	36,854	32,963
Finance income	418	251
Finance expenses	<u>(253)</u>	<u>(202)</u>
Profit before tax	37,019	33,012
Tax	<u>(6,526)</u>	<u>(6,488)</u>
Profit for the year from continuing operations	30,493	26,524
Discontinued operations		
Loss for the year from discontinued operations (net of tax)	(257)	(310)
	<hr/>	<hr/>
Profit for the year	<u><u>30,236</u></u>	<u><u>26,214</u></u>
Earnings per share attributable to equity holders of parent company		
Basic	55.55 p	48.49 p
Diluted	<u><u>54.69 p</u></u>	<u><u>47.75 p</u></u>
Earnings per share from continuing operations		
Basic	56.02 p	49.06 p
Diluted	<u><u>55.15 p</u></u>	<u><u>48.31 p</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2018

	2018	2017
	£000	£000
Profit for the year	30,236	26,214
Other comprehensive (expense)/income		
Items that may be subsequently reclassified to profit or loss		
Change in value of available for sale financial assets	31	(104)
Movement in deferred tax on share-based payments taken directly to equity	<u>(237)</u>	<u>665</u>
Other comprehensive (expense)/income for the year, net of tax	<u>(206)</u>	<u>561</u>
Total comprehensive income for the year attributable to equity holders of parent company	<u>30,030</u>	<u>26,775</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2018

	2018	2017
	£000	£000
Non-current assets		
Plant and equipment	1,737	1,484
Investment properties	258	303
Trade and other receivables	24,626	14,427
Deferred tax assets	3,731	5,001
	30,352	21,215
Current assets		
Inventories	160,517	142,550
Trade and other receivables	10,602	17,925
Cash and cash equivalents	41,314	34,052
	212,433	194,527
Total assets	242,785	215,742
Non-current liabilities		
Trade and other payables	(9,176)	(703)
Provisions	(110)	(110)
	(9,286)	(813)
Current liabilities		
Trade and other payables	(42,441)	(40,924)
Provisions	(49)	(101)
UK corporation tax	(2,910)	(2,533)
	(45,400)	(43,558)
Total liabilities	(54,686)	(44,371)
Net assets	188,099	171,371
Equity		
Share capital	1,092	1,082
Available for sale reserve	(657)	(688)
Retained earnings	187,664	170,977
Total equity	188,099	171,371

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2018

	Share capital £000	Share premium account £000	Available for sale reserve £000	Retained earnings £000	Total equity £000
At 1 July 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 expense	-	-	(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
Total comprehensive income for the year					
Profit for the year	-	-	-	30,236	30,236
Other comprehensive income	-	-	31	(237)	(206)
Total comprehensive income for the year	-	-	31	29,999	30,030
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue	10	-	-	-	10
Sale of own shares	-	-	-	95	95
Share-based payments	-	-	-	1,026	1,026
Dividends	-	-	-	(14,433)	(14,433)
Transactions with owners, recorded directly in equity	10	-	-	(13,312)	(13,302)
At 30 June 2018	1,092	-	(657)	187,664	188,099

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2018

	2018	2017
	£000	£000
Operating activities		
Profit before tax from continuing operations	37,019	33,012
Loss before tax from discontinued operations	(217)	(228)
	36,802	32,784
Depreciation of plant and equipment	971	818
Share-based payments	1,026	660
Profit on sale of available for sale financial assets	(167)	(216)
Loss on disposal of plant and equipment	152	147
Loss on sale of investment properties	-	9
Finance income	(418)	(251)
Finance expenses	253	202
	38,619	34,153
Operating cash flows before movements in working capital		
Increase in inventories	(17,967)	(28,312)
(Increase)/decrease in receivables	(3,247)	3,650
Increase in payables	9,855	14,633
	27,260	24,124
Cash generated in operating activities		
Tax paid	(5,156)	(4,426)
Interest paid	(172)	(135)
	21,932	19,563
Net cash flows from operating activities		
Investing activities		
Proceeds from disposal of available for sale financial assets	960	1,154
Proceeds from disposal of investment properties	45	194
Proceeds from disposal of plant and equipment	-	5
Interest received	29	18
Purchase of plant and equipment	(1,376)	(1,180)
	(342)	191
Net cash flow (deficit)/surplus from investing activities		
Financing activities		
Proceeds from issue of shares	10	-
Sale/(purchase) of own shares	95	(22)
Dividends paid	(14,433)	(8,924)
	(14,328)	(8,946)
Net cash flow deficit from financing activities		
Net increase in cash and cash equivalents	7,262	10,808
Cash and cash equivalents at beginning of year	34,052	23,244
Cash and cash equivalents at end of year	41,314	34,052

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 2018 or 2017, but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies, and those for 2018 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 2017. Of the new standards, amendments and interpretations that are in issue and mandatory for the financial year ended 30 June 2018, 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:

	2018	2017
	£000	£000
Revenue		
Continuing activities:		
Gleeson Homes	153,397	130,492
Gleeson Strategic Land	43,344	29,892
	196,741	160,384
Discontinued activities	-	-
Total revenue	196,741	160,384
Profit on activities		
Gleeson Homes	26,165	22,760
Gleeson Strategic Land	12,633	12,040
	38,798	34,800
Administrative expenses	(1,944)	(1,837)
Finance income	418	251
Finance expenses	(253)	(202)
Profit before tax	37,019	33,012
Tax	(6,526)	(6,488)
Profit for the year from continuing operations	30,493	26,524
Loss for the year from discontinued operations (net of tax)	(257)	(310)
Profit for the year attributable to equity holders of the parent company	30,236	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.

Revenue of £20,530,000 was derived from a single external customer. This revenue was attributable to the Gleeson Strategic Land segment.

3. Discontinued operations

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

	2018	2017
	£000	£000
Revenue	-	-
Cost of sales	-	-
Gross loss	-	-
Administrative expenses	(217)	(228)
Operating loss	(217)	(228)
Loss before tax	(217)	(228)
Tax	(40)	(82)
Loss for the year from discontinued operations	(257)	(310)

Loss per share - impact of discontinued operations

	2018	2017
	p	p
Basic	(0.47)	(0.57)

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

	2018	2017
	£000	£000
Operating activities	(321)	(441)

4. Finance income and expenses

	2018 £000	2017 £000
Finance income		
Interest on bank deposits	18	14
Unwinding of discount	396	236
Other interest	4	1
	<u>418</u>	<u>251</u>
Finance expenses		
Bank charges	(165)	(135)
Unwinding of discount	(83)	(67)
Other external interest	(5)	-
	<u>(253)</u>	<u>(202)</u>
Net finance income	<u>165</u>	<u>49</u>

5. Tax

	Continuing operations		Discontinued operations		Total	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Current tax:						
Current year charge	5,569	6,184	-	-	5,569	6,184
Adjustment in respect of prior years	(36)	155	-	-	(36)	155
	5,533	6,339	-	-	5,533	6,339
Deferred tax:						
Current year expense	1,003	88	45	48	1,048	136
Adjustment in respect of prior years	(33)	-	-	-	(33)	-
Impact of rate change	23	61	(5)	34	18	95
Deferred tax expense for the year	993	149	40	82	1,033	231
Total tax charge	6,526	6,488	40	82	6,566	6,570

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 17.8% of assessable profit for the year (2017: 20.0%).

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

	2018	2017
	£000	£000
Profit before tax on continuing operations	37,019	33,012
Loss before tax from discontinued operations	(217)	(228)
Profit before tax	36,802	32,784
Profit before taxation multiplied by the standard rate of UK corporation tax 19% (2017: 19.75%)	6,992	6,475
Tax effect of:		
Expenses not deductible for tax purposes	10	37
Relief for share based payments	(385)	(95)
Land remediation relief	-	(75)
Impact of rate differences	18	73
Adjustments in respect of prior years – current tax	(36)	155
Adjustments in respect of prior years – deferred tax	(33)	-
Total tax charge for the year	6,566	6,570

6. Dividends

	2018	2017
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 June 2018 of 9.0p (2017: 6.5p) per share	4,902	3,516
Final dividend for the year ended 30 June 2017 of 17.5p (2016: 10.0p) per share	9,531	5,408
	<u>14,433</u>	<u>8,924</u>

The proposed final dividend for the year ended 30 June 2018 of 23.0p per share (2017: 17.5p) brings the total dividend for the year to 32.0p (2017: 24.0p).

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 final dividend to be paid is £12,619,000.

7. Earnings per share

Continuing and discontinued operations

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

	2018	2017
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	30,493	26,524
Loss from discontinued operations	(257)	(310)
Profit for the purposes of basic and diluted earnings per share	30,236	26,214
	2018	2017
	No. 000	No. 000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	54,428	54,066
Effect of dilutive potential ordinary shares:		
- share options	862	834
Weighted average number of ordinary shares for the purposes of diluted earnings per share	55,290	54,900
	2018	2017
Continuing operations		
Basic earnings per share	56.02p	49.06p
Diluted earnings per share	55.15p	48.31p
Discontinued operations		
Basic earnings per share	(0.47)p	(0.57)p
Diluted earnings per share	(0.46)p	(0.56)p
Continuing and discontinued operations		
Basic earnings per share	55.55p	48.49p
Diluted earnings per share	54.69p	47.75p