gleeson

Monday, 30 September 2013

MJ GLEESON GROUP PLC

RESULTS FOR THE YEAR ENDED 30 JUNE 2013

MJ Gleeson Group Plc ('Gleeson'), the urban regeneration and strategic land specialist, is pleased to announce results for the year ended 30 June 2013 with revenues up 49%, operating profit more than doubled and a final dividend of 2.0p per share proposed.

	2013	2012
		Restated *
	£m	£m
Continuing operations		
Revenue	60.7	40.8
Operating profit	6.0	2.7
Profit before tax	5.8	3.0
Cash utilised in operating activities	(8.7)	(8.6)
Cash and cash equivalents	9.9	13.9
Net assets	112.1	100.4
Basic earnings per share	21.7p	6.9p
Basic earnings per share (normalised) **	13.7p	6.9p
Dividend per share	2.5p***	5.0p****
Net assets per share	212p	190p

Notes:

*   For details of the restatement see note 9

**   Normalised EPS excludes the deferred tax credit of £4.2m recorded in the year.

***   0.5p paid, 2.0p proposed

****   Special dividend

A Year of Transformation

- Operating profit from continuing activities improved 121% to £6.0m (2012 restated: £2.7m).
  - Strong growth in Gleeson Homes which increased operating profit to £4.0m (2012: £0.3m).
  - Gleeson Strategic Land recorded operating profit of £3.5m (2012: £3.7m).
- Gleeson Homes increased number of units sold by 46% to 406 (2012: 279) units.
  - Proportion of units sold from new, higher margin sites increased to 75% (2012: 31%)
  - Landbank totals in excess of 3,860 plots including conditionally purchased sites (2012: 3,790 plots)
- Gleeson Strategic Land sold 42.5 acres across seven sites, delivering 439 plots for development (2012: 115 acres)
  - Ten new agreements completed in the year, adding a potential 1,200 plots over 203 acres.
- Profit before tax increased by 91% to £5.8m (2012: £3.0m)
- Forward order book up 141% to £25.9m at 30 June 2013 representing 221 units (2012: £10.8m)
- Final dividend of 2.0 pence per share proposed (2012: nil), bringing total dividend to 2.5 pence per share (2012: 5.0 pence per share special dividend)

Dermot Gleeson, Chairman of MJ Gleeson Group plc, said:

"The Group has continued to expand and strengthen its presence in the two areas of the housing market in which it now operates: urban housing and regeneration on brownfield sites in the North of England, where we are market leader, and the promotion through the planning system and subsequent sale of high value green field sites in the South of England.

Forward orders are significantly ahead of last year and we are confident that, barring an unexpected deterioration in economic conditions, we will achieve further significant growth in revenue and profit in the current year and beyond."

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Chairman's Statement

The Group made excellent progress over the year.

Gleeson Homes increased unit sales by 46% to 406 units (2012: 279 units). Moreover, this increase in volume, which was primarily driven by sales on recently acquired, higher margin sites, has resulted in a significant rise in gross margins.

In addition, the division continued substantially to expand its land bank, taking advantage of the low land prices that still persist in most parts of the North of England.

Gleeson Strategic Land also produced a strong set of results, reflecting both a high level of success in securing residential planning consents for green field sites in the South of England and strong demand for such sites, once consented, from volume house builders.

Financial Performance

Group revenues increased 49% to £60.7m (2012 restated: £40.8m). The Group recorded an operating profit from continuing operations of £6.0m, an increase compared to the previous year of 121% (2012 restated: £2.7m). Discontinued operations, which included the sale of our last PFI investment, generated a post-tax profit of £1.3m (2012 restated: £0.7m).

Profit for the year attributable to equity holders of the parent company, including an exceptional deferred tax credit of £4.2m, totalled £11.4m (2012: £3.6m).

Net assets increased by 11.6% to £112.1m (2012: £100.4m), representing net assets per share of 212p (2012: 190p). Net cash at 30 June 2013 was £9.9m (2012: £13.9m), the decrease of £3.9m primarily reflecting the continuing expansion of the Group's land bank and work-in-progress.

Normalised basic earnings per share, which excludes the exceptional tax credit of £4.2m, was 13.7p (2012: 6.9p).

Market Context

The housing market during the year benefited significantly from the Government's Funding for Lending, and Help to Buy schemes, and continues to do so. Concerns have been expressed that the Government initiatives may create an unsustainable housing bubble but, in our markets, these seem misplaced. Outside central London, the increases in prices and sales rates have been very modest and are likely to remain so at a time when average real incomes continue to be exceptionally constrained.

Employees

The average number of employees during the year increased to 201 (2012: 130). The number at the year end was 215 (2012: 166).

The Group's strong performance during the year testifies to the commitment and professionalism of our employees and, on behalf of the Board, I would like to congratulate and thank them.

Dividend Policy

I stated in last year's Annual Report that, due to the improving prospects of Gleeson Homes, the Board was hoping to recommence regular dividend payments during 2013. I am pleased to report that regular dividend payments duly recommenced in April 2013 with the payment of an interim dividend of 0.5 pence per share (2012: nil) at a total cost of £0.26m. Furthermore, the Board is recommending a final dividend for the year of 2.0 pence per share (2012: nil) at a cost of £1.1m. Combined with the interim dividend, this will give a total dividend for the year of 2.5 pence per share (2012: 5.0 pence per share special dividend). Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 20 December 2013 to shareholders on the register at close of business on 22 November 2013.

It is the Board's intention to maintain a progressive dividend policy in which, from the current year onwards, the final dividend will normally represent roughly two thirds of the total dividend.

Prospects

The Group has continued to expand and strengthen its presence in the two areas of the housing market in which it now operates: urban housing and regeneration on brownfield sites in the North of England, where we are market leader, and the promotion through the planning system and subsequent sale of high value green field sites in the South of England.

Forward orders are significantly ahead of last year and we are confident that, barring an unexpected deterioration in economic conditions, we will achieve further significant growth in revenue and profit in the current year and beyond.

Dermot Gleeson
Chairman

Business Review

The year to 30 June 2013 has been a transitional year for the Group which has resulted in a significantly improved financial performance. Gleeson Homes, focused on the provision of low cost homes in the North of England, substantially increased the number of sites under development, the volume of homes sold and its gross and net margins. Gleeson Strategic Land once again delivered an impressive profit and a high return on capital employed from the sale of land with residential planning permission in the South of England.

Group Businesses and Strategy

Gleeson Homes: A housebuilder focusing on development on brown field land in the North of England, with a particular emphasis on low cost homes for local communities. The strategy is to grow the business in the North of England, particularly in areas of urban regeneration.

The key features of the Gleeson Homes business model are:

- Successful land purchase. We have a very carefully targeted land buying strategy that has clearly defined and challenging hurdle rates. We partner with local authorities and private land owners to acquire land in socially and economically deprived areas which will benefit from urban regeneration.
- Driving down building costs. We build traditional 2, 3 and 4 bedroom detached and semi-detached homes. We ensure that our homes are built with good quality but inexpensive products to the specification that our customers require.
- Low overheads. We ensure that overhead costs are kept low by having small and similarly structured management teams in each operating region and continuously measuring their relative performance.
- Enabling the customer. We offer our customers a large range of bespoke packages to enable them to become homeowners.

Gleeson Strategic Land: A land promotion business that enhances the value of land by securing residential planning consents. The primary focus is on green field sites in the South of England likely to be attractive to volume housebuilders.

The key features of the Gleeson Strategic Land business model are:

- Achieving mutually beneficial agreements with landowners. We enter into agreements with landowners to promote their land through the planning process.
- Promotion through the planning process. The division’s team of land surveyors and town planners, along with legal and technical experts, steer the land through the planning process with a view to achieving a commercially attractive residential planning consent.
- Realising value. We strive to ensure that the best value is achieved for all stakeholders by managing the sale of the consented site to a developer.

Discontinued Operations

Gleeson Capital Solutions: The Group commenced winding down this business unit in 2011. The Group sold its last PFI investment in February 2013.

Gleeson Commercial Property Developments: The Group has now sold its commercial property developments and ended its remaining leasehold interests.

Building and Engineering Contracting: The Group sold certain contracts, assets and liabilities of the Building Contracting Division and Engineering Division in 2005 and 2006 respectively. The activity of this business unit are now limited to the resolution of occasional contractual claims.

PERFORMANCE

GLEESON HOMES

Gleeson Homes’ results for the year were as follows:

	2013	2012
Revenue	£47.9m	£32.6m
Operating profit	£4.0m	£0.3m

During the year, 406 homes were sold, an increase of 46% from the prior year's total of 279. The proportion of homes sold from new, higher margin sites rose from 31% in the prior year to 75%. This increase in the contribution from new sites, along with the increase in the volume of homes sold, significantly improved the profitability of the business unit.

The Average Selling Price ("ASP") for the homes sold in the year was £118,000 (2012: £117,000).

Customer demand increased in the second half of the year, with reservation rates improving from January onwards. Mortgage availability remained constrained but was helped by the Government's Funding for Lending scheme which improved the availability of higher loan to value mortgages. The Government's FirstBuy and Help to Buy schemes were also of assistance to many of our customers.

Included within the Operating Profit is an exceptional credit of £1.0m (2012: £3.0m) relating to the partial reversal of a debtor write down. The exceptional credits in the prior year related to the partial reversal of inventory write downs and the release of contract and restructuring provisions.

At the year end, Gleeson Homes had 34 selling outlets, located in County Durham, Derbyshire, Merseyside, Manchester, Newcastle, Nottinghamshire, Tyneside and Yorkshire. The number of outlets is expected to increase during the course of the current financial year to in excess of 40.

The business unit continued to take advantage of reduced land prices in the North of England to build up a substantially enlarged landbank. During the year, 15 sites were purchased which added 1,050 plots to the land bank. A further 16 sites that have been conditionally purchased are expected to add a further 1,240 plots to the landbank in the near future. When and if these acquisitions are completed, the landbank will total in excess of 3,860 plots. Impaired plots now represent only 7% of the land bank. In addition to owned and conditionally purchased plots, there are a further 2,000 plots which are being actively considered for acquisition.

GLEESON STRATEGIC LAND

	2013	2012
Revenue	£12.7m	£8.2m
Operating profit	£3.5m	£3.7m

The demand for green field residential land in the South of England from the major housebuilders remained strong throughout the year. As a result, the business unit was able to complete seven land sales, with a combined acreage of 42.5 acres.

During the year, ten new sites were secured by means of either option, promotion, or subject to planning agreements. These covered 203 acres, with the potential to deliver 1,200 houses. In addition, heads of terms have been agreed for a further five sites covering 116 acres, with the potential for 950 plots.

Gleeson Strategic Land continues to progress the portfolio through the planning system. During the year residential planning approval was achieved on 35 acres over four sites, to deliver 355 plots. It is expected that 175 plots on three of the sites will be sold in the current financial year. At the year end planning applications on two sites remain undecided, which if successful will deliver 220 plots. During the current financial year planning applications are expected to be submitted on a further 22 sites, delivering a further 2,600 plots.

At the year end, Gleeson Strategic Land's portfolio totalled 3,582 acres (2012: 3,653 acres), of which 155 acres (2012: 177 acres) were wholly or part owned by the Group, 2,162 acres (2012: 2,337 acres) were held under option and 1,265 acres (2012: 1,139 acres) were the subject of promotion agreements. The geographic bias of the portfolio is towards the South of England, predominantly in: Buckinghamshire, Dorset, Essex, Hampshire, Hertfordshire, Kent, Oxfordshire, Surrey, Sussex and Wiltshire.

The land owned or part owned by the Group and managed by Gleeson Strategic Land includes sites which have residential planning permission for a total of 1,084 plots. In addition, the Group and its joint venture partners have options to buy two sites which have residential permission for a total of 42 plots.

Finance Review

Overview

The profit before tax from continuing operations, increasing by 91% to £5.8m (2012: £3.0m). This significant improvement was led by Gleeson Homes, which recorded a £3.7m increase in operating profit to £4.0m (2012: £0.3m). Gleeson Strategic Land achieved a profit of £3.5m (2012: £3.7m).

Key performance indicators

	2013	2012
Revenue	**£60.7m**	£40.8m
Operating profit	**£6.0m**	£2.7m
Cash generation	**£(3.9)m**	£(3.9)m
Basic EPS – continuing operations - normalised *	**11.1p**	5.5p
Net assets per share	**212p**	190p

***** Normalised EPS excludes the deferred tax credit of £4.2m recorded in the year.

Gleeson Homes
2013 has been a year of strong growth and operational performance. Revenue increased by 47% to £47.9m (2012: £32.6m) driven by a 46% increase in home completions to 406 (2012: 279). Operating profit increased by £3.7m to £4.0m (2012: £0.3m), resulting in an operating margin of 8.4% (2012: 0.9%).

A key factor in the improvement of the operating margin was the 64% reduction in the proportion of completions from sites that had previously been impaired to 25% (2012: 69%). The proportion of completions from impaired sites will continue to reduce as these sites are sold out. At 30 June 2013, only 7% of the land bank was impaired.

Included within the operating result are the following exceptional credits:

	2013	2012
Reversal of inventory write downs and contract provisions	**£1.0m**	£2.9m
Release of restructuring provisions	**-**	£0.1m
Total	**£1.0m**	£3.0m

The average selling price was relatively stable at £118,000 (2012: £117,000).

Gleeson Strategic Land
Gleeson Strategic Land recorded an operating profit of £3.5m (2012: £3.7m) on revenue of £12.7m (2012: £8.2m) following the sale of seven sites, comprising 42.5 acres.

Discontinued operations
Gleeson Capital Solutions was reclassified as a discontinued operation during the year, following the sale of its remaining PFI investment in February 2013. The business unit recorded a profit after tax of £1.5m (2012: £0.7m). The result for the year included the £1.4m profit on sale of a PFI investment which generated gross proceeds of £3.6m. The operations of this business unit have now ceased.

Gleeson Commercial Property Developments was reclassified as a discontinued operation during the year as the Group has now disposed of its commercial property developments and ended its remaining leasehold interests. A profit after tax of £7k was recorded in the year (2012: £183k).

The Building Contracting Division of Gleeson Construction Services, was reclassified as a discontinued operation during the year as contracting work, including rectification work on behalf of insurers, is now complete. Both the Building Contracting and the Engineering Contracting Divisions are now classified as discontinued operations and any distinction between the Divisions is no longer relevant. Gleeson Construction Services recorded revenue of £1.1m (2012: £1.2m), relating to rectification work on behalf of insurers, on which a nominal gross profit was achieved. An operating loss of £0.1m (2012: £0.1m) was recorded.

Interest
Financial income of £0.4m (2012 restated: £0.3m) consists of interest earned on bank deposits, and the unwinding of discounts on deferred receipts. Interest earned on bank deposits was lower than in the previous year due to lower average cash balances during the year. Interest earned on unwinding of deferred receipts was higher as a result of a higher level of discount being unwound due to a higher level of deferred receipts outstanding. Interest on joint venture loans totalling £0.2m (2012: £0.2m) was recorded within discontinued operations. The joint venture was disposed of in February 2013 at which point interest ceased to be accrued, resulting in a lower income than the prior year.

Financial expenses of £0.6m (2012: £19k) consist of interest payable on bank loans and overdrafts, bank charges and interest and unwinding of discounts relating to deferred payments. Financial expenses are higher in the current year due to bank charges relating to the provision of the £5.0m overdraft which was arranged during the year, along with the interest expense on deferred payments for land acquisition.

Tax
A net tax credit for continuing operations, of £4.3m (2012: £0.1m charge) has been recorded in the Income Statement. The tax credit includes an exceptional credit relating to deferred tax of £4.2m. 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 £67.9m (2012: £83.1m) of tax losses, of which £19.9m have been recognised as a deferred asset, which can be carried forward indefinitely.

The tax charge attributable to discontinued operations was £10k (2012 restated: £24k), so the total tax credit was £4.3m (2012: £0.1m charge). The net deferred tax asset recorded within the Balance Sheet totals £5.0m (2012: £0.7m).

Earnings per share
Basic earnings per share improved by 216% to 21.7p (2012: 6.9p). Excluding the exceptional deferred tax credit, the basic earnings per share improved by 99% to 13.7p (2012: 6.9p). For continuing operations only, excluding the exceptional deferred tax credit, basic earnings per share improved by 101% to 11.1p (2012: 5.5p).

Dividend
Against the background of Gleeson Homes' return to operational profitability and of the continuing commercial success of Gleeson Strategic Land, the Board decided to recommence regular dividend payments with the payment of an interim dividend of 0.5 pence per share in April 2013. In the light of the continuing improvement in the Group's performance, the Board proposes a final dividend of 2.0 pence per share. Combined with the interim dividend, the dividend for the full year totals 2.5 pence per share. A special dividend of 5.0 pence per share was paid in December 2011.

Disposals
The Group sold its remaining PFI investment in February 2013. The gross proceeds from the sale totalled £3.6m, generating a profit of £1.4m, which has been recognised within discontinued operations.

In the previous year, the Group disposed of three PFI investments with gross proceeds of £7.5m and a profit of £0.3m.

Balance sheet
At 30 June 2013, shareholders' funds totalled £112.1m (2012: £100.4m).

In the year, non-current assets increased by £7.3m to £20.0m (2012: £12.7m). This included an increase in plant and equipment of £0.5m, comprising the acquisition of site equipment and the capitalisation of show homes, an increase in trade and other receivables of £2.4m due to further shared equity sales, and an increase in the deferred tax asset of £4.3m noted above.

Current assets increased by £16.6m to £120.2m (2012: £103.5m). Inventories increased by £20.3m to £96.8m, with a £8.6m net investment in land and a £11.7m increase in work-in-progress. Trade and other receivables increased by £2.2m due to increased deferred receipts following land sales and assets classified as held for sale reduced to £nil from £2.0m following the sale of the PFI investment. Cash balances reduced by £3.9m.

Total liabilities increased by £12.2m to £28.0m (2012: £15.8m). £2.2m of the increase related to the drawdown of a loan from the Government's Get Britain Building Fund. Trade payables increased by £10.3m, with £7.2m due to an increase in land creditors to £9.8m (2012: £2.6m).

Cash Flow

The Group utilised £3.9m (2012: £3.9m) of cash in the year, resulting in a net cash balance at 30 June 2013 of £9.9m (2012: £13.9m).

Operating cash flows, including working capital movements, utilised £8.7m (2012: £8.6m). Cash generated from investing activities totalled £2.8m (2012: £7.2m), which included £3.3m net proceeds from the sale of a PFI investment. Net cash flows from financing activities generated £2.1m (2012: £2.5m utilised), including £2.2m due to the drawdown of the Get Britain Building loan and £0.3m (2012: £2.6m) on dividend payments.

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 only deposits funds with financial institutions which have a minimum credit rating of AA.

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

Bank Facilities

The Group has a £5.0m overdraft facility, which is renewable in February 2014. The Group is in advanced negotiations regarding the acceptance of a revolving working capital facility, which would be used to accelerate the Group's growth plans.

Pension

The Group contributes to a defined contribution pension scheme. A charge of £0.4m (2012: £0.3m) was recorded in the Income Statement for pension contributions. The Group has no exposure to defined benefit pension plans.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described above.

The Group meets its day-to-day working capital requirements through its cash resources and the overdraft facility. Current economic conditions inevitably create a degree of uncertainty, particularly over the level of demand for the Group's goods and services and the availability of bank finance. However, the Group's forecasts and projections show that the Group is able to operate without the need for debt finance, other than usage of an overdraft, for the foreseeable future.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual Report and Accounts.

Responsibility Statement

The 2013 Annual report and financial statements, which will be issued at a later date, contain a responsibility statement in compliance with DTR 4.1.12. This states that on 27 September 2013, the date of approval of the Annual Report, the Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair review of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries included in the consolidation as a whole, and

- the Directors' report includes a fair review of the development of the business and the position of the Company and its subsidiaries including in the consolidation as a whole, together with a description of the principle risks and uncertainties that they face.

A list of the Directors and their roles will be provided in the 2013 Annual report and are available on the Group's website, http://www.mjgleeson.com/investor-relations/gleeson-directors.

Operating Risk Statement

In common with other organisations, the Group faces risks that may affect its performance. The Group has established and operates a system of internal control and risk management procedures, in order to identify, control and monitor the risks at various levels within the organisation. These risks include but are not limited to the following:

Risk	Description	Mitigation
Economic Environment		
The impact of continuing economic fragility and government austerity measures	Continuing uncertainty in the wider economy, including government austerity measures, affect buyer confidence and the demand for new houses. This could have a negative impact on revenues, profits, cash generation and the carrying value of the Group's assets.	• Sites are selected to meet the needs of the local community. • Prices and incentives are regularly reviewed. • Lead indicators of the housing market, such as visitors to sites and reservation rates are closely monitored. • A cautious approach to debt funding is maintained.
Mortgage availability		
The limited availability of mortgages for first time buyers.	The availability of mortgage finance, particularly the deposit requirements for first time buyers, is crucial to customer demand. Restrictions on mortgages granted could reduce demand for new homes and impact on the Group's revenues and profits.	• Gleeson Homes provides a range of customer assistance packages • We continually innovate to find additional ways to assist customers to buy a home. • We work with key lenders to ensure products are appropriate.
Land		
An inability to source sufficient land at an acceptable cost to meet the Group's business needs.	Gleeson Homes needs to acquire consented land at appropriate prices and in appropriate areas in the North of England in order to construct and sell homes to deliver profit. Gleeson Strategic Land needs to acquire control of land in the South of England so that it can promote it through the planning system and subsequently sell it in order to deliver profit.	• We have a clearly defined strategy and geographic focus. • There is a formal appraisal process and rigorous adherence to rates of return
Planning policy and regulations		
The potentially damaging uncertainties in the planning regime relating to the Localism Act, the National Planning Policy Framework and the Community Infrastructure Levy.	Increased complexity in some aspects of the planning process may slow down, or increase the cost of, the delivery of consented land for development or sale and so impact on the Group's revenues and profits.	• We have a very high level of in-house expertise devoted to monitoring and complying with planning regulations and to achieving implementable planning consents. • We consult with central government, parliament and local authorities, both directly and via industry bodies, in order to understand proposed changes to regulations and to highlight potential issues.
People		
An inability to attract, develop or retain good people	The loss of key staff or the failure to attract, develop and retain people with the right skills may have a detrimental impact on the business.	• We have programmes that generously reward the achievement of performance targets

		• The Group encourages employee share ownership. • Our apprenticeship schemes enable us to identify and secure the loyalty of talented individuals at an early age. • We perform regular performance and development reviews. • We monitor staff turnover and benchmark remuneration against competitors.
Availability of raw materials and subcontractors		
An inability to secure materials and skilled labour on a timely basis at suitable prices.	Shortages or increased cost of materials or skilled labour, the failure of key suppliers, or the inability to secure supplies upon appropriate credit terms could increase costs and delay construction.	• The Group has multiple suppliers for both labour contracts and material supplies. • The Group seeks to partner with the supply chain.
Health & Safety		
A failure to prevent unsafe practices within our construction activities, causing injury or death.	Health and safety breaches can result in injuries to employees, subcontractors and site visitors, delays in construction, additional cost, reputational damage, criminal prosecution and civil litigation.	• Our documented policies and procedures are regularly reviewed and modified in order to ensure continuous improvement. • Dedicated Health & Safety personnel ensure implementation and adherence to these policies and procedures • Performance is reviewed both by local management and the main Board.
Latent defects		
Financial losses may arise from latent defects that may arise on completed projects during the liability period.	The Group may be exposed to latent defects which occur during the liability period on completed construction contracts that have not been transferred to the purchaser of the relevant construction business. Although subcontractors will normally resolve such defects, the Group will become liable if the subcontractor is no longer trading, potentially resulting in additional cost.	• We have experienced personnel, dedicated to dealing with such claims. • Insurance policies are in place to minimise Group liabilities, wherever possible. • The provisions relating to completed contracts are reviewed on a regular basis.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2013

	2013 Before exceptional items	2013 Exceptional items Note 4	2013	2012 Before exceptional items Restated Note 9	2012 Exceptional items Note 4	2012 Restated Note 9
	£000	£000	£000	£000	£000	£000
Continuing operations						
Revenue	**60,656**	**-**	**60,656**	40,807	-	40,807
Cost of sales	**(43,641)**	**1,028**	**(42,613)**	(32,233)	2,879	(29,354)
Gross profit	**17,015**	**1,028**	**18,043**	8,574	2,879	11,453
Administrative expenses	**(12,034)**	**-**	**(12,034)**	(8,906)	76	(8,830)
Profit on sale of investment properties	-	-	-	101	-	101
Operating profit/(loss)	**4,981**	**1,028**	**6,009**	(231)	2,955	2,724
Financial income	**417**	**-**	**417**	321	-	321
Financial expenses	**(647)**	-	**(647)**	(19)	-	(19)
Profit before tax	**4,751**	**1,028**	**5,779**	71	2,955	3,026
Tax	**82**	**4,238**	**4,320**	(130)	-	(130)
Profit/(loss) for the year from continuing operations	**4,833**	**5,266**	**10,099**	(59)	2,955	2,896
Discontinued operations						
Profit for the year from discontinued operations (net of tax)			**1,344**			710
Profit for the year attributable to equity holders of the parent company			**11,443**			3,606
Other comprehensive income						
Share of joint venture's cashflow hedges			**118**			(3)
Total comprehensive income for the year attributable to equity holders of parent company			**11,561**			3,603
Earnings per share attributable to equity holders of parent company						
Basic			**21.69 p**			6.86 p
Diluted			**21.46 p**			6.86 p
Earnings per share from continuing operations						
Basic			**19.14 p**			5.51 p
Diluted			**18.94 p**			5.51 p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2013

	2013	2012
	£000	£000
Non-current assets		
Plant and equipment	**1,467**	922
Investment properties	**748**	748
Investments in joint ventures	**15**	15
Loans and other investments	**4,896**	4,896
Trade and other receivables	**7,797**	5,369
Deferred tax assets	**5,032**	725
	19,955	12,675
Current assets		
Inventories	**96,820**	76,495
Trade and other receivables	**13,401**	11,183
UK corporation tax	**-**	15
Cash and cash equivalents	**9,936**	13,862
Assets classified as held for sale	**-**	1,990
	120,157	103,545
Total assets	**140,112**	116,220
Non-current liabilities		
Loans and borrowings	**(1,885)**	-
Provisions	**(85)**	(219)
	(1,970)	(219)
Current liabilities		
Loans and borrowings	**(308)**	-
Trade and other payables	**(25,509)**	(15,249)
Provisions	**(236)**	(358)
	(26,053)	(15,607)
Total liabilities	**(28,023)**	(15,826)
Net assets	**112,089**	100,394
Equity		
Share capital	**1,058**	1,055
Share premium account	**6,343**	6,114
Capital redemption reserve	**120**	120
Retained earnings	**104,568**	93,105
Total equity	**112,089**	100,394

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2013

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	**Total £000**
At 1 July 2011	1,054	6,039	120	91,940	**99,153**
Total comprehensive income for the period					
Profit for the period	-	-	-	3,606	**3,606**
Other comprehensive income					
Cashflow hedges	-	-	-	(3)	**(3)**
Total comprehensive income for the period	**-**	**-**	**-**	3,603	**3,603**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue	1	75	-	-	**76**
Own shares disposed	-	-	-	39	**39**
Share-based payments	-	-	-	149	**149**
Dividends	-	-	-	(2,626)	**(2,626)**
Transactions with owners, recorded directly in equity	1	75	-	(2,438)	**(2,362)**
At 30 June 2012	1,055	6,114	120	93,105	**100,394**
Total comprehensive income for the period					
Profit for the period	-	-	-	11,443	**11,443**
Other comprehensive income					
Cashflow hedges	-	-	-	118	**118**
Total comprehensive income for the period	-	-	-	11,561	**11,561**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue	3	229	-	-	**232**
Purchase of own shares	-	-	-	(15)	**(15)**
Share-based payments	-	-	-	181	**181**
Dividends	-	-	-	(264)	**(264)**
Transactions with owners, recorded directly in equity	3	229	-	(98)	**134**
At 30 June 2013	1,058	6,343	120	104,568	**112,089**

CONSOLIDATED STATEMENT OF CASHFLOW
for the year ended 30 June 2013

	2013	2012 Restated Note 9
	£000	£000
Operating activities		
Profit before tax from continuing operations	**5,779**	3,026
Profit before tax from discontinued operations	**1,354**	734
	7,133	3,760
Depreciation of plant and equipment	**597**	229
Share-based payments	**181**	149
Profit on sale of investment properties	**-**	(101)
Profit on sale of assets held for sale	**(1,372)**	(341)
Share of loss/(profit) of joint ventures (net of tax)	**107**	(3)
Capitalisation of available for sale assets	**(2,443)**	-
Financial income	**(570)**	(561)
Financial expenses	**647**	19
Dividends received	**(117)**	-
Operating cash flows before movements in working capital	**4,163**	3,151
Increase in inventories	**(20,325)**	(6,998)
(Increase)/decrease in receivables	**(2,075)**	810
Increase/(decrease) in payables	**9,490**	(5,545)
Cash utilised in operating activities	**(8,747)**	(8,582)
Tax received	**19**	-
Interest paid	**(133)**	(13)
Net cash flows from operating activities	**(8,861)**	(8,595)
Investing activities		
Proceeds from disposal of assets held for sale	**3,314**	7,209
Proceeds from disposal of available for sale assets	**157**	-
Proceeds from disposal of investment properties	**-**	156
Interest received	**345**	665
Dividends received	**117**	-
Purchase of plant and equipment	**(1,144)**	(893)
Repayment of loans to joint ventures and other investments	**-**	68
Net cash flows from investing activities	**2,789**	7,205
Financing activities		
Increase in loans and borrowings	**2,193**	-
Proceeds from issue of shares	**232**	76
Purchase of own shares	**(15)**	-
Own shares disposed	**-**	39
Dividends paid	**(264)**	(2,626)
Net cash flows from financing activities	**2,146**	(2,511)
Net decrease in cash and cash equivalents	**(3,926)**	(3,901)
Cash and cash equivalents at beginning of year	**13,862**	17,763
Cash and cash equivalents at end of year	**9,936**	13,862

1. Accounting policies

Statement of compliance
Both the Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs").

Notes on the preliminary statement
The financial information set out above does not constitute the company's statutory accounts for the years ended 30 June 2013 or 2012, but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies, and those for 2013 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 Group 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 Report and Accounts for the year ended 30 June 2012. Of the new standards, amendments and interpretations that are in issue and mandatory for the financial year ended 30 June 2013, there is no financial impact on these preliminary results.

Whilst the Financial Information included in this Preliminary Announcement has been prepared on the basis of the requirements of IFRSs in issue, as adopted by the European Union and effective at 30 June 2013, this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full Consolidated Financial Statements in due course.

2. Segmental analysis

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of discrete financial information about components of the Group that are regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") to allocate resources to the segments and to assess their performance. The Directors have concluded that the discontinued operations which consist of the Gleeson Capital Solutions, the Gleeson Commercial Property Development and the Gleeson Construction Services divisions no longer fall under this definition and the segmental information has been restated to reflect this change. Further details of the restatement are given in Note 9. The CODM is regarded as the Board of Directors of the Group.

For management purposes, the Group is organised into the following two operating divisions:

• Gleeson Homes
• Gleeson Strategic Land

Segment information about the Group's operations, including joint ventures, is presented below:

	2013 £000	2012 £000 Restated Note 9
Revenue		
Continuing activities:		
Gleeson Homes	**47,940**	32,634
Gleeson Strategic Land	**12,716**	8,173
	60,656	40,807
Discontinued activities:	**1,146**	1,168
Total revenue	**61,802**	41,975
Profit on activities		
Gleeson Homes	**4,007**	306
Gleeson Strategic Land	**3,450**	3,655
	7,457	3,961
Group Activities	**(1,448)**	(1,237)
Financial income	**417**	321
Financial expenses	**(647)**	(19)
Profit before tax	**5,779**	3,026
Tax	**4,320**	(130)
Profit for the year from continuing operations	**10,099**	2,896
Profit for the year from discontinued operations (net of tax)	**1,344**	710
Profit for the year attributable to equity holders of the parent company	**11,443**	3,606

All rental income from investment properties, totalling £4,000 (2012: £4,000), is reported within the Gleeson Homes segment. The revenue in the Gleeson Homes segment relates to the sale of residential properties and land. All revenue for 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 treated this 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 Ltd, in a prior period. Following the completion of rectification work on behalf of insurers, this division was reclassified as discontinued.

During the year, the Group disposed of the remaining joint venture investment in the Gleeson Capital Solutions division. There is no further business within the division and is treated as discontinued.

During the year, the Gleeson Commercial Property Development division was no longer considered significant within the Group and is treated as discontinued.

	Gleeson Capital Solutions	**Gleeson Commercial Property Develop-ments**	**Gleeson Construction Services**	**Total**	Gleeson Capital Solutions	Gleeson Commercial Property Develop-ments	Gleeson Construction Services	Total
	2013	**2013**	**2013**	**2013**	2012	2012	2012	2012
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
					Restated Note 9	Restated Note 9	Restated Note 9	Restated Note 9
Revenue	**-**	**2**	**1,144**	**1,146**	-	3	1,165	1,168
Cost of sales	**-**	**-**	**(1,106)**	**(1,106)**	-	2	(1,082)	(1,080)
Gross profit	**-**	**2**	**38**	**40**	-	5	83	88
Administrative expenses	**52**	**-**	**(156)**	**(104)**	67	178	(183)	62
Profit on sale of assets held for sale	**1,372**	**-**	**-**	**1,372**	341	-	-	341
Share of profit of joint ventures (net of tax)	**(107)**	**-**	**-**	**(107)**	3	-	-	3
Operating profit/(loss)	**1,317**	**2**	**(118)**	**1,201**	411	183	(100)	494
Financial income	**153**	**-**	**-**	**153**	240	-	-	240
Profit/(loss) before tax	**1,470**	**2**	**(118)**	**1,354**	651	183	(100)	734
Tax	**-**	**5**	**(15)**	**(10)**	-	-	(24)	(24)
Profit/(loss) for the year from discontinued operations	**1,470**	**7**	**(133)**	**1,344**	651	183	(124)	710

Earnings per share - impact of discontinued operations

	2013	2012
	p	p Restated Note 9
Basic	**2.55**	1.35
Diluted	**2.52**	1.35

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

	2013	2012
	£000	£000 Restated (Note 9)
Operating activities	**(30)**	(1,553)
Investing activities	**3,642**	7,465
	3,612	5,912

4. Exceptional items

Impairment of inventories and contract provisions
At 30 June 2013, the Group conducted a review of the net realisable value of the land and work-in-progress carrying values of its sites in the light of the condition of the UK housing market. Where the estimated net present realisable value is greater than the carrying value within the Balance Sheet, the Group has partially reversed the impairment previously made.

Restructuring costs
During the year, the Group reversed £Nil (2012: £76,000) in relation to onerous lease provisions provided for and treated as exceptional in prior years.

Deferred tax on tax losses
During the year, the Group recognised £4,238,000 (2012: £Nil) of previously unrecognised deferred tax asset in relation to tax losses available to offset against future profits.

Exceptional income may be summarised as follows:

	2013 £000	2012 £000
Re-instatement of inventories and contract provisions	**1,028**	2,879
Reversal of restructuring costs	**-**	76
Tax	**4,238**	-
	5,266	2,955

In the year ended 30 June 2013, £1,028,000 (2012: £2,955,000) of exceptional income was reported in the Gleeson Homes division and £4,238,000 (2012: £Nil) as tax.

5. Financial income and expenses

	Continuing operations		Discontinued operations		Total	
	2013	2012	**2013**	2012	**2013**	2012
	£000	£000	**£000**	£000	**£000**	£000
		Restated Note 9		Restated Note 9		
Financial income						
Interest on bank deposits	**45**	199	**-**	-	**45**	199
Interest on joint venture loans	**-**	-	**153**	240	**153**	240
Other interest	**-**	1	**-**	-	**-**	1
Unwinding of discount on deferred receipts	**372**	121	**-**	-	**372**	121
	417	321	**153**	240	**570**	561
Financial expenses						
Interest on bank overdrafts and loans	**(3)**	-	**-**	-	**(3)**	-
Bank charges	**(130)**	(13)	**-**	-	**(130)**	(13)
Interest and unwinding of discount on deferred payments	**(514)**	(6)	**-**	-	**(514)**	(6)
	(647)	(19)	**-**	-	**(647)**	(19)
Net financial (expense)/income	**(230)**	302	**153**	240	**(77)**	542

6. Tax

	Continuing operations		Discontinued operations		Total	
	2013	2012 Restated Note 9	**2013**	2012 Restated Note 9	**2013**	2012
	£000	£000	**£000**	£000	**£000**	£000
Current tax:						
Adjustment in respect of prior years	**(12)**	(15)	**8**	-	**(4)**	(15)
	(12)	(15)	**8**	-	**(4)**	(15)
Deferred tax:						
Current year (credit)/expense	**(4,336)**	97	**-**	18	**(4,336)**	115
Adjustment in respect of prior years		(8)	**-**	-	**-**	(8)
Impact of rate change	**28**	56	**2**	6	**30**	62
Corporation tax expense/(credit) for the year	**(4,320)**	130	**10**	24	**(4,310)**	154
Joint ventures tax (credit)/expense for the year	**-**	-	**-**	(9)	**-**	(9)
Total tax	**(4,320)**	130	**10**	15	**(4,310)**	145

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. The weighted average rate of corporation tax was 23.75% (2012: 25.50%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit per the Income Statement as follows:

	2013	2012 Restated Note 9
	£000	£000
Profit before tax on continuing operations	**5,779**	3,026
	5,779	3,026
Profit before tax from discontinued operations	**1,354**	734
Add joint venture tax for the year	**-**	(9)
	1,354	725
Profit before tax	**7,133**	3,751
Tax charge at standard rate	**1,694**	957
Tax effect of:		
Non-taxable income	**(326)**	(125)
Expenses that are not deductible in determining taxable profits	**119**	45
Utilisation of tax losses not previously recognised	**(1,605)**	(771)
Recognition of tax losses not previously recognised	**(4,235)**	-
Changes in tax rates	**30**	62
Adjustments in respect of prior years	**13**	(23)
Tax charge and effective tax rate for the year	**(4,310)**	145

7. Dividends

	2013	2012
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 June 2013 of 0.5p (2012: nil p) per share	**264**	-
Special dividend paid on 16 December 2011 of 5p per share	**-**	2,626
	264	2,626
Proposed final dividend proposed for the year ended 30 June 2013 of 2p per share (2012: nil p per share)	**1,058**	-

8. Earnings per share

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

Earnings	**2013**	2012 Restated Note 9
	£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	**10,099**	2,896
Profit from discontinued operations	**1,344**	710
Profit for the purposes of basic and diluted earnings per share	**11,443**	3,606

Number of shares

	2013	2012
	No. 000	No. 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**52,758**	52,574
Effect of dilutive potential ordinary shares:		
Share options	**564**	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**53,322**	52,574

From continuing operations

	2013	2012 Restated Note 9
	p	p
Basic	**19.14**	5.51
Diluted	**18.94**	5.51

From discontinued operations

	2013	2012 Restated Note 9
	p	p
Basic	**2.55**	1.35
Diluted	**2.52**	1.35

From continuing and discontinued operations

	2013	2012 Restated Note 9
	p	p
Basic	**21.69**	6.86
Diluted	**21.46**	6.86

9. Restatement

IFRS 5 Discontinued operations

At the period end, the Group considered that all of the operations of the Gleeson Capital Solutions, Gleeson Commercial Property Developments and the Gleeson Building division of Gleeson Construction Services were discontinued as there was no material on-going trading within the divisions. The Group has reported the current period results in line with the reclassification and restated the comparatives for the year ended 30 June 2012. This has resulted in the Income Statement, Cashflow, Segmental analysis and Discontinued operations being restated. The revised Discontinued items are shown in note 3.