gleeson

Friday, 21 September 2012

MJ GLEESON GROUP PLC – PRELIMINARY ANNOUNCEMENT

Gleeson (GLE.L), the urban regeneration and strategic land specialist, announces its results for the year to 30 June 2012.

	2012	2011
	£m	£m
Continuing operations		
Revenue	**41.9**	41.4
Operating profit	**3.3**	0.9
Profit after tax	**3.6**	1.6
Cash (utilised in)/generated from operating activities	**(8.6)**	0.6
Net cash	**13.9**	17.8
Net assets	**100.4**	99.2
Basic and diluted EPS	**6.9p**	2.9p
Net assets per share	**190p**	188p

Financial highlights

- Operating profit from continuing activities improved by 251% to £3.3m (2011: £0.9m).
- Gleeson Strategic Land increased its operating profit by 35% to £3.7m (2011: £2.7m).
- Gleeson Homes returned to profitability, recording an operating profit of £0.3m (2011: loss £0.4m).
- Sale of three PFI investments generated gross proceeds of £7.5m and a profit of £0.3m.
- Cash utilised in operations £8.6m (2011: generated £0.6m).
- Special dividend of 5.0p per share paid in December 2011, total cost £2.6m.

Commercial highlights

- Gleeson Homes increased the number of private development units sold by 50% to 255 (2011: 170) units.
- During the year 17 sites were started, which resulted in 28 live sites at 30 June 2012.
- Advantage has been taken of reduced land prices in the North of England to build up a substantially enlarged landbank. The landbank, including conditionally purchased sites, totals in excess of 3,790 plots.
- Forward order book of £10.8m at July 2012 and reservations for current year up 66%.
- Gleeson Strategic Land sold 115 acres in five transactions. The portfolio continues to be replenished with five new agreements completed in the year, adding 228 acres.

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

"The Group enjoys a very strong and competitive presence in the two sectors of the market on which it now concentrates: low cost housing development on brown field sites in the North of England; and the promotion through the planning system and subsequent sale of high value green field sites in the South. In consequence, the Board is confident that, barring a further severe downturn in the UK economy generally, the Group will continue to grow profits in the current year and beyond.

The prospect of rising revenue from house sales combined with a planned reduction in the rate of growth of the land bank means that the Group expects to become cash generative in the second half of the current financial year and, broadly, to remain so for the foreseeable future. Against this background, the Board hopes to be able to recommence regular dividend payments in 2013."

Enquiries:

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Jolyon Harrison	Chief Executive Officer
Alan Martin	Chief Financial Officer

Chairman's Statement

Despite challenging market conditions, Gleeson Homes increased private development sales by 50% to 255 units (2011: 170 units). It also continued to expand its land bank, taking advantage of the historically low land prices that still persist in most parts of the North of England.

Gleeson Strategic Land had a good year, experiencing 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

The Group recorded an operating profit from continuing operations of £3.3m, an increase compared to the previous year of 251% (2011: £0.9m). Discontinued operations generated a post-tax loss of £37k (2011: £73k).

Profit for the year attributable to equity holders of the parent company totalled £3.6m (2011: £1.5m).

Net Assets increased by 1.2% to £100.4m (2011: £99.2m), representing net assets per share of 190p (2011: 188p). Net cash at 30 June 2012 was £13.9m (2011: £17.8m), the decrease of £3.9m primarily reflecting the continuing expansion of the Group's land bank and work-in-progress.

Appointment of CEO

Jolyon Harrison was appointed as Chief Executive Officer on 1 July 2012. Jolyon joined the Group in November 2009 as Managing Director of Gleeson Homes and was appointed to the Board in July 2010.

Employees

The average number of employees during the year increased to 130 (2011: 100). The number at the year end was 166 (2011: 108).

The Board would like to thank all of our employees for their commitment to the Group and for the great and productive efforts they have continued to make on its behalf.

Dividend Policy

A special dividend of 5p a share was paid to shareholders in December 2011, at a total cost of £2.6m.

In the last three years, Gleeson Homes has very substantially expanded its land bank. Although this policy has made substantial demands on the Group's cash resources, the sale of non core assets has made it possible for the Group nonetheless to return cash to shareholders by means of Special Dividends in 2010 and 2011. However, the priority that the Board has given to investment for future growth has meant that there have been no payments of regular dividends since 2008.

The expansion of the land bank has created a strong basis for a substantial and sustained increase in the Group's future turnover and profits. Moreover, the prospect of rising revenue from house sales combined with a planned reduction in the rate of growth of the land bank means that the Group expects to become cash generative in the second half of the current financial year and, broadly, to remain so for the foreseeable future. Against this background, the Board hopes to be able to recommence regular dividend payments in 2013.

Prospects

The housing market continues to be constrained by the very limited availability of mortgages, particularly for first time buyers. However, the Group enjoys a very strong and competitive presence in the two sectors of the market on which it now concentrates: low cost housing development on brown field sites in the North of England; and the promotion through the planning system and subsequent sale of high value green field sites in the South. In consequence, the Board is confident that, barring a further severe downturn in the UK economy generally, the Group will continue to grow profits in the current year and beyond.

Dermot Gleeson
Chairman

Chief Executive's Review

2012 has been an important year for the Group, in which it has significantly improved its financial performance. Gleeson Homes, which is now focused on the provision of low cost homes in the North of England, has substantially increased the number of sites it is developing and has returned to profitability. Gleeson Strategic Land has continued to deliver a strong financial performance from the sales of land in the South of England.

Group businesses and Strategy

The Group comprises ongoing businesses and businesses in run-off:

Ongoing businesses
Gleeson Homes: A housebuilder focusing on development on brownfield land, with a particular emphasis on low cost homes. The strategy is to grow the business in the North of England, particularly in areas of urban regeneration.
Gleeson Strategic Land: A land promotion business, mainly operating in the South of England, that enhances the value of land by securing residential planning consents. The strategy continues to be to focus on greenfield sites in Southern England likely to be attractive to volume housebuilders.
Gleeson Capital Solutions: Holds the Group's PFI investments in social housing. Following the Government's announcement that after the completion of the current round of projects, no further social housing projects will be procured by means of the PFI, the business unit will manage a phased run down of its operations.
Group activities: comprise the Board, Company Secretariat and Group Finance.

Businesses in run-off
Gleeson Commercial Property Developments: Having completed the sale of its commercial property developments two years ago, the run-off activity of the division, consists of managing its remaining leasehold interests.
Engineering and Building Contracting: The Group sold certain contracts, assets and liabilities of the Engineering Division in October 2006 to Black & Veatch Limited, and of the Building Contracting Division in August 2005 to Gleeson Building Limited (now GB Building Solutions Limited), a management buy-out vehicle. The run-off activity of the former is reported as a discontinued operation, whilst that of the latter is reported as a continuing operation.

PERFORMANCE

GLEESON HOMES

Gleeson Homes focuses on providing low cost homes on brownfield land, principally in the North of England.
The business unit's results for the year were as follows:

	2012	**2011**
Revenue	£32.6m	£35.4m
Operating profit / (loss)	£0.3m	£(0.4)m

During the year, 279 (2011: 286) homes were sold, of which private development sales totalled 255 (2011: 170), an increase of 50% and sales to Registered Social Landlords ("RSLs") totalled 24 (2011: 116). The reduction in sales to RSLs, which is the cause of the reduction in revenue, is due to the focus on more profitable private development sales.

A number of sites were particularly successful in the year such as Grove Village, Manchester which sold 51 homes, Montreal Gardens, North Huyton, which sold 28 homes and Stanhope, Ashford where 37 homes were sold.

The Average Selling Price ("ASP") for private development sales was £118,000 (2011: £138,000) and for sales to RSLs was £101,000 (2011: £103,000). The decrease in ASP for private development sales reflected a change in product mix, a higher proportion of units having been sold in the South in the prior year.

The restricted availability of higher loan to value mortgages is a continuing constraint on sales. The Government's FirstBuy scheme has helped to ameliorate this problem. It remains to be seen whether or not the Government's Funding for Lending scheme will also be helpful in this context.

Included within Operating Profit were exceptional credits of £3.0m (2011: £3.5m) relating to the partial reversal of inventory write downs and the release of contract and restructuring provisions.

At the year end Gleeson Homes had 28 sites open, all of which – apart from a development associated with a PFI project in Kent - are in the North of England. During the year 17 sites were started, including 9 sites in the North East region, which opened for business in January 2011. The northern sites are located in County Durham, Derbyshire, Merseyside, Manchester, Newcastle, Nottinghamshire, Tyneside and Yorkshire.

The business unit is continuing to take advantage of reduced land prices in the North of England to build up a substantially enlarged landbank. During the year, 16 sites were purchased and subsequent to the year end a further 4 sites have been acquired. These acquisitions have added 1,687 plots to the land bank. A further 13 sites that have been conditionally purchased are expected to add in excess of 1,079 plots to the landbank in the near future. When and if these acquisitions are completed, the landbank will total in excess of 3,790 plots.

GLEESON STRATEGIC LAND

	2012	2011
Revenue	£8.2m	£5.8m
Operating profit	£3.7m	£2.7m

The demand for green field residential land in the South of England from the major housebuilders remained strong throughout the year. As a result of this demand, the business unit was able to complete five land sales, with a combined acreage of 115 acres.

During the year, five new sites were secured via option, promotion and subject to planning agreements, covering 228 acres, with the potential ability to deliver 1,408 houses. In addition, heads of terms have been agreed for a further 10 sites covering 176 acres.

At the year end, Gleeson Strategic Land's portfolio totalled 3,653 acres (2011: 3,766 acres), of which 177 acres (2011: 185 acres) were owned, 2,337 acres (2011: 2,608 acres) were held under option and 1,139 acres (2011: 973 acres) were under planning promotion agreements. The geographic bias for the portfolio is towards Southern England, predominantly in: Buckinghamshire, Dorset, Essex, Hampshire, Hertfordshire, Kent, Oxfordshire, Surrey, Sussex and Wiltshire. The Group currently owns land with residential planning permission for in excess of 1,000 plots.

In March 2012, the National Planning Policy Framework was published. The early signs suggest that this will have a beneficial effect on land supply for development.

GLEESON CAPITAL SOLUTIONS

	2012	2011
Revenue	£0.0m	£0.0m
Operating profit	£0.4m	£0.1m

Gleeson Capital Solutions holds the Group's investments in social housing PFI projects. In October 2011, the Group sold three of its PFI investments, namely: Grove Village, an estate regeneration project in Manchester; Stanhope, an estate regeneration project in Ashford, Kent; and AvantAge, an extra care homes project in Cheshire. The sale generated gross proceeds of £7.5m and a profit on sale of £0.3m. The Group's remaining PFI investment, Leeds Independent Living, a social housing project in Leeds is expected to be sold during 2012.

The business unit is part of a consortium bidding for an estate regeneration project in Brunswick, Manchester. The final bid was submitted by the consortium in August 2012 and it is expected that the Preferred Bidder will be announced during the Autumn of 2012. In the year, speculative bid costs of £18k (2011: £0.1m) were incurred, which were expensed.

GLEESON COMMERCIAL PROPERTY DEVELOPMENTS

The Group concluded the disposal of its commercial property developments in the prior years. During the year, a leasehold interest was, by agreement, terminated early, resulting in a provision release of £0.2m.

GLEESON CONSTRUCTION SERVICES
Continuing operations

	2012	2011
Revenue	£1.1m	£0.1m
Operating loss	£(0.1)m	£(0.1)m

The Group retained sufficient assets and liabilities after the disposal of its Gleeson Building Contracting Division in August 2005 for the results of these retained assets and liabilities to be classified as continuing.

The business unit continued to resolve contractual matters within the provisions set by management. Revenue of £1.1m was recorded in the year for work performed on behalf of insurers in order to resolve an outstanding matter. The operating loss related to the unit's running costs.

Discontinued operations

	2012	2011
Revenue	£0.0m	£0.4m
Operating loss	£(0.0)m	£(0.1)m

The Group disposed of sufficient assets and liabilities of Gleeson Engineering Division in October 2006 for the results of these retained assets to be classified as discontinued.

The retained element of Gleeson Engineering Division recorded an operating loss for the year of £37k (2011: £73k), which represented its running costs.

GROUP ACTIVITIES
The charge for the year, which relates to the Board, Company Secretariat and Group Finance, was £1.2m (2011: £1.4m).

OPERATING RISK STATEMENT
The Group has established risk management procedures, involving the identification, control and monitoring of risks at various levels within the organisation. These risks include but are not limited to the following:

Risks common to the Group
Funding The Group must have sufficient cash resources and facilities to finance its operations.
Health & safety The Group must have adequate systems and procedures in place to mitigate, as far as possible, the dangers inherent in the execution of work in the Group's continuing businesses.
People The Group must attract and retain the right people to ensure the Group's long-term success.
Insurance The Group must maintain suitable insurance arrangements to underpin and support the many areas in which the Group is exposed to risk or loss.
Information technology The Group must have suitable systems to ensure that a reliable flow of information operates throughout the Group and that the risk of system loss is mitigated by appropriate contingency plans.

Risks specific to Gleeson Homes
Economic conditions The housebuilding industry is sensitive to availability of mortgage finance, employment levels, private and buy-to-let housing demand, interest rates, and consumer confidence.

Risks specific to Gleeson Strategic Land
Planning The lack of precision in the Government's new National Planning Policy Framework may have a negative impact upon the timing of planning consents because of the need to take more applications to Appeal.

Risks specific to Gleeson Capital Solutions
Bid costs Substantial bid costs can be incurred, without recovery, when seeking to win new projects.

Risks specific to businesses in run-off

Engineering and Building Contracting

Completion of retained projects These businesses must complete outstanding work on retained projects within the provisions made by management.

Latent defects The Group is exposed to any latent defects that may arise on completed projects during the liability period. Rectification of the defects must be completed within the provisions made by management.

FINANCE REVIEW

Overview

The profit before tax from continuing operations increased by £2.3m to £3.8m (2011: £1.5m). Both of the main trading businesses recorded much improved results, with Gleeson Homes returning to profitability and Gleeson Strategic Land increasing its operating profit by 35%.

Key performance indicators

	2012	2011
Continuing operations		
Revenue	**£41.9m**	£41.4m
Operating profit	**£3.3m**	£0.9m

Continuing operations

Gleeson Homes recorded an operating profit of £0.3m (2011: loss £0.4m) on revenue of £32.6m (2011: £35.4m). The decrease in revenue reflects the overall lower number of completed sales in the year of 279 homes (2011: 286 homes). Sales of private development homes increased by 50% to 255 (2011: 170) with sales to RSLs reducing to 24 units (2011: 116). The average selling price decreased by 6%, from £124,000 to £116,000 due to the Group's policy of progressively increasing the number of units sold in the North of England. Included within the operating result are the following exceptional credits:

	2012	2011
Reversal of inventories write downs and contract provisions	**£2.9m**	£1.9m
Release of restructuring provisions	**£0.1m**	£1.6m
Total	**£3.0m**	£3.5m

Gleeson Strategic Land recorded an operating profit of £3.7m (2011: £2.7m) on revenue of £8.2m (2011: £5.8m) following the sale of five sites, comprising 228 acres.

Gleeson Capital Solutions recorded an operating profit of £0.4m (2011: £0.1m). The result for the year included the £0.3m profit on sale of three PFI investments which generated gross proceeds of £7.5m. The sole project for which Gleeson Capital Solutions is bidding did not achieve financial close during the year.

Gleeson Commercial Property Developments made an operating profit of £0.2m (2011: loss £27k) due to the release of a surplus provision following the early termination of a lease.

Gleeson Construction Services, the continuing element of which comprises the run-off of the Gleeson Building Contracting Division, recorded revenue of £1.1m (2011: £0.1m), on which an operating loss of £0.1m (2011: £0.1m) was recorded.

Discontinued operations

Discontinued operations comprise the assets and liabilities of the Gleeson Engineering Division of Gleeson Construction Services which were not sold to Black & Veatch in October 2006. The Division generated revenue of £38k (2011: £0.4m). An operating loss of £37k (2011: £73k) was recorded.

Interest

Financial income of £0.6m (2011: £0.8m) consists of interest earned on bank deposits, loans to joint ventures and the unwinding of discounts on deferred receipts. Financial income was lower than in the previous year mainly as a result of a reduced level of discount being unwound due to a lower level of deferred receipts outstanding.

Financial expenses of £19k (2011: £0.2m) consist of interest payable on bank loans and overdrafts, bank charges and the unwinding of discounts on deferred payments. Financial expenses are lower in the current year due to lower bank charges and a reduced level of discount being unwound in consequence of a lower level of deferred payments outstanding.

Tax
A net tax charge for continuing operations, excluding tax for joint ventures, of £0.2m (2011: £42k credit) has been recorded in the Income Statement. The Group now has £83.1m (2011: £85.6m) of tax losses which can be carried forward indefinitely.

The total tax charge, including tax on discontinued operations and tax attributable to joint ventures, was £0.1m (2011: £3k). The net deferred tax asset recorded within the Balance Sheet totals £0.7m (2011: £0.9m).

Earnings per share
Basic and diluted earnings per share were 6.9p (2011: 2.9p). For continuing operations only, the basic and diluted earnings per share were 6.9p (2011: 3.0p).

Dividend
A special dividend of 5p a share was paid to shareholders in December 2011, at a total cost of £2.6m.

The Board does not propose a final dividend for the year ended 30 June 2012.

Disposals
The Group sold three of its PFI investments in October 2011. The gross proceeds from the sale totalled £7.5m, with the profit on sale of £0.3m

In the previous year, the Group disposed of the Operational Management part of the Gleeson Capital Solutions business unit to Pario Limited on 31 March 2011. There were no proceeds, gain or loss for the disposal.

Balance sheet
At 30 June 2012, shareholders' funds totalled £100.4m (2011: £99.2m).

In the year, non-current assets were unchanged at £12.7m (2011: £12.7m), which included an increase in Plant & Equipment by £0.7m with the acquisition of site equipment and the capitalisation of show home setups, Loans and other investment decreasing by £2.0m due to reclassification as Assets classified as held for sale, and Trade and other receivables increasing by £1.5m due to further shared equity sales, and £0.2m decrease in Deferred tax assets.

Current assets decreased by £4.3m to £103.5m (2011: £107.8m) due to a £3.9m reduction in cash, £4.9m net reduction in Assets classified as held for sale, a £2.5m reduction in trade and other receivables and a £7.0m increase in inventories.

Non-current liabilities decreased by £0.3m due to utilisation and release of provisions, and current liabilities decreased by £5.3m including a decrease in deferred land payments by £3.6m and a decrease in accruals by £2.2m.

Cash Flow
The Group utilised £3.9m (2011: £0.7m) of cash in the year, resulting in a net cash balance at 30 June 2012 of £13.9m (2011: £17.8m).

Operating cash flows, including working capital movements, utilised £8.6m (2011: generated £0.5m). Cash generated from investing activities totalled £7.2m (2011: utilised £1.2m), which included £7.2m net proceeds from the sale of three PFI investments. Net cash flows from financing activities utilised £2.5m (2011: £47k), including £2.6m (2011: £nil) 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 does not currently have a dedicated borrowing facility.

Pension
The Group contributes to a defined contribution pension scheme. A charge of £0.3m (2011: £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. 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 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 2012 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 20 September 2012, the date of approval of the Annual Report, the Directors confirm that 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 taken as a whole, together with a description of the principle risks and uncertainties that they face.

List of the Directors and their roles will be provided in the 2011 Annual report and are available on the Group's website, http://www.mjgleeson.com/investor-relations/gleeson-directors.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2012

	2012 Before exceptional items £000	**2012 Exceptional items Note 4 £000**	**2012 £000**	2011 Before exceptional items £000	2011 Exceptional items Note 4 £000	2011 £000
Continuing operations						
Revenue	**41,937**	**-**	**41,937**	41,353	-	41,353
Cost of sales	**(33,329)**	**2,879**	**(30,450)**	(37,181)	1,821	(35,360)
Gross profit	**8,608**	**2,879**	**11,487**	4,172	1,821	5,993
Administrative expenses	**(8,753)**	**76**	**(8,677)**	(7,123)	1,648	(5,475)
Profit on sale of investment properties	**101**	**-**	**101**	18	-	18
Profit on sale of assets held for sale	**341**	**-**	**341**	-	-	-
Share of profit of joint ventures (net of tax)	**3**	**-**	**3**	392	-	392
Operating profit/(loss)	**300**	**2,955**	**3,255**	(2,541)	3,469	928
Financial income	**561**	**-**	**561**	793	-	793
Financial expenses	**(19)**	**-**	**(19)**	(179)	-	(179)
Profit/(loss) before tax	**842**	**2,955**	**3,797**	(1,927)	3,469	1,542
Tax	**(154)**	**-**	**(154)**	42	-	42
Profit/(loss) for the year from continuing operations	**688**	**2,955**	**3,643**	(1,885)	3,469	1,584
Discontinued operations						
Loss for the year from discontinued operations (net of tax)			**(37)**			(73)
Profit for the year attributable to equity holders of the parent company			**3,606**			1,511
Other comprehensive income						
Share of joint venture's cashflow hedges			**(3)**			(40)
Total comprehensive income for the year attributable to equity holders of parent company			**3,603**			1,471
Earnings per share attributable to equity holders of parent company						
Basic and diluted			**6.86**			2.88
Earnings per share from continuing operations						
Basic and diluted			**6.93**			3.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2012

	2012	2011
	£000	£000
Non-current assets		
Plant and equipment	**922**	258
Investment properties	**748**	803
Investments in joint ventures	**15**	15
Loans and other investments	**4,896**	6,902
Trade and other receivables	**5,369**	3,838
Deferred tax assets	**725**	894
	12,675	12,710
Current assets		
Inventories	**76,495**	69,497
Trade and other receivables	**11,183**	13,679
UK corporation tax	**15**	-
Cash and cash equivalents	**13,862**	17,763
Assets classified as held for sale	**1,990**	6,868
	103,545	107,807
Total assets	**116,220**	120,517
Non-current liabilities		
Provisions	**(219)**	(480)
	(219)	(480)
Current liabilities		
Trade and other payables	**(15,249)**	(19,809)
Provisions	**(358)**	(1,075)
	(15,607)	(20,884)
Total liabilities	**(15,826)**	(21,364)
Net assets	**100,394**	99,153
Equity		
Share capital	**1,055**	1,054
Share premium account	**6,114**	6,039
Capital redemption reserve	**120**	120
Retained earnings	**93,105**	91,940
Total equity	**100,394**	99,153

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2012

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	**Total £000**
At 1 July 2010	1,053	5,969	120	90,701	**97,843**
Total comprehensive income for the period					
Profit for the period	-	-	-	1,511	**1,511**
Other comprehensive income					
Cashflow hedges	-	-	-	(40)	**(40)**
Total comprehensive income for the period	**-**	**-**	**-**	1,471	**1,471**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue	1	70	-	-	**71**
Purchase of own shares	-	-	-	(118)	**(118)**
Share-based payments	-	-	-	(114)	**(114)**
Transactions with owners, recorded directly in equity	1	70	-	(232)	**(161)**
At 30 June 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**

CONSOLIDATED STATEMENT OF CASHFLOW
for the year ended 30 June 2012

	2012	2011
	£000	£000
Operating activities		
Profit before tax from continuing operations	**3,797**	1,542
Loss before tax from discontinued operations	**(37)**	(73)
	3,760	1,469
Depreciation of plant and equipment	**229**	92
Share-based payments	**149**	(114)
Profit on sale of investment properties	**(101)**	(5)
Profit on sale of assets held for sale	**(341)**	-
Share of profit of joint ventures (net of tax)	**(3)**	(392)
Financial income	**(561)**	(808)
Financial expenses	**19**	179
Operating cash flows before movements in working capital	**3,151**	421
(Increase)/decrease in inventories	**(6,998)**	6,580
Decrease in receivables	**810**	5,749
Decrease in payables	**(5,545)**	(12,214)
Cash (utilised)/generated from operating activities	**(8,582)**	536
Tax received	**-**	218
Interest paid	**(13)**	(132)
Net cash flows from operating activities	**(8,595)**	622
Investing activities		
Proceeds from disposal of assets held for sale	**7,209**	-
Proceeds from disposal of investment properties	**156**	154
Interest received	**665**	299
Purchase of plant and equipment	**(893)**	(200)
Loans made to joint ventures	**-**	(1,999)
Repayment of loans to joint ventures and other investments	**68**	511
Net cash flows from investing activities	**7,205**	(1,235)
Financing activities		
Proceeds from issue of shares	**76**	71
Purchase of own shares	**-**	(118)
Own shares disposed	**39**	-
Dividends paid	**(2,626)**	-
Net cash flows from financing activities	**(2,511)**	(47)
Net decrease in cash and cash equivalents	**(3,901)**	(660)
Cash and cash equivalents at beginning of year	**17,763**	18,423
Cash and cash equivalents at end of year	**13,862**	17,763

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 2012 or 2011, but is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies, and those for 2012 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
Assets and liabilities in the financial statements have been valued at historic cost except where otherwise indicated in these accounting policies.

Judgements made by management in the application of IFRSs, that have significant effect on the financial statements and estimates, include the carrying value of land held for development, work-in-progress, investment in subsidiaries, loans to joint ventures, amounts recoverable on contracts and trade receivables.

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently the Income Statement of the parent company is not presented as part of these accounts. The profit of the parent company for the financial year amounted to £3,738,000 (2011: loss of £5,818,000).

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

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings. Joint ventures are accounted for using the equity method of accounting.

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair value. Any excess of the fair value of consideration given for the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. In circumstances where the fair values of the identifiable net assets exceed the cost of acquisition, the excess is immediately recognised in the income statement.

Revenue recognition
Revenue represents the fair value of work done on contracts performed during the year on behalf of customers or the value of goods and services delivered to customers. Revenue is recognised as follows:

* Revenue from homes sales, other than construction contracts, is recognised when contracts to sell are completed and title has passed.
* Revenue from property and land sales is recognised at the earlier of when contracts to sell are completed and title has passed or when unconditional contracts to sell are exchanged.
* Revenue from rental income from investment properties is recognised as the Group becomes entitled to the income.
* Revenue from construction services activities represents the value of work carried out during the year, including amounts not invoiced.

Revenue and margin on construction contracts are recognised by reference to the stage of completion of the contract at the accounts date. The stage of completion is determined by valuing the cost of the work completed at the accounts date and comparing this to the total forecasted cost of the contract. Full provision is made for all forecasted losses. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and that they are capable of being reliably measured.

Prudent provision against claims from customers or third parties is made in the year in which the Group becomes aware that a claim may arise.

Exceptional items
Items that are both material in size and unusual or infrequent in nature are presented as exceptional items in the income statement. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance. Examples of events that may give rise to the classification of items as exceptional are the restructuring of existing and newly-acquired businesses, gains or losses on the disposal of businesses or individual assets, and asset impairments, including land, work-in progress and amounts recoverable on construction contracts.

Restructuring costs
Restructuring costs are recognised as exceptional items in the income statement when the Group has a detailed plan that has been communicated to the affected parties. A liability is accrued for unpaid restructuring costs.

Leasing
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance income and expenses
Finance income comprises interest income on funds invested, dividend income and the unwinding of discounts on deferred receipts. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date that the Group’s right to receive payment is established.

Finance expenses comprise interest expense on borrowings and unwinding of the discount on deferred payments and provisions. All borrowing costs are recognised in the income statement using the effective interest method.

Assets classified as held for sale
Assets classified as held for sale, represent a joint venture investment where the sale process has commenced and a sale within the next 12 months is expected. The assets are reviewed for impairment on classification as available for sale and any impairment is charged to the income statement. The assets are reviewed again for impairment at the year end and any impairment is charged to the income statement.

Dividends
Dividends are recorded in the Group's financial statements when paid. Final dividends are recorded in the Group's financial statements in the period in which they receive shareholder approval.

Critical accounting judgements and key sources of estimation uncertainty

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

The key judgement and sources of estimation uncertainty at the balance sheet date are:

Land and work-in-progress
Valuations which include an estimation of costs to complete and remaining revenues are carried out at regular intervals throughout the year, during which site development costs are allocated between units built in the current year and those to be built in future years. These assessments include a degree of inherent uncertainty when estimating the profitability of a site and in assessing any impairment provisions which may be required.

The Group conducted a review of inventory and, following cost savings and improvements in sales values, impairments which had been made in a prior year were reversed to the extent that they were no longer required. The review was conducted on a site by site basis, using valuations that incorporated selling price, based on local management and the Board’s assessment of market conditions existing at the balance sheet date.

Investments and investments in subsidiaries
Investments and investments in subsidiaries are stated at the lower of cost and net realisable value, which is dependent upon management's assessment of future trading activity and is therefore subject to a degree of inherent uncertainty.

Loans to joint ventures
Loans to joint ventures are stated at the lower of the value of the loan and net realisable value, which is dependent upon management's assessment of future trading activity of the joint venture and is therefore subject to a degree of inherent uncertainty.

Amounts recoverable on contracts and trade receivables
Management has reviewed the recoverability of amounts recoverable on contracts and trade receivables, which is dependent upon management's assessment the recoverability of receivables and is therefore subject to a degree of inherent uncertainty.

Available for sale financial assets (shared equity)
Management has reviewed the valuation of the available for sale financial assets in the light of current market conditions, expected house price inflation, cost of money and the expected time to realisation of the assets and is therefore subject to a degree of inherent uncertainty.

2. Segmental analysis

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

- Gleeson Homes focuses on estate regeneration and housing development on brownfield land in the North of England.
- Gleeson Strategic Land focuses on the purchase of options over land in the South of England.
- Gleeson Capital Solutions manages the Group's Private Financing Initiative investments in social housing.
- Gleeson Commercial Property Developments is engaged in commercial property development in the UK.
- Gleeson Construction Services includes constructions services in the UK.

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

	2012 £000	2011 £000
Revenue		
Continuing activities:		
Gleeson Homes	**32,634**	35,440
Gleeson Strategic Land	**8,173**	5,770
Gleeson Capital Solutions	**-**	-
Gleeson Commercial Property Developments	**3**	2
Gleeson Construction Services	**1,127**	141
	41,937	41,353
Discontinued activities:		
Gleeson Construction Services	**38**	353
	38	353
Total revenue	**41,975**	41,706
Profit on activities		
Gleeson Homes	**306**	(400)
Gleeson Strategic Land	**3,655**	2,710
Gleeson Capital Solutions	**411**	110
Gleeson Commercial Property Developments	**183**	(27)
Gleeson Construction Services	**(63)**	(54)
	4,492	2,339
Group Activities	**(1,237)**	(1,411)
Financial income	**561**	793
Financial expenses	**(19)**	(179)
Profit before tax	**3,797**	1,542
Tax	**(154)**	42
Profit for the year from continuing operations	**3,643**	1,584
Loss for the year from discontinued operations (net of tax)	**(37)**	(73)
Profit for the year attributable to equity holders of the parent company	**3,606**	1,511

All rental income from investment properties, totalling £4,000 (2011: £20,000), is reported within the Gleeson Homes segment. All revenue for the Gleeson Construction Services segment is in relation to long term contracts. 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. Service revenues are reported by Gleeson Capital Solutions.

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. A small number of contracts were legally retained but the operations were taken over by B&V on the Group's behalf on a cost plus basis. Consequently, the Group has no involvement in the day-to-day running of these contracts and acts as an intermediary. At the time of the sale, the remaining costs to complete the contracts were considered insignificant in relation to the separately identifiable division as a whole.

	2012	2011
	£000	£000
Revenue	**38**	353
Cost of sales	**16**	(353)
Gross profit	**54**	-
Administrative expenses	**(91)**	(88)
Operating loss	**(37)**	(88)
Financial income	**-**	15
Loss before tax	**(37)**	(73)
Tax	**-**	-
Loss for the year from discontinued operations	**(37)**	(73)

Loss per share - impact of discontinued operations

	2012	2011
	p	p
Basic	**(0.07)**	(0.14)
Diluted	**(0.07)**	(0.14)

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

	2012	2011
	£000	£000
Operating activities	**(37)**	(88)
Financing activities	**-**	15
	(37)	(73)

4. Exceptional items

Impairment of inventories and contract provisions

At 30 June 2012, 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 £76,000 (2011: £1,648,000) in relation to onerous lease provisions provided for and treated as exceptional in prior years.

Exceptional income may be summarised as follows:

	2012 £000	2011 £000
Re-instatement of inventories and contract provisions	**2,879**	1,821
Reversal of restructuring costs	**76**	1,648
	2,955	3,469

In the year ended 30 June 2012, £2,955,000 (2011: £3,469,000) of exceptional income was reported in the Gleeson Homes division.

5. Financial income and expenses

	Continuing operations		**Discontinued operations**		**Total**	
	2012 £000	2011 £000	**2012 £000**	2011 £000	**2012 £000**	2011 £000
Financial income						
Interest on bank deposits	**199**	114	**-**	-	**199**	114
Interest on joint venture loans	**240**	440	**-**	-	**240**	440
Other interest	**1**	24	**-**	15	**1**	39
Unwinding of discount on deferred receipts	**121**	215	**-**	-	**121**	215
	561	793	**-**	15	**561**	808
Financial expenses						
Interest on bank overdrafts and loans	**-**	(2)	**-**	-	**-**	(2)
Bank charges	**(13)**	(119)	**-**	-	**(13)**	(119)
Unwinding of discount on deferred payments	**(6)**	(58)	**-**	-	**(6)**	(58)
	(19)	(179)	**-**	-	**(19)**	(179)
Net financial income	**542**	614	**-**	15	**542**	629

6. Tax

	Continuing operations		Discontinued operations		Total	
	2012	2011	**2012**	2011	**2012**	2011
	£000	£000	**£000**	£000	**£000**	£000
Current tax:						
Adjustment in respect of prior years	**(15)**	(201)	**-**	-	**(15)**	(201)
	(15)	(201)	**-**	-	**(15)**	(201)
Deferred tax:						
Current year expense	**115**	100	**-**	-	**115**	100
Adjustment in respect of prior years	**(8)**	(14)	**-**	-	**(8)**	(14)
Impact of rate change	**62**	73			**62**	73
Corporation tax expense/(credit) for the year	**154**	(42)	**-**	-	**154**	(42)
Joint ventures tax (credit)/expense for the year	**(9)**	45	**-**	-	**(9)**	45
Total tax	**145**	3	**-**	-	**145**	3

On 1 April 2012, the rate of Corporation tax reduced from 26% to 24%. The weighted average rate of corporation tax was 25.50% (2011: 27.75%) 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:

	2012	2011
	£000	£000
Profit before tax on continuing operations	**3,797**	1,542
Add joint venture tax for the year	**(9)**	45
	3,788	1,587
Loss before tax from discontinued operations	**(37)**	(73)
Profit before tax	**3,751**	1,514
Tax charge at standard rate	**957**	420
Tax effect of:		
Non-taxable income	**(125)**	(164)
Expenses that are not deductible in determining taxable profits	**45**	-
Losses arising in the year carried forward	**-**	718
Utilisation of tax losses not previously recognised	**(771)**	(829)
Changes in tax rates	**62**	73
Adjustments in respect of prior years	**(23)**	(215)
Tax charge and effective tax rate for the year	**145**	3

7. Dividends

	2012	2011
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Special dividend paid on 16 December 2011 of 5p per share	**2,626**	-
	2,626	-
There is no final dividend proposed for the year ended 30 June 2012 (2011: nil p per share)	**-**	-

8. Earnings/(loss) per share

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

Earnings

	2012	2011
	£000	£000
Earnings for the purposes of basic earnings per share, being net profit or loss attributable to equity holders of the parent company		
Profit from continuing operations	**3,643**	1,584
Loss from discontinued operations	**(37)**	(73)
Profit for the purposes of basic and diluted earnings per share	**3,606**	1,511

Number of shares

	2012	2011
	No. 000	No. 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**52,574**	52,458
Effect of dilutive potential ordinary shares:		
Share options	**-**	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**52,574**	52,458

From continuing operations

	2012	2011
	p	p
Basic and diluted	**6.93**	3.02

From discontinued operations

	2012	2011
	p	p
Basic and diluted	**(0.07)**	(0.14)

From continuing and discontinued operations

	2012	2011
	p	p
Basic and diluted	**6.86**	2.88