MJ GLEESON PLC

Audited results for the year ended 30 June 2019

MJ Gleeson plc, the low-cost housebuilder and strategic land specialist, is pleased to announce another strong performance with profit before tax up 11%, earnings per share up 10% and a proposed final dividend of 23.0 pence per share, resulting in a total dividend for the year of 34.5 pence per share, an increase of 8%.

	2019	2018	Change
Revenue	£249.9m	£196.7m	+27%
Operating profit	£41.0m	£36.9m	+11%
Profit before tax	£41.2m	£37.0m	+11%
EPS	61.0p	55.6p	+10%
Cash and cash equivalents	£30.3m	£41.3m	-27%
ROCE	25.9%	26.6%	-70bps
Dividend per share	34.5p	32.0p	+8%

Another strong performance and a confident outlook

Gleeson Homes:

- Volumes up 25% to 1,529 units sold (2018: 1,225 units)
- Operating profit on unit sales up 15% to £30.1m (2018: £26.2m)
- Average Selling Price £128,900 (2018: £125,200)
- Land pipeline, including conditionally purchased sites, of 13,575 plots (2018: 12,852 plots)
- Well on track to achieving target of 2,000 units p.a. by 2022

Gleeson Strategic Land:

- Operating profit of £13.0m (2018: £12.6m)
- Nine land sales completed during the year
- Nine sites with planning consent or resolution to grant with the potential to deliver 2,929 plots
- Portfolio: 60 sites with the potential to deliver 21,730 plots
- Board decision to keep Strategic Land within the Group

Dermot Gleeson, Chairman of MJ Gleeson plc, said:

“Our unique business model of building low-cost homes in the North of England and the Midlands and strategic land sales in the South continues to deliver outstanding results. Record volume growth in Gleeson Homes and record profit levels in Gleeson Strategic Land resulted in strong Group profit growth.

Despite the uncertainties caused by Brexit, demand for our homes continues to be extremely strong. Gleeson Homes is well on track to deliver its milestone target of doubling annual completions to 2,000 units by 2022. Led by a strong and highly experienced management team, the division continues to have significant scope for expansion by building low-cost homes for young, first time buyers and low-income families in a market that is underserved by other housebuilders.

Following a review of options, we have concluded that retaining Gleeson Strategic Land offers significantly greater long-term value to the Group than selling the business. The division had a record year and continues to benefit from high levels of demand for consented land in prime locations from both large and medium-sized housebuilders. The division has a strong portfolio of sites and anticipates that it will continue to maintain its successful track record in promoting potentially high value developments through the planning system.

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

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

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Chairman's Statement

I am pleased to report our highest annual growth in homes sold and another year of double-digit growth in profit. Our unique model continues to bring substantial benefits to our customers and to society more widely by helping predominantly young, first-time buyers and people on low incomes into home ownership.

Overview

The Group had an excellent year. Gleeson Homes delivered its largest annual volume growth, selling 1,529 homes, an increase of 304 homes (24.8%) on the prior year's total of 1,225. During the year we opened 19 new sites across the North of England and the Midlands and had on average 65 sales outlets (2018: 61).

Gleeson Strategic Land also performed strongly. Nine land sales were completed during the year, with the potential to deliver 1,755 new homes in the South of England. The business added a further eight sites to its portfolio, which at the year end comprised 60 sites (2018: 61 sites).

Review of Strategic Land

In April 2019, the Board announced that it had appointed advisers to explore a range of options for the Group's Strategic Land business. The Board also confirmed that a number of third parties had expressed interest in acquiring Strategic Land.

Having considered the options and expressions of interest, the Board has now concluded that the Group will derive greater long-term value from retaining Strategic Land than from selling it. The business is extremely well positioned to continue delivering strong profits and cash, with a healthy portfolio of sites and a highly skilled team.

Market context

Despite the uncertainties surrounding Brexit, the demand for our low-cost homes from young first-time buyers and low income families in the North of England remains robust. Mortgage finance is available to our customers on attractive terms and many of them are also benefiting from the Government's Help to Buy Scheme. We are supportive of this Scheme, but we believe that it should be amended so that it provides greater assistance to those who need it most, in particular young people on low incomes.

The Board believes that Gleeson Homes is less exposed to the potential problems arising from a no-deal Brexit than other large housebuilders. We operate predominantly in the North of England and employ small, locally based suppliers and subcontractors on our development sites and do not rely on foreign labour. Our largest and most critical suppliers are well prepared for a no-deal Brexit. They have planned alternative supply routes and have built up short-term stocks to ensure that adequate supplies are maintained. Meanwhile, there is no evidence that the prospect of Brexit is undermining the confidence of our actual and prospective customers.

Gleeson Strategic Land continues to attract multiple bidders for land in the South of England, where demand for high-quality sites remains strong from both medium-sized and large housebuilders. This demand is underpinned by the continued need for new homes in areas of housing shortage.

Employees

The average number of employees during the year increased to 550 (2018: 480). The actual number of employees at the year end was 552 (2018: 509).

Towards the end of the year, the Group launched its new employee engagement survey "Your Voice". The results of this are being collated and will provide us with a better understanding of how we can work together to develop the structure, ways of working and culture of our business. This will be fundamental to the next phase of our growth, which will be driven by the engagement of our people and a shared understanding of the "Gleeson Way".

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

Board changes

Following the departure of the former Chief Executive Officer, Jolyon Harrison, James Thomson was appointed to the Board in June 2019 as interim Chief Executive Officer. James was formerly Chief Executive of Keepmoat Homes Limited, one of the UK's largest housebuilders, where he remains a Non-Executive Director.

The Board is well-advanced in a search process, which includes both internal and external candidates, to appoint a permanent Chief Executive Officer. We hope to announce the outcome of this process within the next three months.

The Board is also close to finalising a search process to find two new Non-Executive Directors. We recognise the value in bringing fresh talent and diversity to the Board and it is our intention to make these appointments shortly.

Delivering returns for our shareholders

Our earnings per share grew by 9.7% to 61.0 pence (2018: 55.6 pence). In light of this, and of our confidence in the prospects for the current financial year and beyond, the Board is recommending a final dividend for the year of 23.0 pence per share (2018: 23.0 pence per share).

Combined with the interim dividend, this will give a total dividend for the year of 34.5 pence per share (2018: 32.0 pence per share), an increase compared to the previous year of 7.8%.

Subject to shareholder approval at the Annual General Meeting ("AGM"), the final dividend will be paid on 13 December 2019 to shareholders on the register at the close of business on 15 November 2019. The ex-dividend date is 14 November 2019.

Outlook and summary

We remain comfortably on track to achieve our target of doubling Gleeson Homes' sales to 2,000 units p.a. over the five years from 2017 to 2022.

Meanwhile, the Board and the senior management team are united in their ambition to continue to grow the value of the Group on a sustainable basis.

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

Dermot Gleeson
Chairman
13 September 2019

STRATEGIC REPORT

Chief Executive's Statement

I was delighted to join Gleeson as interim Chief Executive Officer. This is a business that I have admired from afar and, as I have got to know the business and its people over the last few months, it is not only every bit as impressive as I imagined, but more so.

Following my appointment in June 2019, I have had the opportunity to visit all of our area offices and over a third of our development sites, meet many of the people and start to understand the "Gleeson DNA" which is deeply embedded across the business. I have assessed the business against what I believe is critical to measuring the operational health of any housebuilder, including land buying, build process, quality, health and safety, sales and management structure. I am pleased to find that Gleeson is not only a robust business in these areas but continues to look for ways to improve and realise marginal gains.

It is clear that we have a unique model and a team of highly skilled employees and subcontractors who are passionate about what we do. We believe in the value of not only building good quality low-cost homes for our customers, but also in creating communities and the benefits it brings to wider society, often transforming and regenerating areas previously blighted by industrial decline or neglect.

Demand for our low-cost homes remains strong from first-time buyers. We have an experienced management team and we are comfortably on track towards achieving our stated target of doubling volumes to 2,000 new homes per year by 2022.

Homes operational performance

Gleeson Homes delivered record growth in volumes this year, selling 1,529 homes, an increase of 24.8% on the prior year. Our land pipeline increased by 5.6% to 13,575 plots (2018: 12,852) and the number of active outlets open at the year end increased by 6.2% to 69 sites.

Operating profit grew by 14.9% to £30.1m. Operating margin fell from 17.1% to 15.3% but this was largely anticipated and a result of accelerating build rates on our existing sites and investment in overheads to support growth. Consistent with other major housebuilders, we have also experienced some cost pressures on labour and materials, but we expect this to stabilise over the forthcoming year.

Unique model

Our house prices remain truly affordable with the average selling price for the year being £128,900 (2018: £125,200). The increase was partly due to the mix of site locations and number of 2, 3 and 4 bed homes sold, and our aim remains to keep our homes affordable to our customers whilst ensuring that we maximise our revenue opportunities over the life of a development.

We sell to people who need a home with 4 out of every 5 customers being first-time buyers. We sell to young people with 88 homes sold this year being to people aged 21 or under.

We buy land at sensible prices and build good quality homes that families on low incomes can afford. Our buyers are often from the local area and want to remain living near family and friends.

Our model remains building traditional 2, 3 and 4 bedroom houses with a front garden, back garden and a driveway. We firmly believe this is what our buyers want and they value traditional bricks and mortar. We do not build apartments and we do not engage in part-exchange sales and are therefore not exposed to the resale market.

Key Performance Indicators

Gleeson Homes volumes	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Unit volumes	561	751	904	1,013	1,225	1,529

Units (homes) sold continued a strong growth trajectory.

Gleeson Homes land pipeline	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Plots	5,065	7,496	9,284	11,588	12,852	13,575

Land continues to be available to buy at sensible prices.

Gleeson Homes active sites	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Active sites	35	43	48	59	65	69

Gleeson Homes opened 19 sites, completed 15 sites and increased net active sites by 4 sites during the year.

Resilient market

Demand for low-cost homes in the North of England and the Midlands remains strong. We are extending our model with new sites soon to open in Lincolnshire and the West Midlands. We see no signs of demand abating and we continue to deliver one of the highest volume growth rates of any listed housebuilder.

More than 4 million homes are currently rented in our target market in the North of England and the Midlands. The vast majority of our buyers want to escape the rent trap and begin wealth creation through home ownership.

Only one in fifteen (6%) of all house sales below £150,000 in the North of England and the Midlands is a new-build home. This compares to three in fifteen (20%) of all house sales above £150,000. Gleeson is the only listed housebuilder dedicated to building low-cost homes in a market that is three times less well-supplied than the rest of the market and, as a result, provides significant opportunities for growth.

Our buyers are typically hardworking, lower-paid workers like teachers, nurses, bus drivers, firefighters and secretaries. They often have the ability to earn overtime and are not burdened by student debt. They are woefully under-served by the housing market and have seen the adverse impact on affordability over the last five years with house prices significantly outgrowing their wages.

Over the last 5 years, average weekly wages have risen by 14.5% whereas average house prices in England have risen by a staggering 24.6%. Our homes start at just £89,000 meaning that someone on the National Minimum Wage can afford to buy one of our homes. We remain committed to ensuring that home ownership is truly affordable for all.

Our buyers will buy a Gleeson home if it is well built, in the right location and the cost of ownership is less than, or similar to, renting. Ownership costs for a typical Gleeson home are less than the cost of renting and the lifetime cost of buying is significantly lower than renting, even if mortgage rates increase.

Buying a Gleeson home enables our customers to reduce their outgoings and live in a comfortable home that provides them with financial security and stability away from the uncertainties that often comes with living in rented accommodation. When Gleeson customers eventually retire, they will own their own home, have an asset to pass to their children and will not require the level of housing support that they would if they rented.

Just over two-thirds (68%) of our customers use the Government's Help to Buy scheme and the average priced house purchased with Help to Buy this year was £134,480. The highest priced home that used the scheme was

£199,995. Nearly all (99.9%) of our homes sold with Help to Buy would be below the new regional limits that will come into force in 2021.

Quality

We are skilled at building high-quality homes for sale at affordable prices. Gleeson Homes is uniquely focused on this segment of the market, with other housebuilders offering a higher priced product that does not meet the needs of our lower income customers. We are focused on quality and we will only hand over homes that we are proud of.

Strategic Land operational performance

Operating profit grew from £12.6m to £13.0m from 9 land transactions in the year. Our Strategic Land business is in a strong position with an experienced management team and a healthy pipeline of 60 sites which could deliver over 21,000 residential plots.

Gleeson Strategic Land portfolio	2014	2015	2016	2017	2018	2019
Plots	21,500	21,150	21,111	21,505	22,838	21,730

Land interests represent over 12 years of sales.

Although many major housebuilders have strong land banks we continue to see high demand for good quality consented land in the South of England.

We are investing in further new sites and advancing our existing sites through the planning system. The current status of the portfolio and pipeline of new sites gives us confidence in the strength and sustainability of this business.

Current trading and outlook

I've been greatly impressed by what I've seen so far. We have a unique business model, a clear target for growth and a highly skilled team to deliver it.

There is a great deal of land available in our target areas and opportunities for us to grow. Our homes continue to remain highly affordable and mortgage finance remains readily available. We have plenty of land on which to build homes, people to build them and a strong team that can grow the business in a controlled and profitable way.

The Gleeson Strategic Land business is in a strong position, with a healthy portfolio and we continue to add good quality sites to the portfolio on attractive terms.

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

James Thomson
Interim Chief Executive Officer
13 September 2019

Gleeson Homes – Business Performance

Gleeson Homes delivered its largest annual volume growth selling 1,529 homes.

Gleeson Homes' results for the year were as follows:

	2019	2018	Change
Units sold	1,529	1,225	24.8%
Land pipeline (plots)	13,575	12,852	5.6%
Operating profit	£30.1m	£26.2m	14.9%

	2014	2015	2016	2017	2018	2019
Unit volumes	561	751	904	1,013	1,225	1,529
Operating profit on unit sales	£9.1m	£14.7m	£19.5m	£21.8m	£26.2m	£30.1m

During the year we opened 19 new sites and had on average 65 selling outlets open compared to 61 during the prior year. The outlets are located across the North of England and the Midlands. The number of outlets at the end of the year increased to 69 (2018: 65) and is expected to rise to 80 or more by the end of the current financial year.

The average selling price ("ASP") for the homes sold in the year was £128,900 (2018: £125,200). The increase was influenced by a combination of factors: house price inflation, the mix of site locations and the mix of 2, 3 and 4 bed homes sold. Our aim is to ensure that our selling prices remain affordable for young first-time buyers and low-income families.

Gross profit margin decreased to 30.1% (2018: 32.7%) mainly due to the costs associated with increased build rates and higher labour and material costs.

The increase in the volume of homes sold and higher ASP resulted in gross profit increasing by 18.4% to £59.3m (2018: £50.1m).

Operating profit increased 14.9% to £30.1m (2018: £26.2m). Operating margin decreased from 17.1% to 15.3% as a result of lower gross margin and investment in overheads to support the growth plans of the business.

We continue to acquire land in the North of England and the Midlands at sensible prices. The pipeline grew by 723 plots to stand at 13,575 plots at 30 June 2019. Of these plots 6,525 are owned (2018: 6,475) and 7,050 plots are conditionally purchased (2018: 6,377). The mix of sites in the pipeline was, however, weighted towards slightly larger sites, with the number of sites in the land pipeline totalling 144 at year end, being 5 sites lower than the prior year end; 30 new sites were added to the pipeline, while 35 sites were completed or did not proceed to purchase. In addition to owned and conditionally purchased plots, there are a further 473 (2018: 354) plots which are being actively considered for acquisition but will only proceed if they meet our strict returns criteria.

The Government's Help to Buy Scheme remains popular with many of our customers, with 68% of the homes sold during the year utilising the scheme (2018: 66%). We also continued to provide our own range of bespoke packages to assist potential customers to become homeowners.

Gleeson Strategic Land – Business Performance

We continue to replenish our land portfolio with high-quality new sites and advancing our existing sites through the planning system.

Gleeson Strategic Land's results for the year were as follows:

	2019	2018
Plots sold	1,755	1,970
Land portfolio (plots)	21,730	22,838

	2019	2018	Change
Operating profit	£13.0m	£12.6m	3.2%

	2014	2015	2016	2017	2018	2019
Site sales	7	5	7	8	10	9
Operating profit	£4.8m	£8.1m	£10.2m	£12.0m	£12.6m	£13.0m

Revenue from Gleeson Strategic Land grew by 22.2% to £52.9m (2018: £43.3m) driven predominantly by the mix of sites sold in the year. The 9 sites sold totalled 203 acres with 8 of these having the potential to deliver 973 plots across the South of England, in addition to one legacy site that was jointly owned and capable of delivering 782 plots (2018: 1,970 plots).

Operating profit reflects the value added by Gleeson Strategic Land on land transactions through securing attractive residential planning consents and managing the onward sale to developers. Operating profit increased by 3.2% to £13.0m (2018: £12.6m) which was driven by the quality and mix of sites sold.

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

At the year end, we had a portfolio totalling 60 sites (2018: 61 sites) with the potential to deliver 21,730 plots (2018: 22,838 plots) plus 44 acres of commercial land (2018: 67 acres). The portfolio comprises 770 plots (2018: 1,522 plots) that were wholly or part owned by the Group, 8,553 plots (2018: 8,754 plots) that were held under option, and 12,407 plots (2018: 12,532 plots) that were the subject of promotion agreements.

The portfolio is at varying stages through the planning system and at 30 June 2019 we had 9 sites (2,929 plots) which were consented or had a resolution to grant; 6 sites which had a planning application submitted and awaiting decision; and 8 sites with applications being worked up prior to submission. The balance of the portfolio consists of sites which are being promoted through the development plan process.

During the year, we secured planning consents for 8 sites and acquired interests in 8 other new sites. These new sites contributed a further 1,064 plots to the portfolio.

Opportunities for new land readily come forward and we use our knowledge and expertise to select and promote the sites where we see the potential for future residential development and where we can deliver maximum value for stakeholders.

Our Strategic Land team is based in Fleet, Hampshire and the portfolio continues to have a geographic bias towards the South of England. Sites in the portfolio are expected to realise value over the short, medium and long term driven by the planning context of each individual site.

Financial Review

The Group delivered another year of strong growth with operating profit in Gleeson Homes up 14.9% and Group profit before tax up 11.4%.

The Group's results for the year were as follows:

	2019	2018	Change
Revenue	£249.9m	£196.7m	27.0%
Gross profit	£75.0m	£65.3m	14.9%
Operating profit	£41.0m	£36.9m	11.1%
Earnings per share	61.0 pence	55.6 pence	9.7%
Profit before tax	£41.2m	£37.0m	11.4%
Net assets per share	374 pence	345 pence	8.4%

Key Performance Indicators

Divisional operating profit*	2014	2015	2016	2017	2018	2019
Gleeson Homes	£9.4m	£17.4m	£19.5m	£22.8m	£26.2m	£30.1m
Gleeson Strategic Land	£4.8m	£8.1m	£10.2m	£12.0m	£12.6m	£13.0m

* Gleeson Homes operating profit includes profit on land sales of £nil in 2019; £nil in 2018; £1.0m in 2017; £nil in 2016; £2.7m in 2015; and £0.3m in 2014

	2014	2015	2016	2017	2018	2019
Group profit before tax	£12.2m	£17.3m	£28.2m	£33.0m	£37.0m	£41.2m
Interim and final dividend	6.0p	10.0p	14.5p	24.0p	32.0p	34.5p
Cash balance	£13.7m	£15.8m	£23.2m	£34.1m	£41.3m	£30.3m
Return on capital employed*	13.7%	21.1%	23.2%	25.4%	26.6%	25.9%
Normalised earnings per share	17.2p	34.2p	42.6p	48.5p	55.6p	61.0p

* Return on capital employed is calculated based on earnings before interest and tax (EBIT) from continuing and discontinued operations before exceptional items expressed as a percentage of the average of opening and closing net assets after deducting deferred tax balances and cash.

Profitability

Group revenue increased this year by 27.0% to £249.9m (2018: £196.7m). This was driven by revenue in Gleeson Homes which increased by 28.4% to £197.0m (2018: £153.4m) as a result of a 24.8% increase in the number of homes sold to 1,529 (2018: 1,225) and an increase in average selling price ("ASP") to £128,900 (2018: £125,200). Revenue in Gleeson Strategic Land increased by £9.6m to £52.9m (2018: £43.3m) mainly due to the mix of sites sold during the year.

Gross profit for the Group increased by 14.9% to £75.0m (2018: £65.3m). The gross profit of Gleeson Homes increased by 18.4% to £59.3m (2018: £50.1m) despite gross profit margin reducing, as expected, from 32.7% to 30.1% due to both additional costs arising from faster build rates and higher labour and material costs. The gross profit of Gleeson Strategic Land increased by 3.3% to £15.7m (2018: £15.2m).

Administrative expenses increased by £5.6m (19.5%) as a result of investment in overheads to support business growth and pay increases. It also included full year running costs for the Gleeson Homes' offices in Northumberland and Scunthorpe, which opened during the previous year. Additionally, the number of active sales outlets increased to 69 from 65 at the end of the prior year.

Operating profit from continuing operations was £41.0m (2018: £36.9m), an increase of 11.1% over the previous year. Growth in operating profit was driven by strong trading results in both Gleeson Homes and

Gleeson Strategic Land. Operating profit for Gleeson Homes increased by 14.9% to £30.1m (2018: £26.2m) while operating profit for Gleeson Strategic Land increased by 3.2% to £13.0m (2018: £12.6m).

Finance income of £0.9m (2018: £0.4m) consisted primarily of the unwinding of discounts on deferred receivables on land sales and shared equity receivables. Interest earned on unwinding of discounts was higher than the prior year as a result of carrying more deferred receivables during the year. Finance expenses of £0.7m (2018: £0.3m) consisted of interest payable on bank loans and overdrafts, bank charges and interest and unwinding of discounts relating to deferred payables on land purchases.

As a result, the Group delivered profit before tax of £41.2m (2018: £37.0m), an increase of 11.4% on the prior year.

Tax

A total tax charge of £7.7m (2018: £6.6m) has been recorded, reflecting an effective rate of tax of 18.8% (2018: 17.8%).

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 £13.0m (2018: £21.2m) of gross tax losses, of which £4.1m (2018: £12.3m) are recognised in calculating the deferred tax asset.

The deferred tax asset recorded within the consolidated statement of financial position totals £2.7m (2018: £3.7m).

Discontinued operations

Discontinued operations incurred a loss after tax of £0.3m during the year (2018: £0.3m). This related to the costs of Gleeson Construction Services Limited, whose only activity is limited to resolving claims from the legacy businesses that were sold in 2005 and 2006. The level of claims has now reduced to an insignificant level.

Profit for the year

The profit after tax for the year was £33.3m (2018: £30.2m).

Earnings per share

Reported basic earnings per share from continuing and discontinued operations increased by 9.7% to 61.0 pence (2018: 55.6 pence).

Return on capital employed

Return on capital employed decreased by 70 basis points to 25.9% (2018: 26.6%) reflecting growth and increase in capital employed, which increased from £143.1m to £170.9m. This increase was driven by increased net receivables in Gleeson Strategic Land and increased investment in build WIP in Gleeson Homes.

Final dividend

Reflecting the financial strength of the Company as well as our confidence in the short-term outlook, the Board has proposed a final dividend of 23.0 pence per share (2018: 23.0 pence per share).

Combined with the interim dividend, the dividend for the full year totals 34.5 pence representing an increase of 7.8% on the prior year (2018: 32.0 pence per share).

The Board aims to maintain ordinary dividend cover between 1.75 times and 2.75 times.

Statement of financial position

During the year to 30 June 2019, shareholders' funds increased by 8.4% to £203.9m (2018: £188.1m). Net assets per share increased to 374 pence, an increase of 8.4% year on year (2018: 345 pence).

In the year, non-current assets decreased by 27.6% to £22.0m (2018: £30.4m). The main reason for the change is the decrease in deferred receivables of £7.2m in addition to a £0.6m reduction in shared equity receivables and a decrease in deferred tax assets of £1.0m.

Current assets increased by 22.0% to £259.2m (2018: £212.4m), with inventories increasing by £22.6m to £183.1m and trade and other receivables increasing by £35.2m to £45.8m, offset by cash balances decreasing by £11.0m to £30.3m.

Total liabilities increased by 41.3% to £77.3m (2018: £54.7m). This was mainly due to trade and other payables of £73.8m (2018: £51.6m) being £22.2m higher due to an increase in deferred land payables in Gleeson Strategic Land.

Cash flow

The Group generated £7.8m (2018: £21.6m) of cash in the year before the payment of dividends of £18.8m (2018: £14.4m), resulting in a net cash balance at 30 June 2019 of £30.3m (2018: £41.3m).

Operating cash flows before working capital movements generated £42.7m (2018: £38.6m). Investment in working capital of £27.9m (2018: £11.4m) resulted in cash generated from operating activities of £14.8m (2018: £27.2m).

Tax and interest payments amounted to £6.2m (2018: £5.3m).

Cash outflows from investing activities totalled £0.8m (2018: £0.3m outflow). Net cash outflows from financing activities totalled £18.8m (2018: £14.4m), including £18.8m (2018: £14.4m) on dividend payments.

Treasury risk management

The Group's cash balances are centrally pooled and invested, ensuring the best available returns are achieved whilst retaining sufficient liquidity for the Group's operations. The Group deposits funds only with financial institutions which have a minimum credit rating of A. As the Group operates wholly within the UK, there is no requirement for currency risk management.

Bank facilities

During the year, the Group exercised the accordion option on its £20m bank borrowing facility with Lloyds Bank plc to increase the facility to £40m and extended it to 31 August 2021. The facility provides the Group with additional flexibility and was undrawn at the balance sheet date.

Subsequent to the year end, the Group has agreed heads of terms with Lloyds Bank plc to increase the facility to £70m for five years to September 2024.

Pension

The Group contributes to a defined contribution pension scheme. A charge of £1.0m (2018: £0.7m) was recorded in the consolidated income statement for pension contributions. The Group has no exposure to defined benefit pension plans.

Stefan Allanson
Chief Financial Officer
13 September 2019

CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2019

	2019 £000	2018 £000
Continuing operations		
Revenue	**249,899**	196,741
Cost of sales	**(174,936)**	(131,474)
Gross profit	**74,963**	65,267
Administrative expenses	**(34,256)**	(28,670)
Other operating income	**292**	257
Operating profit	**40,999**	36,854
Finance income	**906**	418
Finance expenses	**(693)**	(253)
Profit before tax	**41,212**	37,019
Tax	**(7,648)**	(6,526)
Profit for the year from continuing operations	**33,564**	30,493
Discontinued operations		
Loss for the year from discontinued operations (net of tax)	**(297)**	(257)
Profit for the year attributable to the equity holders of the parent	**33,267**	30,236
Earnings per share from continuing and discontinued operations		
Basic	**60.97 p**	55.55 p
Diluted	**59.84 p**	54.69 p
Earnings per share from continuing operations		
Basic	**61.51 p**	56.02 p
Diluted	**60.37 p**	55.15 p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2019

	2019	2018
	£000	£000
Profit for the year	**33,267**	30,236
Other comprehensive income/(expense)		
Items that may be subsequently reclassified to profit or loss		
Change in value of shared equity receivables at fair value through OCI	**131**	31
Movement in deferred tax on share-based payments taken directly to equity	**240**	(237)
Other comprehensive income/(expense) for the year, net of tax	**371**	(206)
Total comprehensive income for the year	**33,638**	30,030

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019

	2019	2018
	£000	£000
Non-current assets		
Plant and equipment	**2,343**	1,737
Investment properties	**257**	258
Trade and other receivables	**16,759**	24,626
Deferred tax assets	**2,659**	3,731
	22,018	30,352
Current assets		
Inventories	**183,121**	160,517
Trade and other receivables	**45,795**	10,602
Cash and cash equivalents	**30,306**	41,314
	259,222	212,433
Total assets	**281,240**	242,785
Non-current liabilities		
Trade and other payables	**(8,774)**	(9,176)
Provisions	**(130)**	(110)
	(8,904)	(9,286)
Current liabilities		
Trade and other payables	**(65,068)**	(42,441)
Provisions	**-**	(49)
UK corporation tax	**(3,372)**	(2,910)
	(68,440)	(45,400)
Total liabilities	**(77,344)**	(54,686)
Net assets	**203,896**	188,099
Equity		
Share capital	**1,092**	1,092
Retained earnings*	**202,804**	187,007
Total equity	**203,896**	188,099

* Retained earnings have been restated for 1 July 2017 and 30 June 2018 as a result of changes in accounting standards. See note 8 for further information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2019

	Share capital £000	Retained earnings* £000	**Total equity £000**
At 1 July 2017	1,082	170,289	171,371
Total comprehensive income for the year			
Profit for the year	-	30,236	30,236
Other comprehensive expense	-	(206)	(206)
Total comprehensive income for the year	-	30,030	30,030
Transactions with owners, recorded directly in equity			
Contributions and distributions to owners			
Share issue	10	-	10
Sale of own shares	-	95	95
Share-based payments	-	1,026	1,026
Dividends	-	(14,433)	(14,433)
Transactions with owners, recorded directly in equity	10	(13,312)	(13,302)
At 30 June 2018	**1,092**	**187,007**	**188,099**
Total comprehensive income for the year			
Profit for the year	**-**	**33,267**	**33,267**
Other comprehensive income	**-**	**371**	**371**
Total comprehensive income for the year	**-**	**33,638**	**33,638**
Transactions with owners, recorded directly in equity			
Contributions and distributions to owners			
Sale of own shares	**-**	**32**	**32**
Share-based payments	**-**	**960**	**960**
Dividends	**-**	**(18,833)**	**(18,833)**
Transactions with owners, recorded directly in equity	**-**	**(17,841)**	**(17,841)**
At 30 June 2019	**1,092**	**202,804**	**203,896**

* Retained earnings have been restated for 1 July 2017 and 30 June 2018 as a result of changes in accounting standards. See note 8 for further information.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2019

	2019	2018
	£000	£000
Operating activities		
Profit before tax from continuing operations	**41,212**	37,019
Loss before tax from discontinued operations	**(264)**	(217)
	40,948	36,802
Depreciation of plant and equipment	**1,108**	971
Share-based payments	**960**	1,026
Profit on redemption of shared equity receivables	**(226)**	(167)
Loss on disposal of plant and equipment	**152**	152
Finance income	**(906)**	(418)
Finance expenses	**693**	253
Operating cash flows before movements in working capital	**42,729**	38,619
Increase in inventories	**(22,604)**	(17,967)
Increase in receivables	**(27,133)**	(3,247)
Increase in payables	**21,820**	9,855
Cash generated in operating activities	**14,812**	27,260
Tax received	**37**	-
Tax paid	**(5,944)**	(5,156)
Interest paid	**(314)**	(172)
Net cash flow surplus from operating activities	**8,591**	21,932
Investing activities		
Proceeds from disposal of shared equity receivables	**995**	960
Proceeds from disposal of investment properties	**1**	45
Interest received	**72**	29
Purchase of plant and equipment	**(1,866)**	(1,376)
Net cash flow deficit from investing activities	**(798)**	(342)
Financing activities		
Proceeds from issue of shares	**-**	10
Sale of own shares	**32**	95
Dividends paid	**(18,833)**	(14,433)
Net cash flow deficit from financing activities	**(18,801)**	(14,328)
Net (decrease)/increase in cash and cash equivalents	**(11,008)**	7,262
Cash and cash equivalents at beginning of year	**41,314**	34,052
Cash and cash equivalents at end of year	**30,306**	41,314

1. Accounting policies

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

Notes on the preliminary statement
The financial information set out above does not constitute the Group's statutory accounts for the years ended 30 June 2019 or 2018, but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies, and those for 2019 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Cautionary statement
This Report contains certain forward looking statements with respect to the financial condition, results, operations and business of MJ Gleeson plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this Report should be construed as a profit forecast.

Directors' liability
Neither the Company nor the Directors accept any liability to any person in relation to this Report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A of the Financial Services and Markets Act 2000.

Basis of preparation
The accounting policies adopted in the preparation of these accounts are consistent with those described in the Annual Report and Accounts for the year ended 30 June 2018 with the exception of policies for Revenue and Financial Instruments. These policies have been updated following the implementation of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments". Further details can be found in Note 8. Assets and liabilities in the financial statements have been valued at historic cost except where otherwise indicated in these accounting policies.

2. Segmental analysis

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

- Gleeson Homes
- Gleeson Strategic Land

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

	2019	2018
	£000	£000
Revenue		
Continuing activities:		
Gleeson Homes	**197,034**	153,397
Gleeson Strategic Land	**52,865**	43,344
Total revenue	**249,899**	196,741
Profit on activities		
Gleeson Homes	**30,068**	26,165
Gleeson Strategic Land	**13,013**	12,633
	43,081	38,798
Administrative expenses	**(2,082)**	(1,944)
Finance income	**906**	418
Finance expenses	**(693)**	(253)
Profit before tax	**41,212**	37,019
Tax	**(7,648)**	(6,526)
Profit for the year from continuing operations	**33,564**	30,493
Loss for the year from discontinued operations (net of tax)	**(297)**	(257)
Profit for the year	**33,267**	30,236

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

Revenue of £26,520,000 was derived from a single external customer, which makes up more than 10% of total Group revenue. This revenue was attributable to the Gleeson Strategic Land segment.

Balance sheet analysis of business segments:

		2019			2018	
	Assets	**Liabilities**	**Net assets**	Assets	Liabilities	Net assets
	£000	**£000**	**£000**	£000	£000	£000
Gleeson Homes	**171,608**	**(41,755)**	**129,853**	147,634	(33,895)	113,739
Gleeson Strategic Land	**78,861**	**(33,520)**	**45,341**	53,391	(18,412)	34,979
Group activities / discontinued operations	**465**	**(2,069)**	**(1,604)**	446	(2,379)	(1,933)
Net cash	**30,306**	**-**	**30,306**	41,314	-	41,314
	281,240	**(77,344)**	**203,896**	242,785	(54,686)	188,099

3. Tax

	Continuing operations		Discontinued operations		Total	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Current tax:						
Current year expense	**6,397**	5,569	**-**	-	**6,397**	5,569
Adjustment in respect of prior years	**(28)**	(36)	**-**	-	**(28)**	(36)
Current tax expense for the year	**6,369**	5,533	**-**	-	**6,369**	5,533
Deferred tax:						
Current year expense	**1,350**	1,003	**37**	45	**1,387**	1,048
Adjustment in respect of prior years	**(118)**	(33)	**-**	-	**(118)**	(33)
Impact of rate change	**47**	23	**(4)**	(5)	**43**	18
Deferred tax expense for the year	**1,279**	993	**33**	40	**1,312**	1,033
Total tax charge	**7,648**	6,526	**33**	40	**7,681**	6,566

Corporation tax has been calculated at 18.8% of assessable profit for the year (2018: 17.8%). The applicable UK corporation tax rate is 19%, effective from 1 April 2017.

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

	2019	2018
	£000	£000
Profit before tax on continuing operations	**41,212**	37,019
Loss before tax from discontinued operations	**(264)**	(217)
Profit before tax	**40,948**	36,802
Profit before tax multiplied by the standard rate of UK corporation tax 19% (2018: 19%)	**7,780**	6,992
Tax effect of:		
Expenses not deductible for tax purposes	**4**	10
Relief for share based payments	**-**	(385)
Impact of rate differences	**43**	18
Adjustments in respect of prior years – current tax	**(28)**	(36)
Adjustments in respect of prior years – deferred tax	**(118)**	(33)
Total tax charge for the year	**7,681**	6,566

4. Dividends

	2019	2018
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 June 2019 of 11.5p (2018: 9.0p) per share	**6,278**	4,902
Final dividend for the year ended 30 June 2018 of 23.0p (2017: 17.5p) per share	**12,555**	9,531
	18,833	14,433

The proposed final dividend for the year ended 30 June 2019 of 23.0p per share (2018: 23.0p) brings the total dividend for the year to 34.5p (2018: 32.0p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements. The total estimated final dividend to be paid is £12,694,000.

5. Earnings per share

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

	2019	2018
Earnings	**£000**	£000
Profit from continuing operations	**33,564**	30,493
Loss from discontinued operations	**(297)**	(257)
Profit for the purposes of basic and diluted earnings per share	**33,267**	30,236

	2019	2018
	No. 000	No. 000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**54,566**	54,428
Effect of dilutive potential ordinary shares:		
- share-based payments	**1,027**	862
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**55,593**	55,290

	2019	2018
	p	p
Continuing operations		
Basic earnings per share	**61.51**	56.02
Diluted earnings per share	**60.37**	55.15
Discontinued operations		
Basic loss per share	**(0.54)**	(0.47)
Diluted loss per share	**(0.53)**	(0.46)
Continuing and discontinued operations		
Basic earnings per share	**60.97**	55.55
Diluted earnings per share	**59.84**	54.69

6. Financial instruments

The fair values of the Group's financial assets and liabilities are not materially different from the carrying values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments. Following the implementation of IFRS 9 "Financial instruments" shared equity receivables are measured at fair value through other comprehensive income (FVOCI) as set out in Note 8.

Shared equity receivables at FVOCI

	Group	
	2019	2018
	£000	£000
Balance at 1 July	**4,997**	5,669
Redemptions	**(679)**	(703)
Unwind of discount (finance income)	**77**	90
Fair value movement recognised in other comprehensive income	**41**	(59)
Balance at 30 June	**4,436**	4,997

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

Redemptions in the year of shared equity loans carried at fair value of £679,000 (2018: £703,000) generated a profit on redemption of £226,000 (2018: £167,000) which has been recognised in other operating income in the consolidated income statement.

In addition, a net change in the value of shared equity receivables of £131,000 (2018: £31,000) has been recognised in other comprehensive income. This is made up as follows:

	Group	
	2019	2018
	£000	£000
Fair value movement recognised in other comprehensive income	**41**	(59)
Fair value recycled through profit and loss	**90**	90
Total movement recognised in other comprehensive income	**131**	31

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

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

The key assumptions applied in calculating fair value as at the balance sheet date were:
- Forecast regional house price inflation: 2.0%
- Average period to redemption: 5 years
- Discount rate: 8%

6. Financial instruments *(cont.)*

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

Change in assumption	**Increase / (decrease) in fair value (£000)**
Forecast regional house price inflation – increase by 1%	218
Average period to redemption – increase by 1 year	(246)
Discount rate – decrease by 1%	208

7. Related party transactions

During the year, the Group entered into a conditional agreement to purchase an area of land from Hampton Investment Properties Ltd ("HIPL") for £1,200,000. HIPL is a company in which North Atlantic Smaller Companies Investment Trust plc ("NASCIT"), which is a substantial shareholder in the Company, holds a majority interest. In addition, Christopher Mills, a Non-Executive Director of the Company, is considered a related party by virtue of his interest in and directorship of NASCIT and his position as a Director of HIPL. The land, if purchased, will form part of a new Gleeson Homes site being developed in the ordinary course of business. The purchase will only proceed with the approval of a majority vote of shareholders; approval is likely to be sought at the next AGM.

During the year the Group purchased an area of land from Jolyon Harrison, CEO of the Group at the time of the transaction, for £98,750. The land forms part of a new Gleeson Homes site being developed in the ordinary course of business. The price paid by the Group was supported by an independent valuation and approved by the Board.

In the prior year, the Group purchased cladding materials from a company, JDP Contracting Services Limited, in which Jolyon Harrison (CEO of the Group at the time of the transaction) is a Director. During the current year the Group purchased £nil (2018: £38,000) goods from the company. The terms were at normal market rates and payment terms and there were no guarantees provided. The amount owed to JDP Contracting Services Limited at 30 June 2019 was £1,000 (2018: £3,000).

Other than disclosed above, there were no other transactions with key management personnel in either the current or prior year.

8. Adoption of new accounting standards

IFRS 9 "Financial instruments"

IFRS 9 "Financial instruments" applied to the Group from 1 July 2018, replacing IAS 39 "Financial instruments: recognition and measurement". The new standard requires that financial assets that are within the scope of IFRS 9 are measured at amortised cost, fair value through profit and loss ("FVTPL") or fair value through other comprehensive income ("FVOCI"). The Group has adopted the modified retrospective transition approach, including adopting the practical expedient.

The majority of the Group's financial assets and liabilities continue to be accounted for on the same basis under IFRS 9 as they were under IAS 39. The exception to this is the Group's shared equity portfolio. These were previously held under IAS 39 as Available for Sale Financial Assets. This classification is not available under IFRS 9 and the assets have been reclassified as FVOCI. The Available for Sale Reserve that was previously classified separately in equity has been reclassified as part of retained earnings.

Changes in fair value are recognised initially in Other Comprehensive Income ("OCI"). When the asset is derecognised or reclassified, changes in fair value previously recognised in OCI and accumulated in equity are

8. Adoption of new accounting standards *(cont.)*

reclassified to profit and loss on a basis that always results in an asset measured at FVOCI having the same effect on profit and loss as if it were measured at amortised cost.

Impairment of financial assets

IFRS 9 also requires that an expected credit loss model, rather than an incurred credit loss model, is applied. This requires the assessment of the expected credit loss on each class of financial asset at each reporting date.

The main class of financial asset held by the Group is trade and other receivables, principally receivables for land sold on deferred terms. As the period for deferment is short and security is held, the risk of loss to the Group is considered to be sufficiently mitigated and credit risk is considered low. The Group also has financial assets in the form of shared equity receivables as set out in Note 6. These are measured at fair value through OCI and the assessment of fair value includes consideration of credit risk across the portfolio. Other receivables include completion monies for house sales which exist only for short periods of time and mainly relate to the Help to Buy scheme, exposing the Group to limited credit risk. Hence, the application of the credit risk model has had no material impact on the financial statements.

The effect of implementing IFRS 9 is as follows:

	30 June 2019 £000	30 June 2018 £000	1 July 2017 £000
Retained earnings (pre-IFRS 9)	**203,330**	187,664	170,977
Available for sale reserve now classified as part of retained earnings	**(526)**	(657)	(688)
Retained earnings (post-IFRS 9)	**202,804**	187,007	170,289

There is no impact to the Company from the implementation of IFRS 9.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 “Revenue from contracts with customers” applied to the Group from 1 July 2018, replacing IAS 18 “Revenue and related interpretations”. The standard has been adopted using the modified retrospective approach. There is no impact on retained earnings in prior years nor on the profit in the current period, as the timing of revenue recognition has not changed under IFRS 15.

- In respect of house sales, the performance obligation is satisfied on the transfer of control of the home to the customer. This occurs on legal completion.
- In respect of land sales, the performance obligation is satisfied on the transfer of control of the land to the buyer. The relevant facts and circumstances are considered to determine when control has transferred, which is either when contracts to sell are completed and title has passed or when unconditional contracts to sell are exchanged.

Elements of variable consideration, such as overages, are recognised where these are highly probable. This has had no impact on the financial statements.

Statements of Directors' Responsibilities

The Statement of Directors' Responsibilities is made in respect of the full Annual Report and the Financial Statements not the extracts from the financial statements required to be set out in the Announcement.

The 2019 Annual Report and Accounts comply with the United Kingdom's Financial Conduct Authority Disclosure Guidance and Transparency Rules in respect of the requirement to produce an annual financial report.

We confirm that to the best of our knowledge:

- the Company financial statements, contained in the 2019 Annual Report and financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, contained in the 2019 Annual Report and financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report, contained in the 2019 Annual Report and financial statements, includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

By order of the Board

James Thomson	**Stefan Allanson**
Interim Chief Executive Officer	Chief Financial Officer
13 September 2019	

The 2019 Annual Report and Financial Statements is to be published on the Company's website at www.mjgleesonplc.com and sent out to those shareholders who have elected to continue to receive paper communications. Copies will be available from The Company Secretary, 6 Europa Court, Sheffield Business Park, Sheffield, S8 9EN.