Monday, 29 September 2014

MJ GLEESON GROUP PLC

Audited results for the year ended 30 June 2014

MJ Gleeson Group plc, the urban regeneration and strategic land specialist, is pleased to announce another year of excellent progress with revenues up 34%, operating profit more than doubled and a final dividend proposed of 4.9p per share.

	2014	2013
	£m	£m
Continuing operations		
Revenue	81.4	60.7
Operating profit	12.1	6.0
Profit before tax	12.2	5.8
Cash generated from operating activities	5.3	(8.9)
Cash and cash equivalents	13.7	9.9
Net assets	128.1	112.1
Basic earnings per share	32.9	21.7p
Basic earnings per share (normalised) *	17.2	10.6p
Dividend per share	6.0p	2.5p
Net assets per share	241p	212p

Notes:

* Normalised EPS excludes the impact of recognising unrecognised tax losses, £8.3m (2013: £5.8m).

Strategy Delivering Results

- Operating profit from continuing activities more than doubled to £12.1m (2013: £6.0m).
  - Strong growth in Gleeson Homes which increased operating profit to £9.4m (2013: £4.0m).
  - Gleeson Strategic Land increased operating profit to £4.8m (2013: £3.5m).
- Gleeson Homes substantially increased unit sales 38% to 561 (2013: 406 units).
  - Proportion of units sold from new, higher margin sites increased to 84% (2013: 75%)
  - Modest increase in ASP to £121,000 (2013: £118,000) reflecting continued focus on low cost homes for local communities
  - Land pipeline totals in excess of 5,065 plots including conditionally purchased sites (2013: 3,860 plots)
- Gleeson Strategic Land sold 85 acres across seven sites, delivering 617 plots for development (2013: 42.5 acres)
  - Seven new agreements secured in the year, adding a potential 1,445 plots over 236 acres.
- Profit before tax increased by 110% to £12.2m (2013: £5.8m)
- Record forward order book up 71% to £44.2m at 30 June 2014 representing 356 units (2013: £25.9m)

- Final dividend of 4.9 pence per share proposed (2013: 2.0 pence per share), resulting in total dividend for the year up 140% to 6.0 pence per share (2013: 2.5 pence per share)

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

"The outlook for the Group remains highly encouraging.

The appetite of the volume housebuilders for consented land in the South of England remains strong and Gleeson Strategic Land expects to achieve a substantial increase in the number of sites sold in the current financial year.

Similarly, demand for low cost family homes continues to be strong amongst Gleeson Homes' core customer base and our forward order book is at a record high. Our commitment to ensuring that our homes remain affordable to buyers on low incomes means that we do not anticipate a significant increase in sales prices. However, the substantial increase in the size of the land bank achieved over the last year means that there is considerable scope to generate significant further, year on year, profit growth by means of an increase in sales volume."

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Chairman's Statement

I am pleased to report another year of excellent progress as the Group continues to benefit from its unique business model and to implement its growth strategy.

Gleeson Homes substantially increased unit sales by 38% to 561 units (2013: 406 units). This increase in volume was accompanied by a modest improvement in selling prices and the maintenance of a very stringent approach to cost control. As a result the division has once again achieved a significant uplift in profitability, helping drive a doubling of operating profit for the Group as a whole.

In addition, Gleeson Homes continued to substantially expand its land bank, taking advantage of the relatively low land prices in our target geographies in the North of England.

Gleeson Strategic Land also made strong progress during the year, increasing profits by 40%. This increase reflects both a high level of success in securing residential planning consents for sites in the South of England and the continuing strength of the demand for such sites, once consented, from volume housebuilders.

Financial Performance

Group revenues increased 34% to £81.4m (2013: £60.7m). The Group recorded an operating profit from continuing operations of £12.1m, an increase compared to the previous year of 101% (2013: £6.0m). Discontinued operations incurred a post-tax loss of £0.2m (2013: post-tax profit: £1.3m).

Profit for the year attributable to equity holders of the parent company, including an exceptional deferred tax credit of £8.3m (2013: £4.2m), totalled £17.4m (2013: £11.4m).

Net assets increased by 14.3% to £128.1m (2013: £112.1m), representing net assets per share of 241p (2013: 212p). Cash and cash equivalents at 30 June 2014 totalled £13.7m (2013: £9.9m).

Normalised basic earnings per share, which excludes the impact of recognising unrecognised tax losses, were 17.2p (2013: 10.6p).

Market Context

Unlike a number of other regions, such as central London, in which a period of high house price inflation is now being followed by some limited downward adjustments in values, the regeneration areas within the North of England in which Gleeson Homes operates have only experienced very modest price rises in the last two years and house prices are expected to remain broadly stable for the foreseeable future. Our confidence in this respect is reinforced by the fact that mortgage providers take a very favourable view of both the value for money offered by Gleeson Homes' product range and the financial dependability of our core customer base of hard working, low income families committed to home ownership.

Employees

The average number of employees during the year increased to 217 (2013: 201). The number at the year end was 228 (2013: 215).

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

Dividends

Against the background of the Group's strong financial performance and our confidence in the prospects for the current year and beyond, the Board is recommending a final dividend for the year of 4.9 pence per share (2013: 2.0 pence per share). Combined with the interim dividend, this will give a total dividend for the year of 6.0 pence per share, an increase compared to the previous year of 140% (2013: 2.5 pence per share). Subject to shareholder approval at the Annual General Meeting ("AGM"), the final dividend will be paid on 17 December 2014 to shareholders on the register at close of business on 21 November 2014.

Prospects

The outlook for the Group remains highly encouraging.

The appetite of the volume housebuilders for consented land in the South of England remains strong and Gleeson Strategic Land expects to achieve a substantial increase in the number of sites sold in the current financial year.

Similarly, demand for low cost family homes continues to be strong amongst Gleeson Homes' core customer base and our forward order book is at a record high of £44.2m (2013: £25.9m). Our commitment to ensuring that our homes remain affordable to buyers on low incomes means that we do not anticipate a significant increase in sales prices. However, the substantial increase in the size of the land bank achieved over the last year means that there is considerable scope to generate significant further, year on year, profit growth by means of an increase in sales volume.

Dermot Gleeson
Chairman

STRATEGIC REPORT

GROUP BUSINESSES

The Group consists of two distinct but complementary businesses: housebuilding on brownfield land in the North of England and strategic land trading, primarily in the South of England.

Gleeson Homes: A housing regeneration specialist building homes for people on low incomes on brownfield land in the North of England.

The key features of the Gleeson Homes business model are:

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

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

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

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

Discontinued Operations

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

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

STRATEGIC PRIORITIES

The strategy of the Group is to build a larger and increasingly profitable business by increasing the number of housebuilding sites in its target markets, increasing its housebuilding land pipeline and improving profitability on individual unit sales. Our strategic priorities are set out below:

Increased housebuilding footprint: We will increase the number of selling outlets throughout the North of England, particularly in areas of urban regeneration, which will lead to increased sales volumes and profitability.

Improve margins: We will continue to control development costs and acquire land in line with our defined and challenging hurdle rates.

Build quality, sustainable homes: We will build good quality homes to the specification that our customers require. We will ensure that our homes are energy efficient and have low running costs. We will use appropriate construction methods to build efficiently and overcome any potential labour shortages.

Increased land pipeline: We will continue to acquire land, at appropriate cost, in socially and economically deprived areas, which would benefit from urban regeneration.

Progress planning applications: We will progress planning applications on strategic land sites where we consider there to be strong prospects for residential housing planning permission to be achieved.

Cash generation: We will maintain an appropriate capital structure, minimise financing costs, and continue to improve returns to shareholders.

Robust health & Safety: We will continue to improve the safety culture and will maintain a high level of compliance with health and safety standards.

BUSINESS PERFORMANCE

GLEESON HOMES

Gleeson Homes' results for the year were as follows:

	2014	**2013**
Revenue	£70.6m	£47.9m
Operating profit	£9.4m	£4.0m

During the year, 561 homes were sold, an increase of 38% on the prior year's total of 406. During the year Gleeson Homes had on average 33 selling outlets open compared to 28 during the prior year. The outlets were located in County Durham, Derbyshire, Merseyside, Manchester, Newcastle, Nottinghamshire, Tyneside and Yorkshire. The number of outlets is expected to increase during the course of the current financial year to in excess of 40.

The Average Selling Price ("ASP") for the homes sold in the year was £121,000 (2013: £118,000). Our expected ASP is usually in the range of £115,000 to £120,000 in order to ensure our homes remain affordable to our customers. On a small number of sites, where demand has been exceptionally high, selling prices have increased, which has given rise to the moderate overall increase in the ASP.

The proportion of homes sold from newer, higher margin sites rose from 75% in the prior year to 84%.

Gross profit margin increased to 29.2% (2013: 27.8%) due to a combination of the continued improvement in the mix of homes sold from the new, higher margin sites, an increase in the average selling price and the maintenance of a very stringent approach to cost control.

The increase in the volume of homes sold along with the improved gross profit margin has resulted in gross profit increasing by 55% to £20.6m (2013: £13.3m).

Included within the Operating Profit is an exceptional credit of £0.8m (2013: £1.0m) relating to, as in the previous year, the partial reversal of a debtor provision.

Gleeson Homes has a large range of bespoke packages to assist customers to become homeowners. The Government's Help to Buy schemes have been popular with many of our customers, with 46% of the homes sold in the year utilising this scheme, but our own packages are also attracting a healthy level of interest.

Lenders currently have an appetite for mortgage lending and there has been growth in mortgage availability outside of the three main "High Street" institutions, offering our customers a more competitive choice. Despite the tightening of qualifying criteria under the Mortgage Market Review, our customers have been able to qualify for loans on reasonable terms.

The business unit continued to take advantage of the relatively low land prices in the North of England to build up a substantially enlarged land pipeline. During the year, 12 sites were purchased which added 1,180 plots to the pipeline. A further 24 sites that have been conditionally purchased are expected to add a further 1,815 plots to the pipeline in the near future. When and if these acquisitions are completed, the land pipeline will total in excess of 5,065 plots. Impaired plots now represent only 4% of the land bank. In addition to owned and conditionally purchased plots, there are a further 1,600 plots which are being actively considered for acquisition.

GLEESON STRATEGIC LAND

	2014	2013
Revenue	£10.8m	£12.7m
Operating profit	£4.8m	£3.5m

Demand for residential land in the South of England from the major housebuilders remained strong throughout the year. As a result, the business unit was able to complete seven land sales, with a combined acreage of 85 acres, with the potential to deliver 617 plots for development.

During the year, seven new sites were secured by means of either option, promotion, or subject to planning agreements. These covered 236 acres, with the potential to deliver 1,445 houses. In addition, heads of terms have been agreed for a further 6 sites covering 216 acres, with the potential for 1,365 plots.

Gleeson Strategic Land continues to progress the portfolio through the planning system. The business currently has four sites with planning permission and two further sites with resolutions to grant planning permission subject to entering into legal agreements. These sites have the potential to deliver 1,480 plots, a nursing home and 40 assisted living units. A further 16 sites are the subject of either submitted planning applications or lodged planning appeals and have the potential to deliver approximately 2,000 plots and 100 acres of commercial land. During the current financial year planning applications are expected to be submitted on a further 9 sites, potentially delivering a further 3,500 plots.

At the year end, Gleeson Strategic Land's portfolio totalled 3,802 acres (2013: 3,582 acres), of which 155 acres (2013: 155 acres) were wholly or part owned by the Group, 2,037 acres (2013: 2,162 acres) were held under option and 1,610 acres (2013: 1,265 acres) were the subject of promotion agreements. The geographic bias of the portfolio is towards the South of England, predominantly in: Buckinghamshire, Dorset, Essex, Hampshire, Hertfordshire, Kent, Oxfordshire, Surrey, Sussex and Wiltshire. The 65 sites have the potential to deliver 21,500 plots.

Financial Review

Highlights

- Revenue increased by 34% to £81.4m
- Profit before tax increased by 110% to £12.2m
- Normalised earnings per share* increased by 62% to 17.2 pence
- Net assets per share increased by 14% to 241 pence per share
- Dividend for the year increased by 140% to 6.0 pence

** Normalised earnings per share exclude the impact of recognising unrecognised tax losses of £8.3m (2013: £5.8m).*

Consolidated statement of comprehensive income

Revenue increased by 34% in the year to £81.4m (2013: £60.7m). The revenue of Gleeson Homes increased by 47% to £70.6m (2013: £47.9m) due to a combination of the 38% increase in volume to 561 homes sold (2013: 406 homes) and a 2.9% increase in the average selling price to £121,000 (2013: £118,000). Revenue for Gleeson Strategic Land decreased by £1.9m to £10.8m as the majority of the transactions in the year to 30 June 2014 were promotional agreements, whereby only the Group fee is recorded as revenue rather than the full land value.

Gross profit increased by 48.2% to £26.7m (2013: £18.0m). The gross profit of Gleeson Homes increased by 54.9% to £20.6m (2013: £13.3m) due to the increase in volume, the continuing reduction of units sold from older lower margin sites, improved margin being recorded due to our stringent approach to cost control and the inclusion of an exceptional credit of £0.8m due to the reversal of a debtor provision (2013: £1.0m). The gross profit of Gleeson Strategic Land increased by 29.6% to £6.1m (2013: £4.7m) primarily due to the increase in acres sold during the year.

Administrative expenses include the sales & marketing costs for Gleeson Homes, along with the administrative overheads for the whole Group. Overall Administrative expenses increased by £2.6m (22%). Sales & marketing costs increased by £1.1m being an increase of 27% in order to service new sites and generate increased revenue of 47%. Recurring administrative overheads increased by £1.0m mainly due to increased employment and recruitment costs.

Discontinued operations incurred a loss of £0.2m during the year (2013: profit £1.3m). The loss relates to the costs of Gleeson Construction Services, whose only activity is limited to resolving occasional contractual claims from the businesses that were sold in 2005 and 2006. The profit in 2013 included the profit on disposal of the Group’s last remaining PFI investment, totalling £1.4m.

Financing

Financial income of £0.5m (2013: £0.4m) consists primarily of the unwinding of discounts on deferred receipts. Interest earned on unwinding of deferred receipts was higher than the prior year as a result of a higher level of deferred receipts outstanding. There is no interest on joint venture loans recorded within discontinued operations for the current year as the joint venture was disposed of in February 2013 at which point interest ceased to be accrued (2013: £0.2m).

Financial expenses of £0.4m (2013: £0.6m) consist of interest payable on bank loans and overdrafts, bank charges and interest and unwinding of discounts relating to deferred payments. Financial expenses are lower in the current year, primarily due to the interest expense on deferred payments for land acquisitions being lower due to a lower level of deferred payments outstanding. The cost of bank charges increased in the year due to the entering into a three year £20m facility during the year.

Tax

A net tax credit for continuing operations, of £5.5m (2013: £4.3m) has been recorded for the year. The tax credit includes an exceptional credit relating to deferred tax of £8.3m (2013: £4.2m). Deferred tax assets relating to unused tax losses have been recognised to the extent that it is probable that taxable profits will be available against which the asset can be utilised. The Group now has £57.6m (2013: £67.9m) of tax losses, of which £49.2m have been recognised as a deferred asset, which can be carried forward indefinitely.

The tax charge attributable to discontinued operations was £0.1m (2013: £10k), so the total tax credit was £5.4m (2013: £4.3m).

The net deferred tax asset recorded within the Statement of Financial Position totals £10.5m (2013: £5.0m).

Earnings per share
Basic earnings per share improved by 52% to 32.9p (2013: 21.7p). The normalised basic earnings per share, which excludes the impact of recognising unrecognised tax losses of £8.3m (2013: £5.8m) improved by 62% to 17.2p (2013: 10.6p).

Dividend
Against the background of significant improvements in the results of Gleeson Homes and Gleeson Strategic Land, the Board has proposed a final dividend of 4.9 pence per share (2013: 2.0 pence per share). Combined with the interim dividend, the dividend for the full year totals 6.0 pence per share being an increase of 140% on the prior year (2013: 2.5 pence per share).

Statement of Financial Position
During the year to 30 June 2014, shareholders' funds increased by £16.0m to £128.1m (2013: £112.1m). Net assets per share increased to 241 pence, an increase of 14% year on year (2013: 212 pence).

In the year, non-current assets increased by £5.4m to £25.4m (2013: £20.0m). The primary reason for this increase is the £5.5m increase in the deferred tax asset balance from £5.0m to £10.5m following the recognition of tax losses. The non-current trade receivable and other receivable represents deferred receivables from shared equity loans provided to our customers. The carrying value of this receivables portfolio was £8.1m at 30 June 2014 (2013: £7.8m). The Government's Help to Buy scheme commenced during 2013 and has resulted in a much reduced need from customers for the Group's equity support.

Current assets increased by £7.0m to £127.2m (2013: £120.2m), with inventories increasing by £3.9m to £100.7m, and cash balances increasing by £3.8m to £13.7m (2013: £9.9m).

Total liabilities decreased by £3.5m to £24.5m (2013: £28.0m), with non-current liabilities decreasing by £1.9m to £0.1m (2013: £2.0m) and current liabilities decreasing by £1.6m, to £24.4m (2013: £26.0m). Gleeson Homes had drawn down on the Government's Get Britain Building Fund in the year to 30 June 2013, with £2.2m outstanding at that date, of which £1.9m was non-current. At 30 June 2014 the Get Britain Building liability stood at £1.9m all of which is now due within 12 months. Land creditors within Trade and Other payables totalled £7.6m (2013: £9.8m).

Cash Flow
The Group generated £3.8m (2013: £3.9m utilised) of cash in the year, resulting in a net cash balance at 30 June 2014 of £13.7m (2013: £9.9m).

Operating cash flows before working capital movements, generated £12.1m (2013: £4.2m). Investment in working capital of £6.4m (2013: £12.9m) resulted in cash generated from operating activities of £5.3m (2013: £8.9m utilised). Cash generated from investing activities totalled £0.3m (2013: £2.8m), with £3.3m of the cash generated in the prior year due to the sale of the Group's last PFI investment. Net cash flows from financing activities utilised £1.8m (2013: £2.1m generated), including £1.6m (2013: £0.3m) 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 deposits funds only 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 entered in to a three year £20m revolving working capital facility with Lloyds Bank Commercial Banking in December 2013. The facility provides the Group with additional flexibility and capacity for growth.

Pension
The Group contributes to a defined contribution pension scheme. A charge of £0.5m (2013: £0.4m) was recorded in the Income Statement for pension contributions. The Group has no exposure to defined benefit pension plans.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2014

	2014	2013
	£000	£000
Continuing operations		
Revenue	**81,442**	60,656
Cost of sales before reinstatement of inventories and contract provisions	**(55,497)**	(43,641)
Reinstatement of inventories and contract provisions	**800**	1,028
Cost of sales	**(54,697)**	(42,613)
Gross profit	**26,745**	18,043
Administrative expenses	**(14,681)**	(12,034)
Operating profit	**12,064**	6,009
Financial income	**485**	417
Financial expenses	**(389)**	(647)
Profit before tax	**12,160**	5,779
Tax for the period before recognition of additional deferred tax asset on losses brought forward	**(2,827)**	82
Recognition of additional deferred tax asset on losses brought forward	**8,326**	4,238
Tax	**5,499**	4,320
Profit for the year from continuing operations	**17,659**	10,099
Discontinued operations		
(Loss)/profit for the year from discontinued operations (net of tax)	**(231)**	1,344
Profit for the year attributable to equity holders of the parent company	**17,428**	11,443
Other comprehensive income		
Share of joint venture's cash flow hedges	**-**	118
Total comprehensive income for the year attributable to equity holders of parent company	**17,428**	11,561
Earnings per share attributable to equity holders of parent company		
Basic	**32.92 p**	21.69 p
Diluted	**32.36 p**	21.46 p
Earnings per share from continuing operations		
Basic	**33.36 p**	19.14 p
Diluted	**32.79 p**	18.94 p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

	Group	
	2014	2013
	£000	£000
Non-current assets		
Plant and equipment	**1,268**	1,467
Investment properties	**571**	748
Investments in joint ventures	**15**	15
Other investments	**4,896**	4,896
Trade and other receivables	**8,116**	7,797
Deferred tax assets	**10,513**	5,032
	25,379	19,955
Current assets		
Inventories	**100,717**	96,820
Trade and other receivables	**12,794**	13,401
Cash and cash equivalents	**13,687**	9,936
	127,198	120,157
Total assets	**152,577**	140,112
Non-current liabilities		
Loans and borrowings	**-**	(1,885)
Provisions	**(75)**	(85)
	(75)	(1,970)
Current liabilities		
Loans and borrowings	**(1,933)**	(308)
Trade and other payables	**(22,182)**	(25,509)
Provisions	**(214)**	(236)
UK corporation tax	**(82)**	-
	(24,411)	(26,053)
Total liabilities	**(24,486)**	(28,023)
Net assets	**128,091**	112,089
Equity		
Share capital	**1,063**	1,058
Share premium account	**6,436**	6,343
Capital redemption reserve	**120**	120
Retained earnings	**120,472**	104,568
Total equity	**128,091**	112,089

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2014

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	**Total £000**
At 1 July 2012	1,055	6,114	120	93,105	**100,394**
Total comprehensive income for the period					
Profit for the period	-	-	-	11,443	**11,443**
Other comprehensive income					
Cash flow hedges	-	-	-	118	**118**
Total comprehensive income for the period	**-**	**-**	**-**	11,561	**11,561**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue	3	229	-	-	**232**
Purchase of own shares	-	-	-	(15)	**(15)**
Share-based payments	-	-	-	181	**181**
Dividends	-	-	-	(264)	**(264)**
Transactions with owners, recorded directly in equity	3	229	-	(98)	**134**
At 30 June 2013	1,058	6,343	120	104,568	**112,089**
Total comprehensive income for the period					
Profit for the period	-	-	-	17,428	**17,428**
Total comprehensive income for the period	-	-	-	17,428	**17,428**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue	5	93	-	-	**98**
Purchase of own shares	-	-	-	(28)	**(28)**
Share-based payments	-	-	-	144	**144**
Dividends	-	-	-	(1,640)	**(1,640)**
Transactions with owners, recorded directly in equity	5	93	-	(1,524)	**(1,426)**
At 30 June 2014	1,063	6,436	120	120,472	**128,091**

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 30 June 2014

	2014 £000	2013 £000
Operating activities		
Profit before tax from continuing operations	**12,160**	5,779
(Loss)/profit before tax from discontinued operations	**(131)**	1,354
	12,029	7,133
Depreciation of plant and equipment	**828**	597
Share-based payments	**144**	181
Profit on sale of investment properties	**(313)**	-
Profit on sale of assets held for sale	**(21)**	(1,372)
Share of loss of joint ventures (net of tax)	**-**	107
Capitalisation of available for sale assets	**(426)**	(2,443)
Financial income	**(485)**	(570)
Financial expenses	**389**	647
Dividends received	**-**	(117)
Operating cash flows before movements in working capital	**12,145**	4,163
Increase in inventories	**(3,897)**	(20,325)
Decrease/(increase) in receivables	**995**	(2,075)
(Decrease)/increase in payables	**(3,484)**	9,490
Cash generated/(utilised) in operating activities	**5,759**	(8,747)
Tax received	**-**	19
Interest paid	**(477)**	(133)
Net cash flows from operating activities	**5,282**	(8,861)
Investing activities		
Proceeds from disposal of assets held for sale	**-**	3,314
Proceeds from disposal of available for sale assets	**244**	157
Proceeds from disposal of investment properties	**490**	-
Interest received	**194**	345
Dividends received	**-**	117
Purchase of plant and equipment	**(629)**	(1,144)
Net cash flows from investing activities	**299**	2,789
Financing activities		
Increase in loans and borrowings	**-**	2,193
Repayment of borrowings	**(260)**	-
Proceeds from issue of shares	**98**	232
Purchase of own shares	**(28)**	(15)
Dividends paid	**(1,640)**	(264)
Net cash flows from financing activities	**(1,830)**	2,146
Net increase/(decrease) in cash and cash equivalents	**3,751**	(3,926)
Cash and cash equivalents at beginning of year	**9,936**	13,862
Cash and cash equivalents at end of year	**13,687**	9,936

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 2014 or 2013, but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies, and those for 2014 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Cautionary statement

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

Directors' liability

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

Basis of preparation

The accounting policies adopted in the preparation of these accounts are consistent with those described in the Report and Accounts for the year ended 30 June 2013. Of the new standards, amendments and interpretations that are in issue and mandatory for the financial year ended 30 June 2014, there is no financial impact on these preliminary results.

2. Segmental analysis

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

- Gleeson Homes
- Gleeson Strategic Land

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

	2014 £000	2013 £000
Revenue		
Continuing activities:		
Gleeson Homes	**70,646**	47,940
Gleeson Strategic Land	**10,796**	12,716
	81,442	60,656
Discontinued activities	**100**	1,146
Total revenue	**81,542**	61,802
Profit on activities		
Gleeson Homes	**9,408**	4,007
Gleeson Strategic Land	**4,844**	3,450
	14,252	7,457
Group Activities	**(2,188)**	(1,448)
Financial income	**485**	417
Financial expenses	**(389)**	(647)
Profit before tax	**12,160**	5,779
Tax	**5,499**	4,320
Profit for the year from continuing operations	**17,659**	10,099
(Loss)/profit for the year from discontinued operations (net of tax)	**(231)**	1,344
Profit for the year attributable to equity holders of the parent company	**17,428**	11,443

All rental income from investment properties, totalling £32,000 (2013: £4,000), is reported within the Gleeson Homes segment. The revenue in the Gleeson Homes segment relates to the sale of residential properties and land. All revenue for Gleeson Strategic Land segment is in relation to the sale of land.

3. Discontinued operations

The Group disposed of certain assets and liabilities of the Gleeson Engineering Division of Gleeson Construction Services to Black and Veatch Limited ("B&V") in a prior period and is treated as a discontinued operation.

The Group disposed of certain assets and liabilities of the Gleeson Building Division of Gleeson Construction Services to GB Building Solutions Ltd, in a prior period and is treated as a discontinued operation.

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

The Group has closed its Gleeson Commercial Property Development division and it is treated as discontinued.

	Gleeson Capital Solutions	**Gleeson Commercial Property Develop-ments**	**Gleeson Construction Services**	**Total**	Gleeson Capital Solutions	Gleeson Commercial Property Develop-ments	Gleeson Construction Services	Total
	2014	**2014**	**2014**	**2014**	2013	2013	2013	2013
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Revenue	-	-	**100**	**100**	-	2	1,144	1,146
Cost of sales	-	-	**(46)**	**(46)**	-	-	(1,106)	(1,106)
Gross profit	-	-	**54**	**54**	-	2	38	40
Administrative expenses	-	-	**(185)**	**(185)**	52	-	(156)	(104)
Profit on sale of assets held for sale	-	-	-	-	1,372	-	-	1,372
Share of loss of joint ventures (net of tax)	-	-	-	-	(107)	-	-	(107)
Operating (loss)/profit	-	-	**(131)**	**(131)**	1,317	2	(118)	1,201
Financial income		-	-	-	153	-	-	153
(Loss)/profit before tax	-	-	**(131)**	**(131)**	1,470	2	(118)	1,354
Tax	**(77)**	-	**(23)**	**(100)**	-	5	(15)	(10)
(Loss)/profit for the year from discontinued operations	**(77)**	-	**(154)**	**(231)**	1,470	7	(133)	1,344

(Loss)/earnings per share - impact of discontinued operations

	2014	2013
	p	p
Basic	**(0.44)**	2.55

The cash flow statement includes the following relating to operating (loss)/profit on discontinued operations:

	2014	2013
	£000	£000
Operating activities	**(83)**	(30)
Investing activities	**-**	3,642
	(83)	3,612

4. Exceptional items

Impairment of inventories and contract provisions
At 30 June 2014, 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.

Deferred tax on tax losses
During the year, the Group recognised £8,326,000 (2013: £4,238,000) of previously unrecognised deferred tax asset in relation to tax losses available to offset against future profits.

Exceptional income may be summarised as follows:

	2014	2013
	£000	£000
Re-instatement of inventories and contract provisions	**800**	1,028
Tax	**8,326**	4,238
	9,126	5,266

In the year ended 30 June 2014, £800,000 (2013: £1,028,000) of exceptional income was reported in the Gleeson Homes division and £8,326,000 (2013: £4,238,000) as tax.

5. Financial income and expenses

	Continuing operations		**Discontinued operations**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	£000	£000	**£000**	£000	**£000**	£000
Financial income						
Interest on bank deposits	**7**	45	**-**	-	**7**	45
Interest on joint venture loans	**-**	-	**-**	153	**-**	153
Other interest	**17**	-	**-**	-	**17**	-
Unwinding of discount on deferred receipts	**461**	372	**-**	-	**461**	372
	485	417	**-**	153	**485**	570
Financial expenses						
Interest on bank overdrafts and loans	**(48)**	(3)	**-**	-	**(48)**	(3)
Bank charges	**(240)**	(130)	**-**	-	**(240)**	(130)
Interest and unwinding of discount on deferred payments	**(101)**	(514)	**-**	-	**(101)**	(514)
	(389)	(647)	**-**	-	**(389)**	(647)
Net financial income/(expense)	**96**	(230)	**-**	153	**96**	(77)

6. Tax

	Continuing operations		Discontinued operations		Total	
	2014	2013	**2014**	2013	**2014**	2013
	£000	£000	**£000**	£000	**£000**	£000
Current tax:						
Adjustment in respect of prior years	**(6)**	(12)	**88**	8	**82**	(4)
	(6)	(12)	**88**	8	**82**	(4)
Deferred tax:						
Current year (credit)/expense	**(5,876)**	(4,336)	**6**	-	**(5,870)**	(4,336)
Impact of rate change	**383**	28	**6**	2	**389**	30
Deferred tax (credit)/expense for the year	**(5,493)**	(4,308)	**12**	2	**(5,481)**	(4,306)
Total tax	**(5,499)**	(4,320)	**100**	10	**(5,399)**	(4,310)

Reductions in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) and to 21% (effective 1 April 2014) were substantively enacted on 3 July 2012 and 2 July 2013 respectively. A further reduction to 20% effective from 1 April 2015 was substantively enacted on 2 July 2013. The weighted average rate of corporation tax was 22.50% (2013: 23.75%) of the estimated assessable profit for the year.

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

	2014	2013
	£000	£000
Profit before tax on continuing operations	**12,160**	5,779
Profit before tax from discontinued operations	**(131)**	1,354
Profit before tax	**12,029**	7,133
Tax charge at standard rate	**2,707**	1,694
Tax effect of:		
Non-taxable income	**-**	(326)
Expenses that are not deductible in determining taxable profits	**287**	119
Tax reliefs not recognised in the Statement of Comprehensive Income	**(538)**	-
Utilisation of tax losses not previously recognised	**-**	(1,605)
Recognition of tax losses not previously recognised	**(8,326)**	(4,235)
Changes in tax rates	**389**	30
Adjustments in respect of prior years	**82**	13
Tax charge and effective tax rate for the year	**(5,399)**	(4,310)

7. Dividends

	2014	2013
	£000	£000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 June 2014 of 1.1p (2013: 0.5 p) per share	**582**	264
Final dividend for the year ended 30 June 2013 of 2.0p per share	**1,058**	-
	1,640	264

The proposed final dividend for the year ended 30 June 2014 of 4.9p per share (2013: 2.0p) makes a total dividend for the year of 6.0p (2013: 2.5p).

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 dividend to be paid is £2,631,000.

8. Earnings per share

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

Earnings	**2014**	2013
	£000	£000
Earnings for the purposes of basic earnings per share, being net profit attributable to equity holders of the parent company		
Profit from continuing operations	**17,659**	10,099
Profit from discontinued operations	**(231)**	1,344
Profit for the purposes of basic and diluted earnings per share	**17,428**	11,443

Number of shares	**2014**	2013
	No. 000	No. 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**52,941**	52,758
Effect of dilutive potential ordinary shares:		
Share options	**915**	564
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**53,856**	53,322

From continuing operations	**2014**	2013
	p	p
Basic	**33.36**	19.14
Diluted	**32.79**	18.94

From discontinued operations	**2014**	2013
	p	p
Basic	**(0.44)**	2.55
Diluted	**(0.43)**	2.52

From continuing and discontinued operations	**2014**	2013
	p	p
Basic	**32.92**	21.69
Diluted	**32.36**	21.46

	2014	2013
Normalised Earnings per share	**£000**	£000
From continuing and discontinued operations		
Profit for the purposes of basic and diluted earnings per share	**17,428**	11,443
Excluding the impact of recognising unrecognised tax losses	**(8,326)**	(5,840)
Normalised earnings	**9,102**	5,603

	2014	2013
	p	p
Basic	**17.19**	10.62
Diluted	**16.90**	10.51