mj gleeson plc

Building Homes.
Changing Lives.

Annual Report and Accounts 2022

Contents

MJ Gleeson plc specialises in low-cost house building and land promotion.

← Cover image: Ava, Elijah and Acer, Greymoor Meadows, Carlisle, Cumbria

↗ Acklam Gardens, Middlesbrough, North Yorkshire

Changing lives by building affordable, quality homes.

We build our homes putting our customers' needs first and aim for 5-star quality across all our sites. We won't hand over the keys to a home unless we're proud to put our name to it.

A couple on the National Living Wage can afford to buy a home on any of our developments.

Gleeson homes are:

- Highly energy efficient
- Cheaper to buy than rent
- 5-star build quality
- Always sold freehold

Built to meet our customers' needs:

- 2, 3 or 4-bed homes
- Brick and block construction
- Off-road parking
- Front and rear gardens

Where they are needed, for the people who need them most.

We exist to provide homes to a largely underserved community of young, first time buyers.

82%
of our homes sold are in the most deprived areas of the UK or on brownfield land.

Gleeson customers are:

- 74% first time buyers
- On low incomes – £24,000 median buyer income
- 50% single buyers
- Young – 29 years old median buyer age

Unlocking land for development with a highly successful land promotion business.

We have a skilled team who navigate sites through the planning system for sale to other housebuilders to develop. This plays a crucial role in the supply of new homes.

+90%
planning success rate demonstrates our outstanding track record.

Gleeson Land has:

- A pipeline of over 20,000 plots
- Over 3,500 plots in the planning process plus 3,800 plots allocated for new homes

Highlights

Financial highlights

Revenue

£373.4m

2021: £288.6m

Profit before tax and exceptional items

£55.5m

2021: £41.7m

Profit before tax

£42.6m

2021: £41.7m

Earnings per share (pre-exceptional items)

78.1p

2021: 58.2p

Cash and cash equivalents

£33.8m

2021: £34.3m

Return on capital employed (pre-exceptional items)

25.4%

2021: 21.4%

Operational highlights

Homes sold

2,000

2021: 1,812

Average selling price

£167,300

2021: £145,800

CO_2e emissions (scope 1 & 2)

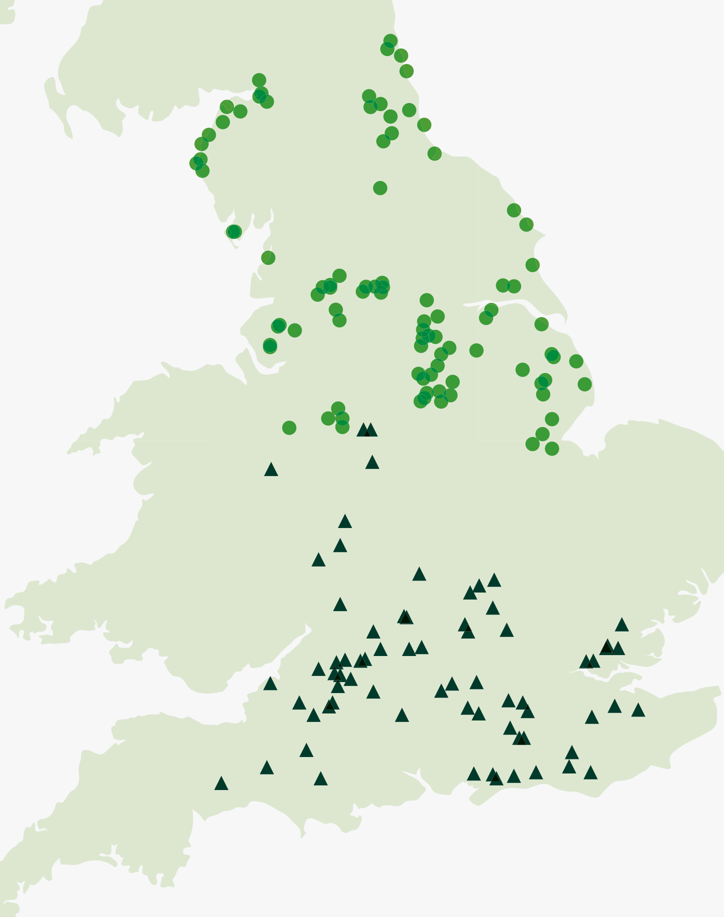
1.86 tonnes

per home sold

2021: 2.05 tonnes

At a Glance

Our locations



Revenue

(2021: £288.6m)

- **Gleeson Homes £334.6m** (2021: £265.8m)
- **Gleeson Land £38.8m** (2021: £22.8m)

Operating profit[1]

(2021: £43.1m)

- **Gleeson Homes £51.2m** (2021: £37.4m)
- **Gleeson Land £11.1m** (2021: £11.1m)

1 Pre-exceptional items
2 After Group overheads of £5.5m (2021: £5.4m)

Hannah and Daisy, Rainsborough Park, Knottingley, West Yorkshire

Gleeson Homes

We build affordable, quality homes. Where they are needed, for the people who need them most.

Our mission is to change people's lives through home ownership; primarily first time buyers and young families, many of whom are on low to average incomes and are key workers. We help people escape from housing poverty caused by the "rent trap" and into home ownership, wealth creation, and better health and wellbeing. A couple working full time on the government's National Living Wage can afford to buy a home on any of our developments.

We build mostly in areas of deprivation or on brownfield sites, regenerating communities and creating meaningful spaces where people want to live. Access to transport, local facilities and employment are key considerations when choosing the locations of our developments. Many of our customers are from the local area and want to remain part of their local community.

Our sustainable business approach is based around our relationships with communities, people and the environment.

Gleeson Land

We promote land through the complex planning system. Unlocking value to deliver sustainable and attractive sites for other developers to build new homes, where they are needed.

We carefully select and promote land through the planning process on behalf of landowners. Our highly-skilled team of planning, technical and land specialists take a bespoke approach to every site. We carefully consider all aspects of a site, being sensitive to local needs and environmental constraints to ensure we promote sites that can be delivered sustainably.

We build strong relationships with landowners and take a proactive and personal approach to promoting their land. We work to achieve best value on their behalf, whilst delivering planning permissions that are implementable and ready for developers to start on site.

We form an integral part of the supply chain for new housing, delivering high-quality consented land to housebuilders to meet their immediate needs, predominantly in the South of England.

Our Sustainable Approach

Material sustainability issues

In 2021 the Group engaged with stakeholders and undertook a detailed materiality assessment to identify the environmental, social and economic issues most important to the Group. This assessment considered a wide range of factors, including the Group's strategic priorities, risks, stakeholder views, market trends, socio-economic changes, environmental factors, government policy and other matters. The principal material sustainability issues identified remain unchanged in the current year and are shown in the table below.

Material sustainability issue	Affordability	Build quality	Health and safety
What are the risks?	Affordability is the number one reason our customers buy a Gleeson home. If we do not ensure our homes remain affordable it would impact our business model and our ability to sell new homes to those who need them most, predominantly first time buyers and families on low to average incomes. This could negatively impact our brand and lead to a loss of sales.	Our customers expect a high-quality product from us. If we fail to build homes that meet their expectations then it could result in higher defect claims, damage brand reputation and lead to poor sales.	Health and safety is a priority across our business and unsafe working practices, policies or procedures could result in harm to employees, subcontractors or site visitors, causing personal injury, delays in construction, additional cost, reputational damage and potentially criminal prosecution or civil litigation.
Where do we see opportunities?	The need for affordable housing across the UK continues to grow, which supports our unique model and sustainable business strategy. We have a significant opportunity to open more sites and expand our geographical reach to provide more people with access to safe, affordable, high-quality new homes.	Through our absolute focus on quality and regular inspection processes, we are able to minimise the number of defects and rectification work required. We see the opportunity for continuous improvement to operate as a 5-star housebuilder across all sites ensuring we provide a high-quality product and service to all of our customers.	We have made significant progress this year on health and safety and will continue to enhance our health and safety reporting, training and awareness across the business. We have the opportunity to continue to improve our health and safety performance and have identified a number of further actions, as set out on page 65.

Springfield Meadows, Bolsover, Derbyshire

UN Sustainable Development Goals

The UN Sustainable Development Goals ("SDGs") promote actions to be taken to end poverty and set the world on a path of peace, prosperity and opportunity for all on a healthy planet. We recognise the critical role that business and industry has in advancing these. As a business we not only transform the lives of our customers by providing safe, affordable housing, but we understand that there are also many other stakeholders impacted by our activities. We continue to operate our business in support of six SDGs which we believe are the most material to our strategy and values.

Land

Land is a fundamental component of Gleeson Homes and the risk of new sustainable development sites not being available to acquire at a low cost and in areas in need of regeneration could impact the success of the Gleeson Homes model and its ability to open new sites.

The availability of high-quality, well-located land in the South of England is also fundamental to the success of Gleeson Land, without which future sales would be restricted.

Through continued focus on identifying low-cost land opportunities in areas often not viable for other housebuilders, we keep our land costs low and ensure our homes remain affordable. We see continued opportunities to source low-cost land in our target geographical areas.

We also continue to identify new land opportunities across the South of England for promotion by Gleeson Land through proactive land searching and strong land agent relationships.

Carbon emissions

Like all companies, we have a role to play in addressing climate change. If we do not act to reduce our carbon emissions, this could result in damage to the environment from our operations, being out of line with other housebuilders and stakeholder expectations, being unable to meet government policy requirements, reputational damage and increased costs of capital.

Integrating carbon emissions tracking and reporting throughout our business is enabling us to take action on the areas that directly generate the most emissions. There is opportunity to extend this both upstream and downstream for our scope 3 emissions and to improve the data collected. Through the design of our homes and adapting our build processes we can continue to reduce our carbon footprint. Further actions are set out on page 65.

SUSTAINABLE DEVELOPMENT GOALS

- 11 SUSTAINABLE CITIES AND COMMUNITIES — Sustainable cities and communities
- 5 GENDER EQUALITY — Gender equality
- 8 DECENT WORK AND ECONOMIC GROWTH — Decent work and economic growth
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Responsible consumption and production
- 13 CLIMATE ACTION — Climate action
- 15 LIFE ON LAND — Life on land

Our Sustainable Approach
CONTINUED

Our sustainability targets

Read more about our targets and actions on pages 62 and 63.

Target achieved

55

2021: 556

Health and safety incident rate (“AIIR”) will be reduced to the industry standard or lower in the year

Target achieved

90%

2021: 89%

Our employee engagement will be maintained in the upper quartile of all companies

Target achieved

90.7%

2021: 90.6%

We will maintain our 5-star customer recommendation status

On track

1.86 tCO_2e

2021: 2.05 tCO_2e

We will reduce our carbon emissions by 30% over three years to 1.75 tonnes by 2023

Communities

We want to create attractive, affordable places for young, first time buyers to live, creating sustainable communities.

Progress:

Delivered 2,000 affordable, quality homes where they are needed and created meaningful spaces where people want to live.

Maintained our 5-star status based on customer recommendation scores.

Rolled out our "Customer First" programme which is focused on improving the end-to-end customer experience.

Stepped up our inspections within 48 hours of obtaining Certificate of Mortgage Lending ("CML"), which helps address any defects ahead of handing over the keys to our customers.

Developed systems for improved data collection on all aspects of inspections, defects management and customer care.

Maintained accreditation by the Fair Tax Foundation for paying our fair share of taxes.

People

We are committed to ensuring all employees, subcontractors and suppliers are treated fairly, kept safe and paid a fair wage.

Progress:

Employee engagement has improved for the third year in a row, placing Gleeson in the top 10% of all businesses independently surveyed.

Enhanced our health and safety procedures and independent site inspections on all build sites.

Enhanced our tracking of near misses and launched an awareness campaign for reporting of near misses.

Introduced training and development passports for apprentices to ensure all new starters are onboarded in the right way.

Enhanced our Modern Slavery and Human Trafficking Statement to include wider human rights.

Continued to be accredited as a Real Living Wage employer.

Environment

We take all reasonable measures to conduct our business in a way that minimises our impact on the environment and enhances the land we develop.

Progress:

Further reduced our scope 1 and 2 emissions by 9% to 1.86 tonnes CO_2e per home sold.

Enhanced our data capture on the embodied and in-use carbon emissions of our homes, and understanding of how legislation will impact this.

Upgraded all forklift trucks to the latest, energy-efficient models and committed to using eco-cabins on all new development sites.

Introduced a new biofuel policy and increased our use of biofuel across the business, which has a lower carbon footprint.

Continued to monitor waste generated on sites and maximise our diversion of waste from landfill through recycling and energy recovery.

Macaulay Park, Grimsby, Lincolnshire

Chairman’s Statement

“

It is a great source of satisfaction that Gleeson has been recognised by the independent consultant People Insight as one of the best companies in the UK to work for.”

Dermot Gleeson
Chairman

I am delighted to report that the Group has delivered a record level of revenue and profit.

This is testimony to the Group’s robust operational capability and also to the strong demand for our affordable homes in the North of England and the Midlands, and for our consented residential sites in the South.

The continuing demand for affordable homes enabled us to deliver our medium-term target of doubling our annual homes sales to 2,000 homes by 2022.

We are not complacent about the risks in the wider macroeconomic environment. However, we believe that the affordability and energy-efficiency of our homes will continue to make them highly attractive to young, first time buyers who wish to escape the “rent trap” or who live with their parents and want to get onto the property ladder.

Performance and dividend

Group revenue increased by 29.4% to £373.4m (2021: £288.6m), whilst profit before tax and exceptional items was up 33.1% to £55.5m (2021: £41.7m).

In April 2022, the Company signed the Department for Levelling Up, Housing and Communities’ (“DLUHC”) pledge in respect of remediating buildings with life-critical fire-safety issues on buildings over 11 metres in which the Group had, over the last 30 years, some involvement in developing. Based on the work undertaken on buildings covered under the pledge, the Group has recorded an exceptional provision this year of £12.9m. As a result, Group profit before tax after exceptional items was £42.6m (2021: £41.7m).

The Group continues to maintain a strong financial position with a well-capitalised balance sheet, ending the year with cash and cash equivalents of £33.8m (2021: £34.3m). It also continues to have a £105m borrowing facility available, provided by Lloyds Bank plc and Santander UK plc, which was undrawn at year end.

Subject to shareholder approval at the 2022 Annual General Meeting (“AGM”), the Board proposes to pay a final dividend of 12.0p per share on 25 November 2022, to shareholders on the register at the close of business on 28 October 2022. The total dividend for the year to 30 June 2022 will be 18.0p. The Board intends to maintain an earnings to ordinary dividend cover ratio of between three and five times and expects to pay a final dividend representing two-thirds of the total dividend each year.

Strategy

Gleeson Homes is one of the UK’s fastest-growing housebuilders. Our rate of growth is attributable to the fact that the business is focused on a segment of the market where there is both strong current demand and a structural shortage of supply.

There are nine million rented households in England, of which just under half are in the North of England and Midlands, the areas in which we operate. Meanwhile, 74% of the homes that we sold in the financial year were to first time buyers either living at home or in rented accommodation. According to Rightmove, the cost of renting in the UK increased by 12% in the last 12 months and, in our regions, annual rental costs were 16% higher last year than the annual cost of buying a comparable 2-bed Gleeson home. Moreover, Gleeson homeowners see significant savings on their energy bills which are, based on current energy prices, £700 lower per year on a typical 2-bed home compared to older housing. This saving will continue to rise as the cost of energy increases.

During the year Gleeson Homes continued to open more sites than it closed and the division is confident that its strong land pipeline and the country's severe shortage of affordable, energy-efficient homes will enable it to deliver further sustainable and profitable growth over the medium and longer term.

We have invested significantly over recent years in our systems, operating structure and central services in order to provide ourselves with the ability to grow and to expand our geographical reach in a controlled manner.

Gleeson Land will also benefit from the continuing demand from the major housebuilders for high-quality consented sites in the South of England. The congestion in the planning system has exacerbated the shortage of development land and Gleeson Land is well-placed to benefit from this over the next three to five years.

Board

James Thomson will step down as Chief Executive Officer on 31 December 2022 and will be succeeded on 1 January 2023 by Graham Prothero, currently Chief Operating Officer at Vistry Group plc.

James has played a pivotal role in achieving the 2,000 homes target for Gleeson Homes and in embedding the cultural and structural changes needed to ensure that the Group continues to achieve high levels of sustainable growth. We are delighted that he has agreed to remain on the Board as a Non-Executive Director.

Andrew Coppel resigned in March 2022. Fiona Goldsmith was subsequently appointed Senior Independent Director and Elaine Bailey was appointed Interim Chair of the Remuneration Committee, with both appointments effective 24 March 2022.

The Board has initiated a search process to appoint a further Non-Executive Director to the Board this year.

The Gleeson team

It is a great source of satisfaction that Gleeson has been recognised by the independent consultant People Insight as one of the best companies in the UK to work for.

Our vision – Building Homes. Changing Lives. – has been enthusiastically embraced by our workforce at every level. It was the commitment and hard work of the entire team that enabled us to deliver our milestone target of 2,000 sales during the year. I wish to express the Board's deep gratitude to all of our staff and operatives for their contribution to this remarkable achievement.

Summary and outlook

This is another excellent performance which reflects not only the strong operational capability of our business but also the continuing structural under-supply of affordable homes for first time buyers on low incomes.

As well as being affordable, our high-quality homes are also very energy efficient, costing significantly less to run than most houses in the UK, particularly in the rented sector. As a result, our homes are much sought after, and demand remains resilient.

Gleeson Land's market remained robust throughout the year and the business delivered a strong result. Demand in the South of England for quality sites with sustainable and implementable residential planning permission remains strong and the division is well-placed to drive further sustainable growth.

The Board has reviewed a range of macroeconomic forecasts and, notwithstanding the current outlook for the broader economy, remains confident that the Group, with its defensive qualities and unique position within the wider house building sector, is well-positioned to deliver further profitable growth in the current financial year.

Dermot Gleeson
Chairman

14 September 2022

Market Review

Amidst the rising costs of living, affordability is now more important than ever. With the average annual energy bill continuing to increase, buyers are becoming more focused on the superior energy efficiency of new homes, which far surpasses older housing stock. But with a wavering government approach on planning policy causing delays and continued supply chain pressures, the delivery of new homes is not matching up to the country's needs.

Housing market dynamics

01 Too few homes are being built

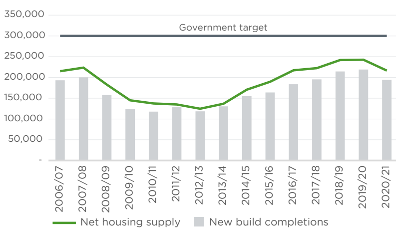
The number of net additional dwellings fell to 216,000 last year, with 195,000 of these from new build completions. Against this decline it looks likely the government will step away from its pledge of 300,000 new homes per annum by the middle of this decade. This shortfall in supply will invariably lead to pressure on house prices and could reduce the ability of young, first time buyers to get onto the housing ladder.

Analysis also suggests there is a need for 145,000 new affordable homes each year, which is 67% of net additions in 2020/21. This compares to actual affordable housing delivery for the same period, including social and affordable rental, of 52,000 homes, or 24% of net additions. This demonstrates the chronic under-supply of affordable homes in England[1].

1 Gov.uk Affordable housing supply, England

Chart: Gov.uk Components of net housing supply, England

Net additional dwellings in England



02 One-third of homes are rented

More than one-third of homes in England are rented, and that proportion applies equally in the North and South. Despite the efforts of the government, housebuilders and housing associations to build more homes, the levels of home ownership are below historic levels.

In 2020, 21% of dwellings in the private rented sector failed to meet the Decent Homes Standard. In addition, the wellbeing of those living in rented accommodation, as measured by the average life satisfaction score, was nearly 10% lower for renters than homeowners, with some 7% of rented dwellings also reported to be overcrowded[1].

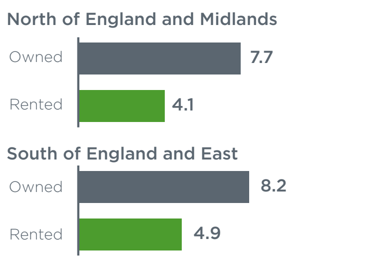
Not surprisingly, the desire to own a home remains strong and the majority of people would choose to buy a home (87%) rather than rent (12%)[2].

1 English Housing Survey 2020/21

2 British Social Attitudes Survey, October 2019

Chart: ONS Dwelling stock by tenure and region, England

Housing tenure by region in England (millions)



03 Young adults living at home is rising

The number of young adults between the ages of 18 and 25 living at home with parents in the UK is continuing to rise and will soon be in excess of 60%. This has risen by nearly 20% over the last decade and the average age of first time buyers is now 32 years[1].

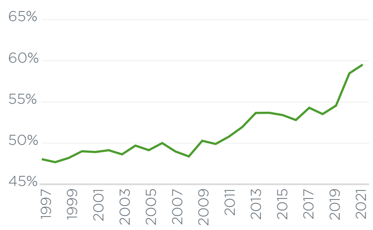
The biggest barrier for young people to buy a home remains saving a deposit. The proportion of young adults who would need more than half their annual salary for a 10% deposit for the median property in their area has increased from 33% to 78% in the last 20 years. As a result, young people are struggling to get onto the housing ladder, increasing the risk of inequality between generations as older generations benefit at the expense of younger generations[2].

1 English Housing Survey 2020/21

2 Institute for Fiscal Studies, Barriers to home ownership for young adults

Chart: Labour Force Survey (LFS), ONS

Total young adults living at home (18-25 year olds)



04 Rental prices have increased significantly

Rental prices across the UK increased between 10.5% and 12.0% in the 12 months to June 2022. Lack of supply, partly driven by private landlords exiting the market, is pushing up rental prices, with some tenants being priced out of certain areas. In March 2022, 34% of renters reported their rent had increased in the last six months, compared with the 19% of homeowners who reported their mortgage payments had increased[1].

As a result, rent affordability is becoming stretched with single-person households spending 37% of gross income on rent, up from the 10-year average of 36%, and 18.5% for sharers, up from 18%[2]. The rate of rental price growth is expected to ease this year to a more moderate 4.5% by the end of 2022, but whether wage growth improves rent affordability remains to be seen[3].

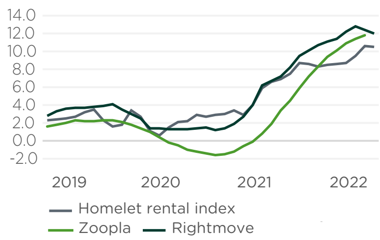
1 ONS The rising cost of living and its impact on individuals, April 2022

2 Savills UK housing market update, July 2022

3 Hometrack, UK Rental market report, Q1 2022

Chart: ONS Index of private housing rental prices and private sector measures of rents

Private rental prices (new lets) annual percentage change



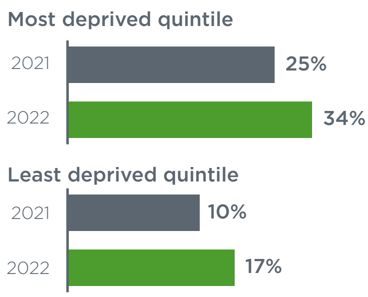
05 Household bills impacting most at risk

Higher energy and housing costs have resulted in more adults reporting difficulty in paying their household bills. At March 2022, 34% of adults living in the most deprived areas of England found it difficult to pay their bills, compared with 17% in the least deprived areas of England. While rising bills will affect all households, they disproportionately affect those in deprived areas.

In addition, a higher proportion of renters (37%) compared to homeowners (23%) reported finding it more difficult to pay household bills compared with a year ago. Property renters are more concentrated in lower income areas than homeowners and are therefore more affected by changes in the cost of living.

Source: ONS The rising cost of living and its impact on individuals, April 2022

Percentage of adults reporting difficulty in paying their usual household bills



06 Average selling prices are rising

UK average house prices increased by 12.8% over the year to May 2022[1]. After the first UK lockdown, the end of 2020 saw average house price growth accelerate. This continued into 2021 and house price growth has remained strong since then. The UK average house price in May 2022 was £283,000 for all dwellings (resale and new build) and £327,000 for new build alone.

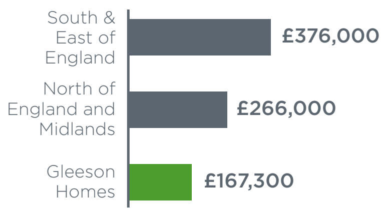
Whilst average new build prices in the North of England and Midlands are comparatively lower (£266,000) than the South of England and East (£376,000), that does not make the prospects of home ownership any better. For example, the North East and Yorkshire and the Humber continue to have the lowest levels of home ownership in the country outside of London[2].

1 Gov.uk UK House price index, May 2022

2 Gov.uk Dwelling stock by tenure and region, England

Chart: ONS Housing market simple average house prices

New build average selling prices



Market Review

CONTINUED

Housing market dynamics (continued)

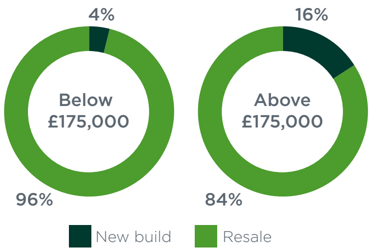
07 Too few homes built for first time buyers

Linked to average selling price is the fact that the house building industry is not building enough homes for sale below £175,000. Only 4% of new homes sold last year in the North of England and Midlands were below £175,000, compared to 96% that were resale properties. This compares to properties over £175,000, where 16% of properties sold were new build. This ratio highlights the under-supply of affordable new homes.

Whilst there are many older houses in the resale market, the age and condition of these homes often makes them more expensive to maintain and run. It is 41% cheaper to heat and power a 2-bed Gleeson home versus an average comparable-sized older dwelling. With energy prices rising, this will make a significant financial difference to the living costs of new build homeowners.

Source: Land Registry data

Housing transaction volumes in the North of England and Midlands



08 Too few homes built where needed

The majority of other housebuilders are focused on building homes in more affluent areas. Four out of five new homes built in 2021 were in more affluent areas, with less than one-fifth built in the most deprived areas in England[1]. This disparity shows clearly that not enough homes are being built in the areas that need them the most.

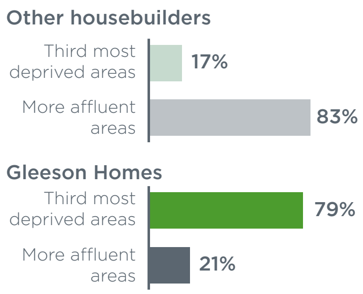
Whilst building new homes is part of the solution, creating jobs and opportunities in these areas will reverse levels of deprivation over time. Unsurprisingly, those in the most deprived areas have the highest levels of both employment deprivation and income deprivation. This is where the government's "levelling up" ambition has an important role to play in creating employment in towns and cities across the North of England and Midlands.

1 Most deprived areas assessed as the lowest third using the indices of multiple deprivation

Chart: Land Registry data

Chart: Gov.uk Indices of multiple deprivation

New build homes sold in areas of deprivation, England



Challenges facing housebuilders

01 Interest rates are expected to rise

In August 2022, the Bank of England raised UK interest rates from 1.25% to 1.75%. As the Bank struggles to contain inflation, rates will rise in the coming year. However, it is widely expected that inflation will return to more normalised levels and interest rates are not expected to reach the highs seen over a decade ago.

The majority of new build buyers lock in their mortgage rates for between two and five years, thereby protecting themselves from the short-term impact of interest rate increases. A further 0.5% rise in interest rates would add around £97 per month to the mortgage cost of the average new build home in the North of England and Midlands.

Mortgage approvals over the 12 months to May 2022 remained above the historic average of the last decade and the relaxation of mortgage lending rules from August 2022 will provide a benefit, especially for first time buyers.

Source: Bank of England

UK interest rates

02 Cost of building a home has increased

The cost of new housing materials rose sharply over the last 12 months, up 22% year-on-year to April 2022. This includes changes to fuel duty in April 2022, which removed the entitlement to use red diesel and rebated biodiesel for most sectors, including construction.

Availability of materials has started to show signs of easing. In May 2022, 8.6% of construction companies reported not being able to get the goods, materials or services they needed compared to 17.5% a year earlier.

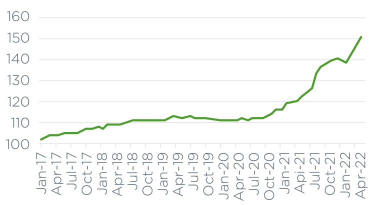
However, labour shortages continued to be a factor. In June 2022, 25.0% of construction firms reported experiencing worker shortages compared to 24.6% six months earlier[1].

In addition, new building regulations and the Environment Act will add significantly to the cost of building homes from next year.

[1] Business insights and impact on the UK economy

Chart: Gov.uk Statistics of building materials and components

Construction material price index – new housing



03 Planning delays risk impacting new homes

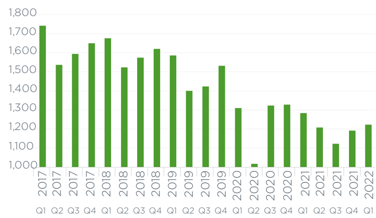
The granting of major planning applications suffered a significant decline when Covid-19 hit and has struggled to recover since. The planning process has been slowed not only by staff shortages in local councils, but also by local authorities holding back on reviewing their Local Plans while potential changes in policy are debated and subject to the political direction on housing strategy. What is clear, however, is that delays in the planning system are putting pressure on the delivery of new homes.

The majority of people are supportive of new homes; 57% support more homes being built in their local area, whilst 23% oppose. As expected, opposition for new homes is higher from existing homeowners (28%) than private renters (15%) and from those over 45 compared to those aged 18-25[1].

[1] British Social Attitudes Survey, October 2019 – Public attitudes to house building

Chart: ONS, Planning applications decided and granted, England

Major residential planning applications granted in England 2017–2022



04 Environmental issues restricting land

New protections for nature and the environment in England are gathering pace, in part enabled by the Environment Act 2021. These include targets such as biodiversity net gain and restrictions to manage flood risk, water stress and nutrient neutrality in certain areas. The purpose of these is to restore and protect nature. The challenge is balancing these aims with creating habitable spaces and communities for people to live.

Nutrient neutrality means that planning applications in certain areas are currently blocked unless developers can demonstrate there will be zero nutrient impact on rivers, estuaries and wetlands. The Home Builders Federation estimates that around 100,000 homes are being held up by nutrient neutrality. Whilst there are solutions on the horizon, these may reduce the viability of new developments in affected areas and take time to implement fully.

The requirements for biodiversity net gain may also restrict development. It currently includes brownfield land sites, which can have a surprisingly high biodiversity value, particularly where a site has "rewilded". The requirement to demonstrate a net biodiversity gain following completion may, therefore, have the adverse affect of limiting the viability of these sites and deterring regeneration.

Our Business Model

Group business model

Gleeson Homes contributes 90% of Group revenue and operating profit and is the key driver of growth in the business. The Homes division requires significant capital investment in land and work in progress as we acquire new sites to build more high-quality, affordable homes.

Key inputs

Financial capital
We have a robust capital model with high levels of liquidity to invest and grow the business.

Land
We buy land in areas of deprivation or brownfield land, where homes can be sold at an affordable price, often in areas where other housebuilders do not want to build.

Building materials
We look to sustainably source materials and use local suppliers where possible to supply our sites.

Our people
Our people are key to achieving the mission and vision of our business and share our core values.

Local authority relationships
We build relationships with local authorities and share our sustainable approach and vision.

Supply chain partnerships
We partner with our supply chain, using local subcontractors and labour where possible.

Gleeson Homes

Land acquisition

We acquire land in areas of deprivation, targeting brownfield land opportunities. We transform these into meaningful spaces for people to live.

We have clearly defined gateway processes to ensure we buy land in the right areas and at the right price. This is essential to keeping our homes affordable.

Planning

We plan our developments to transform sites into attractive and sustainable communities.

We work with local authorities, communities, residents and other stakeholder groups to achieve an implementable planning permission that is sympathetic to local needs.

Designing homes

Our homes are designed to exceed the latest planning and building regulations.

For example, we are moving away from traditional gas central heating to highly-efficient air source heat pumps. This technology will be used for all new specification Gleeson homes and all new homes from June 2023.

Gleeson Land

New sites

We use land agents and in-house search capabilities to identify and carefully select new sites. We enter into agreements with landowners to promote their land through the planning process.

Promotion

We engage with local authorities, residents, communities, stakeholder groups and statutory consultees to promote land for sustainable housing development, whilst balancing stakeholder needs.

Planning

We have in-house planning capabilities and work closely with planning and other specialist consultants to develop attractive, sustainable and well-designed plans for housing.

Maddy and Jess, Erin Court, Chesterfield, Derbyshire

By contrast, Gleeson Land is low capital intensive and highly cash-generative. By promoting land in attractive areas where there is a strong housing need, it forms part of the supply chain for other housebuilders. Together, these divisions support the sustainable growth of the Group and contribute to the delivery of much needed new homes across England.

Build

Our health and safety procedures are designed to ensure everyone connected to our sites remains safe and free from harm.

We are reducing carbon emissions in our build activities and supply chain and working to reduce our impact on the environment including through waste reduction and recycling.

Sales process

Our focus on quality is absolute and we will not hand over a home that we are not proud of.

We strive to provide a 5-star customer experience and this commitment to quality extends throughout the customer journey.

Outcome

We sell high-quality, affordable homes primarily to first time buyers or young families, many on low to average incomes.

We enable people to escape from housing poverty caused by the "rent trap" and into home ownership and wealth creation.

Technical

We have our own in-house technical expertise to ensure that our sites are supplied free from technical issues. In doing so, we provide developers with an "oven ready" site that is ready to start on.

Sales process

As one of the UK's largest land promoters, we have strong relationships with medium- and large-sized housebuilders. We bring high-quality consented land to market and look to achieve best value for landowners.

Outcome

We supply high-quality land that has the benefit of planning permission to other housebuilders, fulfilling a key stage in the process of delivering much needed new homes.

Value for stakeholders

Customers
We help our customers achieve long-term value creation, security and wellbeing through home ownership.

Shareholders
We generate sustainable value and returns for our shareholders.

Our people
We invest in our people, develop their skills and reward them appropriately.

Suppliers and subcontractors
We create long-term relationships with our suppliers and subcontractors and pay them fairly and on time.

Communities
We regenerate deprived areas and brownfield land, leaving a positive lasting legacy for the communities who need it the most.

Society
We change the lives of people connected to our business for the better, bringing value to society through the delivery of new homes.

Our Business Strategy

Our business strategy incorporates our objective for growth, together with the environmental, social and governance priorities that are most important to the Group.

Each of these strategic priorities has a link to the UN SDGs most relevant to our business as set out on page 5. It is through the achievement of these strategic priorities and targets that the Group creates sustainable value for stakeholders and society.

Sustainable growth

Objective

Increase the number of new homes built and extend our geographical reach.

Target

Gleeson Homes achieved its medium-term target of selling 2,000 homes per year and intends to continue a high-growth trajectory over the medium to long term.

Progress

The platform for continued sustainable growth is in place with a healthy pipeline of sites and a strong regional and head office management team.

Link to sustainability performance

Our developments create communities that are inclusive, safe, resilient and sustainable. This year we enabled 2,000 mostly young, first time buyers and people on low to average incomes to own their own home, escape the "rent trap" and enjoy the health, wealth and wellbeing benefits that home ownership provides. Our growth will enable more people to achieve these benefits in the areas that need it most. Our growth will also enable more people, including apprentices, to join Gleeson and be part of an inclusive and rewarding work environment.

Link to SDGs

Affordability

Objective

Keep our homes affordable by purchasing land at low cost, managing build costs, sourcing responsibly and building efficiently, using local suppliers and subcontractors where possible.

Target

To ensure that a couple in full-time employment on the National Living Wage can afford to buy a home on any one of our development sites.

Progress

A couple working full time on the government's National Living Wage continue to be able to afford to buy a home on 100% of our active sales sites.

Link to sustainability performance

Homes on our developments start from as low as £115,000 and the median income of our customers is £24,000, with 50% being single buyers.

We are committed to building high-quality homes that are affordable to those on the lowest incomes. 79% of the homes we sold this year were in the most economically deprived areas of England, where income deprivation is high.

Affordable housing in these areas is fundamental to allow people to remain close to friends and family, often in the communities they grew up in.

Link to SDGs

Daisy and Charlie, Rainsborough Park, Knottingley, West Yorkshire

Build quality

Objective
Build high-quality, energy-efficient homes to the specification that our customers expect.

Target
To be a 5-star housebuilder on all our development sites.

Progress
Our customer recommendation score is 90.7%, which puts us in line with the Home Builders Federation 5-star rating.

Link to sustainability performance
Our customers benefit from safe and affordable housing in areas that are often blighted by deprivation and neglect. Many existing houses in these areas, including private and social rented accommodation, fall short of the Decent Homes Standard and are often overcrowded. We are proud that our continued focus on quality, which is reflected in our strong customer recommendation score, means that our customers benefit from living in comfortable, modern, energy-efficient homes.

Link to SDGs

Climate change

Objective
Protect the environment and reduce carbon emissions for the homes that we build and sell.

Target
To reduce our scope 1 and 2 carbon emissions by 30% to less than 1.75 tonnes per home within three years (2020 base year).

Progress
Our scope 1 and 2 carbon emissions per home sold reduced by 9% in the year, to 1.86 tonnes of CO_2e per home sold. This is a 26% reduction over the last two years. We remain on track to achieve a 30% reduction by 2023.

Link to sustainability performance
We have made further progress in reducing scope 1 and 2 carbon emissions this year and are making positive changes to our operations – see details on page 54. We have also completed trials of installing air source heat pumps and these will have a significant benefit in reducing the in-use emissions of the homes we build. We have controlled our waste generation through reduction, recycling and waste diversion – see details on pages 56 and 57. Our sustainable procurement policies ensure we continue to buy from reputable sources, including sustainably sourced timber.

Link to SDGs

Our Business Strategy

CONTINUED

Land – Gleeson Homes

Objective

Sustainably grow our land pipeline, sourcing land in areas that are in need of regeneration where homes can be built for sale at low cost.

Target

To acquire land at an average cost per plot below 15% of expected selling price in order to keep our homes affordable, targeting land in areas of deprivation and in need of regeneration.

Progress

The average cost per plot acquired in the year was below 15% of expected selling price and four out of every five sites in the land pipeline are either brownfield or in areas of deprivation.

Link to sustainability performance

Our land pipeline stands at 16,814 plots on 160 sites. 78% of our pipeline plots are located on brownfield land or in the most deprived areas in England as measured by the indices of multiple deprivation. These are the areas most in need of regeneration across the North of England and Midlands. New sites are carefully selected considering the risks and mitigations for flooding or water stress, so that our developments do not unduly impact the land on which we build.

Link to SDGs

Land – Gleeson Land

Objective

Source high-quality sites that are well located to deliver attractive residential planning consents for sustainable development.

Target

To obtain more planning permissions in each financial year than sites sold.

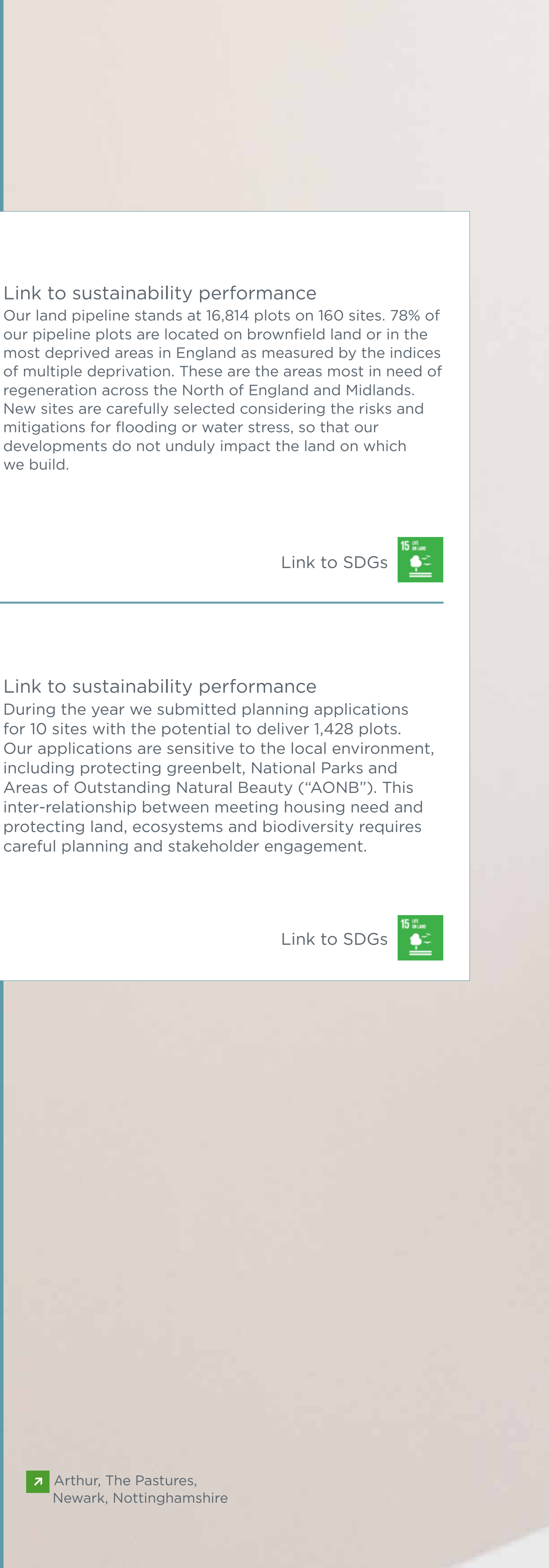
Progress

We acquired seven sites this year. Of the 71 sites in the portfolio at 30 June 2022, three had the benefit of planning consent or resolution to grant. Only four sites achieved planning permission during the year, compared to six sites sold, due to severe delays in the planning system.

Link to sustainability performance

During the year we submitted planning applications for 10 sites with the potential to deliver 1,428 plots. Our applications are sensitive to the local environment, including protecting greenbelt, National Parks and Areas of Outstanding Natural Beauty ("AONB"). This inter-relationship between meeting housing need and protecting land, ecosystems and biodiversity requires careful planning and stakeholder engagement.

Link to SDGs



Arthur, The Pastures, Newark, Nottinghamshire

People, wellbeing, health and safety

Objectives

Everyone who is involved with, or affected by, our business remains free from harm and returns home safe every day.

To attract, retain and develop employees who share the values and culture of the Group and to promote a diverse and inclusive working environment.

Targets

To reduce our health and safety incident rate ("AIIR") to lower than the industry average.

To maintain our employee engagement score in the upper quartile of all surveyed companies.

Progress

Our AIIR for the year was 55 and was significantly below the Home Builders Federation's industry average of 239.

In our latest employee survey, we had a 90% engagement score, which maintains our position in the top quartile of all companies surveyed.

Link to sustainability performance

The safety of our people and everyone involved with our business remains the highest priority. We have increased the number and frequency of independent site inspections and the awareness and monitoring of incidents and near misses. Our health and safety results this year reflect these improvements.

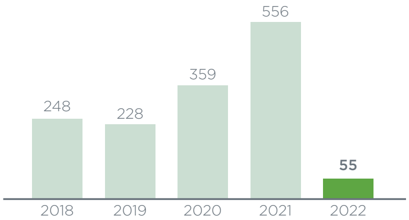
We are committed to having an inclusive and diverse workforce that protects human rights, achieves equality and empowers women in roles that have traditionally been male occupied. We are committed to developing young people at the start of their career through our apprenticeship and graduate programmes. Details about our people can be found on pages 48 to 51.

Link to SDGs

Key Performance Indicators

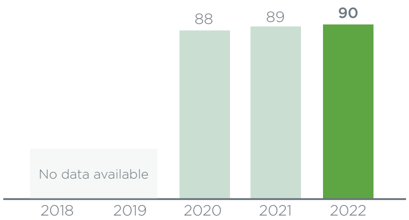
Sustainability KPIs

Health and safety (AIIR[1])



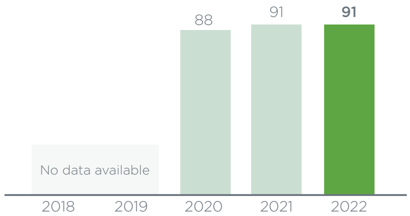
Link to strategy: **5**
Link to risk: **9, 12**

Employee engagement (%)



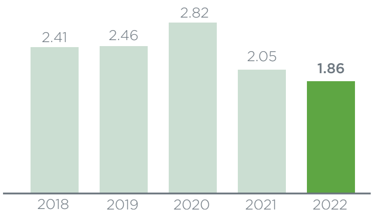
Link to strategy: **5**
Link to risk: **7, 12**

Customer recommendation score (%)



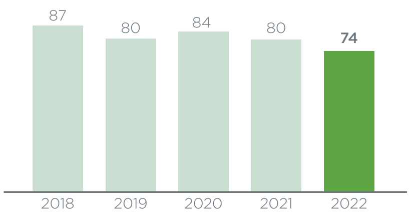
Link to strategy: **2**
Link to risk: **6, 12**

CO_2e (scope 1 and 2) tonnes per home sold



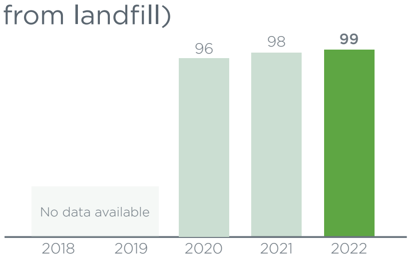
Link to strategy: **4**
Link to risk: **11, 12**

First time buyers (%)



Link to strategy: **3**
Link to risk: **1, 2, 6, 12**

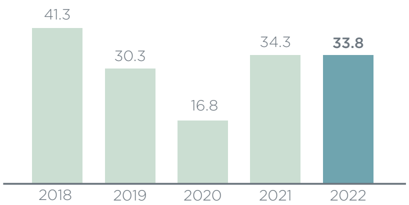
Waste (% of waste diverted from landfill)



Link to strategy: **4**
Link to risk: **11, 12**

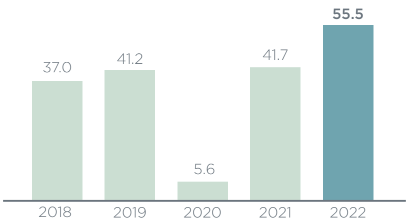
Financial KPIs

Cash and cash equivalents net of borrowings (£m)



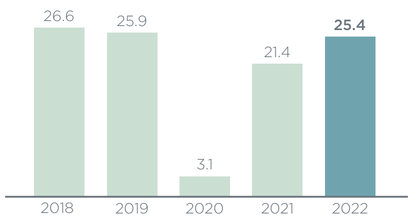
Link to strategy: **1**
Link to risk: **1, 10**

Group profit before tax (pre-exceptional items) (£m)



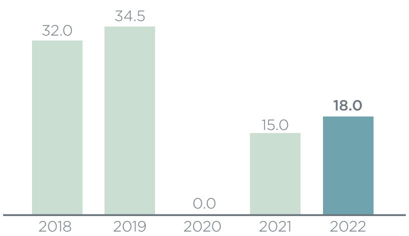
Link to strategy: **1**
Link to risk: **1, 2, 3, 4, 5, 10**

Return on capital employed[2] (%)



Link to strategy: **1**
Link to risk: **1, 2, 3, 4, 5, 10**

Total dividend (pence)



Link to strategy: **1**
Link to risk: **1, 10**

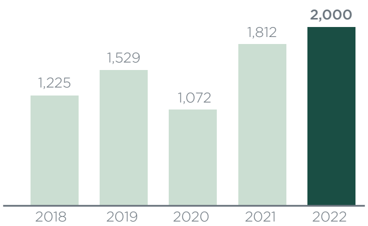
1 Accident Injury Incidence Rate measured as the number of reportable incidents per 100,000 employees and on-site subcontractors.

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

Kayden and Dale, Calverley View, Bradford, West Yorkshire

Operational KPIs

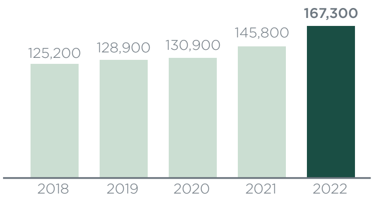
Gleeson Homes – Homes sold



Link to strategy: **1**

Link to risk: **1, 2, 3, 4, 5**

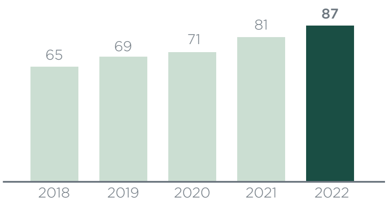
Gleeson Homes – Average selling price (£)



Link to strategy: **3**

Link to risk: **1, 2, 3, 5, 12**

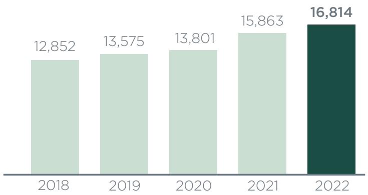
Gleeson Homes – Build sites (year end)



Link to strategy: **1**

Link to risk: **1, 3, 4**

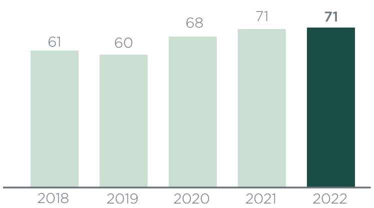
Gleeson Homes – Land pipeline (plots)



Link to strategy: **6**

Link to risk: **1, 3, 4**

Gleeson Land – Portfolio (sites)



Link to strategy: **6**

Link to risk: **1, 3, 4**

Strategy

1. Sustainable growth
2. Build quality
3. Affordability
4. Climate change
5. People, wellbeing, health and safety
6. Land

Read more about **Our Business Strategy** on pages **16 to 19**

Risks

1. Economic environment
2. Mortgage availability
3. Land availability
4. Government policy and regulations
5. Build costs and availability
6. Build quality and customer service
7. People
8. Cyber and IT systems
9. Health and safety
10. Financial control
11. Climate risk
12. Sustainability

Read more about **Risk Management** on pages **34 to 39**

Q&A with Management

“

We have faced a number of significant challenges this year, but we have been successful in navigating these to continue our sustainable growth trajectory.”

James Thomson
Chief Executive

Q What have been the main successes of the past year?

Five years ago we set a target to double the number of homes sold to 2,000 by 2022, and I am immensely proud to say we achieved that target this year despite the obvious challenges over the last two and a half years. We couldn’t have achieved this milestone without the commitment, collaboration and passion of every one of our colleagues.

Whilst hitting this target is one of the most visible successes, it is certainly not our only one. In Gleeson Homes we opened 23 build sites during the year and added 33 sites to our land pipeline. In Gleeson Land we sold six sites and added seven to our portfolio.

We continue to make advances in our sustainability performance (more on that later) and our customer satisfaction score is 90.7%.

Our employee engagement score is top decile and we remain an employer of choice.

Q What have been the main challenges?

One of the main challenges for all housebuilders has been the availability and rising costs of both materials and labour. We have worked closely with our suppliers to ensure continued availability of materials and have been able to increase selling prices to offset the rise in costs, but we continue to monitor these closely and take appropriate actions to mitigate the impact.

We also face the ongoing challenge of delays in the planning system, which is impacting our pipeline of sites with planning permission in both Gleeson Homes and Gleeson Land. Despite these challenges, we’ve been able to increase our geographical footprint and grow the number of sites on which we’re building.

Q How has Gleeson improved its sustainability performance over the past year?

I am proud to say that we achieved, or are on track to achieve, each of the four key sustainability targets we set last year. Our health and safety incidents and carbon emissions decreased whilst our employee engagement and customer satisfaction scores increased. You can read more details about each of these on pages 62 and 63.

We have continued to embed sustainable practices into our operations and we have launched a number of new initiatives aimed at reducing our carbon emissions and environmental impact further, whilst continuing to provide the affordable, high-quality homes our customers expect from us.

As always, there is more that we can, and should, do to improve our sustainability performance, and we have appointed a Group Sustainability Manager to drive this forward across the business. We have also laid out a number of actions we are committed to taking this year on page 65.

Q How has Gleeson invested in its colleagues over the past year?

As always, I believe that our colleagues are our greatest asset, and we have continued to invest in them this year. We created a new role for a Head of Organisational Development who is responsible for driving forward the development of talent throughout the business. This increased focus on development and progression has seen many of our colleagues promoted into more senior roles as we strengthen our succession planning across the business. In order to support our colleagues in management positions, our Human Resources team developed and implemented training for people managers, and over 1,200 hours of training were delivered to these managers. We also launched a Wellbeing Toolkit to ensure that all colleagues have easily accessible resources to support their financial, social, emotional and physical wellbeing.

Q Why are you stepping down as CEO at the end of this calendar year?

I am not leaving Gleeson and will remain on the Board as a Non-Executive Director.

I joined Gleeson three years ago with two clear aims – deliver 2,000 home sales by 2022 and ensure that Gleeson has the people, organisational structures and resources in place to continue to deliver growth in a sustainable way for the medium and long term, which I have done. Together with the Board, I have also helped identify and recruit a new CEO, Graham Prothero, who has the experience and track record to take Gleeson forwards.

Q What are you most proud of in your tenure at Gleeson?

Gleeson would not be what it is without the colleagues that work here. I am incredibly proud of the passion that everyone has across the business for "Building Homes. Changing Lives." Defining the vision, mission and values of Gleeson at the start of my tenure has meant that the business has a clear social purpose and one that everyone who works here is passionate about. During my tenure, employee engagement has improved to be in the top decile, our customer recommendation scores have improved to over 90% and our health and safety track record has improved considerably. That has been supported by investment in people, training, health and safety, site set-up and the workplace.

Saxon Grange, Boston, Lincolnshire

Chief Executive's Statement

“

The result for the year was an outstanding performance, reflecting the inherent resilience of our business model.”

James Thomson
Chief Executive

Gleeson Homes builds high-quality, low-cost homes for first time buyers and people on low to average incomes, a part of the housing market that has been chronically underserved and where demand will continue to outstrip supply for the foreseeable future.

Five years ago, we set an ambitious target to double the size of Gleeson Homes with the aim of delivering 2,000 new homes in 2022. Reaching this target has been a great achievement and everyone at Gleeson should feel proud of the part they have played.

Whilst we are delighted to have delivered 2,000 new homes this year, we know that we are barely making a dent in demand. This drives our ambition and our resolve to change even more lives than we do today by building affordable, quality homes, where they are needed for those who need them most.

Results

Group

Profit before tax and exceptional items increased by 33.1% to £55.5m (2021: £41.7m).

The Group ended the year with cash and cash equivalents of £33.8m (2021: £34.3m) and continues to have a strong balance sheet and significant liquidity to invest in new sites and future growth.

In signing the Department for Levelling Up, Housing and Communities' (“DLUHC”) pledge in April 2022, the Group gave its commitment to investigate and remediate any life-critical fire-safety issues on buildings over 11 metres in which the Group had some involvement in developing over the last 30 years. Following a detailed assessment of the buildings covered by the pledge, an exceptional provision of £12.9m has been recorded this year. This estimate of the life-critical fire-safety remediation costs for these buildings is based on reviews and surveys completed to date. We are in the process of undertaking a programme of intrusive inspections and fire risk assessments, where permitted by the building owners.

Like all housebuilders, we have also been subject to the additional 4% residential property developers tax (“RPDT”) from April 2022, which was designed to raise at least £2bn over a 10-year period towards the government's cost of dealing with defective cladding. This comes on top of the planned rise in corporation tax from April 2023 from 19% to 25%.

Gleeson Homes

As a result of a strong performance in both volume and selling price, Gleeson Homes delivered a record operating profit pre-exceptional items of £51.2m, up 36.9% on the previous year (2021: £37.4m).

The delivery of 2,000 homes this year represented a 10.4% increase on the previous year (2021: 1,812 homes), which had been flattered by delayed completions carried over from the first Covid-19 lockdown. Growth in the second half of the year was notably strong with volumes up 24% following the opening of a record 27 sites in the previous year and a planned step-up in build rate to pre-Covid levels.

The average selling price of homes sold during the year increased by 14.7% to £167,300 due to underlying selling prices increasing 11.8% and changes in the mix of homes sold.

Whilst ensuring that our homes remain affordable, we were able to increase selling prices at a rate which ensured that we offset increases in material and labour costs. This enabled us to increase gross margin by 0.5% to 29.0% (2021: 28.5%).

We successfully increased our operational footprint, opening 23 new Gleeson Homes sites and are now building on 87 sites across the North of England and Midlands (30 June 2021: 81 build sites). A further 73 sites, which are progressing through a congested planning system, will allow us to continue growing our footprint over the coming years.

Gleeson Homes established a new regional office in West Yorkshire in July 2022 as a result of the growing pipeline of sites and strong customer demand across Yorkshire. This is the division's newest office and brings the business to a total of nine regions.

We started the new financial year with a forward order book of 618 plots (2021: 841 plots) reflecting our intentional management of sales releases to optimise both prices and the customer journey.

Gleeson Land

Gleeson Land delivered a gross profit for the year of £13.8m (2021: £13.7m) and operating profit of £11.1m (2021: £11.1m). The division sold six sites during the year with the potential to deliver 1,443 plots for housing development (2021: eight sites, 1,978 plots).

The pipeline of sites is strong and demand from medium and large housebuilders for well-located, consented sites continues unabated.

Market

The fundamentals of the housing market, driven by the structural under-supply of homes in the UK and new household formation, continue to ensure strong demand.

In our core segment of the market, where the lack of supply is felt most keenly, we expect this to continue, reinforced by cost of living pressures which will further enhance the attractiveness of a Gleeson home even after factoring in future interest rate rises.

The average selling price of a new build home in our geographic regions is £266,000, 59% higher than the average selling price of a Gleeson home at £167,300. Gleeson Homes is therefore uniquely positioned to serve customers who might previously have been considering a more expensive property but who, in the current environment, will look at more affordable price points. We are already seeing interest from these value-driven customers.

Employment levels remain high and mortgage availability, supported by the recent relaxation of lending rules, is robust. Whilst the withdrawal of the Help to Buy scheme, which closes for new applications in October 2022, means no government support for homebuyers for the first time in over 20 years, it is not expected to impact the affordability of, or demand for, a Gleeson home.

The market served by Gleeson Land for consented residential development land has also benefitted from strong demand from housebuilders looking to re-stock their immediate and short-term land pipelines. As the issues in the planning system show no signs of being resolved quickly, the demand for attractive, well-located sites with residential planning permission is expected to remain robust.

Following recent corporate transactions in the sector, Gleeson Land is now one of only two large land promoters whose interests are aligned with landowners. Most other large land promoters are owned by a major developer promoting land for their own development purposes.

Investing in the future

In 2020 we put in place a number of medium-term initiatives to reinforce the operational resilience and performance of the business.

This was underpinned by significant investment across our systems, operating structure and central services. We have completed a major review of our senior management and regional teams. We are now seeing significant benefits from the investment across our Commercial, Customer Care, Marketing, HR, H&S and IT functions. In addition, we have transformed the look and feel of our sites, and have improved the customer journey.

We can always do more but, for now, we have significantly strengthened the business and ensured that it is well-positioned to grow at pace, sustainably.

Sustainability

Home ownership

Our vision of "Building Homes. Changing Lives." and our mission of "Changing lives by building affordable, quality homes. Where they are needed, for the people who need them most." supports UN Sustainable Development Goal 11 ("Sustainable cities and communities") to provide access for all to "safe and affordable housing". I am proud that a young working couple on the National Living Wage can afford to buy a high-quality home on any one of our developments. This year 82% of the homes that we sold were either in the most deprived areas of the country or on brownfield land in need of regeneration.

Climate and the environment

We have made good progress this year in further reducing the carbon emissions in our direct operations by 9%, down to 1.86 tonnes per home sold. This comes on top of the 18% reduction we achieved the previous year. The embodied carbon in the homes that we build, including from our supply chain and our homes in use, remains a key area of focus and we have significantly increased the accuracy and our understanding of this "scope 3" measure this year. We are already taking steps to switch to lower carbon materials, where viable, such as using concrete bricks or reconstituted stone rather than kiln-fired clay bricks.

Government policy continues to have a significant impact on the design, construction and materials used in our homes, brought about through the Future Homes Standard and changes in building regulations. These requirements are built into our plans, most notably the changeover from gas boilers to air source heat pumps and installation of EV charging points. Whilst these technologies increase the cost and embodied carbon of each home we build, they will ultimately have a long-term benefit in reducing the carbon emissions of our homes in use over their lifetime.

We are supportive of the measures to improve energy efficiency and our homes already have better energy performance ratings than most other homes, with 97% of our homes having an EPC "B" rating or above. Customers also benefit from living in an energy-efficient and well-insulated home. The average Gleeson home requires 49% less energy to heat and power than existing housing, and the average Gleeson buyer of a 2-bed home currently save over £700 per year on their energy bills based on actual usage data. The saving will continue to rise as the cost of energy increases.

The increasing push towards nationally described space standards ("NDSS") has the unintended consequences of making homes larger and more expensive despite it being clear that this is not what many customers want, and will play a part in increasing the embodied carbon emissions of building our homes.

People and health and safety

We could not have achieved our 2,000 homes target without the hard work, commitment, focus and passion of every single colleague as well as the support of our subcontractors, supply chain and other professionals. I am hugely proud of the contribution that everyone has made in helping us deliver our target.

Our independently-assessed people engagement score increased from 89% to 90% this year with a higher response rate across the Group, placing us amongst the top 10% of all companies surveyed across the country. As a result, we were recognised by People Insight and awarded the "Outstanding Workplace" award. This is an important recognition of the progress that we have made in developing the culture, values and people experience across the Group.

On health and safety performance, the number of reportable incidents fell from 10 last year to one this year, but we remain ever vigilant. Health and safety has been an area of significant investment with a focus on training, safe working practices, site inspections and reporting. Every development site receives a monthly visit by independent health and safety inspectors, which is an important control to ensure we benchmark ourselves against best-practice in the industry.

Build quality and customer service

Build quality remains a priority and for many customers buying a Gleeson home represents the single largest financial commitment of their lives. For this reason, we have to get it right and meet their expectations in terms of quality and customer experience.

Putting the customer at the heart of what we do means understanding what our customers want as part of

Carlisle Park,
Rotherham,
South Yorkshire

their home-buying experience. We have invested in our "Customer First" campaign this year and it is pleasing to see that this has helped us to maintain our customer recommendation score at 90.7% (2021: 90.6%), which keeps us in line with the Home Builders Federation 5-star rating.

Gleeson is already registered under the New Homes Quality Code ("NHQC") and we fully support its principles. Whilst we are already compliant with many of the NHQC's obligations, some of our processes are being updated to meet these new requirements.

Land

Our pipeline of owned and conditionally purchased sites increased by 6.0% to 16,814 plots on 160 sites. We continue to target brownfield land and sites in areas of deprivation and 78% of our pipeline plots are located on brownfield land or in the most deprived areas. This is land most in need of regeneration across the North of England and Midlands.

Gleeson Land added a further seven sites to its portfolio and has a healthy pipeline of 71 sites, with the potential to deliver 20,241 plots and 25 acres of commercial land. Increasingly, to progress these sites successfully, Gleeson Land has to strike the right balance in delivering housing numbers with protecting land, ecosystems and biodiversity. Ultimately, developers are looking for well-planned, well-located, sustainable sites and getting the balance right helps us to achieve best value.

Trading and outlook

We have had a good start to the current financial year. First time buyer demand, driven by the shortage of new homes, remains strong. Moreover, the cost of living challenges faced by many home buyers means the affordability of our homes is leading to additional interest from customers who might not previously have considered a Gleeson home.

Gleeson Land is also benefitting from the shortage of high-quality consented land, exacerbated by congestion in the planning system. The delays and complexities in the planning system serve only to fuel demand and maintain land prices as developers bid for consented land.

Importantly, we are now seeing the benefits of a significant investment programme across our systems, operating structure and central services which collectively will ensure that the Group has the ability to grow and expand its geographical reach in a controlled manner.

As a result, I believe Gleeson is well-positioned to deliver further profitable growth in the financial year.

James Thomson
Chief Executive Officer

14 September 2022

Gleeson Homes

Market context and position

- Home ownership remains below aspirational levels
- Gleeson Homes is distinct by focusing on quality, low-cost homes
- Gleeson Homes' growth reflects strong market demand, which is expected to continue
- Affordable housing is a large, resilient and underserved segment of the market

The housing market remained strong throughout the year with house prices in the UK growing by 12.8% over the year to May 2022[1]. Whilst house price increases are widely expected to cool in the short to medium term, the under-supply of high-quality, energy-efficient housing is expected to continue to drive house building activity.

Gleeson Homes is one of the fastest-growing housebuilders in the sector, having doubled the number of homes sold over the last five years. We are focused on a distinctly underserved segment of the market – young, first time buyers on low to average incomes – where demand is expected to continue unabated.

Competitive advantages

- Affordability is the most important factor for our customers
- It is cheaper to buy a Gleeson home than rent – with lower energy costs than existing housing
- Large and high-quality land pipeline – over eight years' supply
- Well-designed homes that meet our customers' needs and expectations

Gleeson Homes' buyers are motivated to move by need. The average cost of a new build home in our geographic areas, the North of England and Midlands, is 59% higher than the average cost of a Gleeson home, at £167,300, and it remains cheaper to buy than to rent.

As the cost of energy continues to rise, buyers are increasingly focused on energy efficiency, and the average Gleeson home uses 49% less energy than existing housing. Whilst the cost of living crisis may restrict the ability of some first time buyers to buy from other housebuilders, Gleeson Homes is well positioned to serve these customers as well as benefit from home movers who gravitate to our lower price point.

Results

Gleeson Homes delivered its medium-term strategic objective of doubling home sales within five years by completing the sale of 2,000 homes during the year (2021: 1,812 homes). This was an increase of 10.4% on the previous year, which had been flattered by delayed completions carried over from the first Covid-19 lockdown.

Revenue increased by 25.9% to £334.6m (2021: £265.8m), exclusively from home sales (2021: included £1.5m from land sales). The average selling price of homes sold during the year increased by 14.7% to £167,300 (2021: £145,800), driven by higher underlying selling prices up 11.8% and changes in the mix of site locations and house types.

Strong selling price increases more than offset significant material and labour cost increases, albeit the issues with materials availability eased in the second half of the year. As a result, gross profit margin on homes sold increased to 29.0% (2021: 28.5%).

The increase in the volume of homes sold, average selling price and gross profit margin resulted in gross profit increasing by 28.0% to £96.9m (2021: £75.7m, including £0.4m from land sales). Operating costs were well controlled after the significant investment made in the business structure, operations and headcount in recent years. Administrative expenses as a proportion of turnover reduced from 14.5% to 13.8% which helped underlying operating profit increase by 36.9% to £51.2m (2021: £37.4m, including £0.4m land sales) and operating margin increased from 14.1% to 15.3%.

Building safety

The Group has established an exceptional provision of £12.9m for the estimated costs to remediate life-critical fire-safety issues on buildings over 11 metres in which the Group had some involvement in developing over the last 30 years.

Sites

Gleeson Homes opened 23 new build sites during the year and started the new financial year with 87 active build sites (2021: 81), of which 61 were actively selling (2021: 61). This has been achieved despite the ongoing congestion in the planning system which continues to impact the time taken to obtain planning consent, agree pre-start conditions and acquire new sites. Our average active build sites and sales sites were 83 and 63 respectively (2021: 78 and 64).

Gleeson Homes' developments are located across the North of England and the Midlands, with plans to continue expanding in existing areas and into neighbouring regions. The business expects to open a further 22 sites during the new financial year and be building on approximately 90 sites by 30 June 2023.

[1] Gov.uk UK House price index, May 2022

Pipeline

Land continues to be available at sensible prices. The pipeline of owned and conditionally purchased sites increased by 6.0% to 16,814 plots on 160 sites at 30 June 2022, representing over eight years of sales (2021: 15,863 plots on 152 sites). Of the total plots, 8,478 plots are owned (2021: 7,930 plots) and 8,336 plots have been conditionally purchased subject to receiving planning permission (2021: 7,933).

During the year, 33 new sites were added to the pipeline, whilst 25 sites were completed or did not proceed to purchase. In addition to owned and conditionally purchased plots, there are a further 336 plots (2021: 205 plots) which are being actively considered for acquisition but will only proceed if they meet our strict criteria.

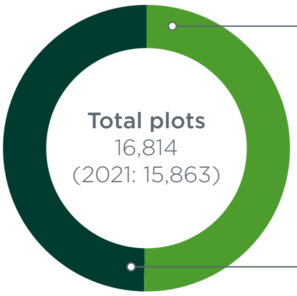
Help to Buy

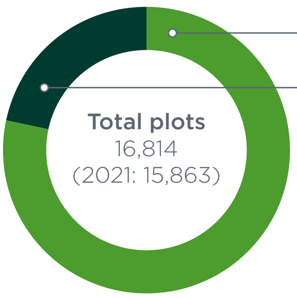
The number of customers using the government's Help to Buy scheme, which will close to new applications in October 2022, reduced as expected to 53% (2021: 69%). The withdrawal of the scheme is not expected to impact demand and we continue to provide a range of other bespoke packages to assist potential customers. These include our Key Worker Priority Programme and Forces Property Direct programme, which provide priority access and vouchers toward optional extras for key workers and military personnel.

Outlook

Strong first time buyer demand, driven by the acute shortage of new homes, is expected to continue, albeit with more modest house price growth widely expected in the short term. Crucially, the affordability of our homes will help to mitigate the impact of both inflationary pressures and higher interest rates for first time buyers and home movers, which will continue to drive demand.

Pipeline





Kelsey and Moustafa, Balderstones, Rochdale, Greater Manchester

Homes sold
2,000 homes
2021: 1,812 homes

Average selling price
£167,300
2021: £145,800

Operating profit
(pre-exceptional items)
£51.2m
2021: £37.4m

Operating margin
(pre-exceptional items)
15.3%
(2021: 14.1%)

Gleeson Land

Market context and position

- Gleeson Land is one of the largest residential land promoters in England
- Land promoters deliver two out of every five consented sites to housebuilders
- Planning delays are slowing the residential planning process
- Increasing demand for consented land is leading to higher land values

The market for consented land remains strong, with demand being seen from housebuilders of all sizes. We are receiving a high number of bids on the sites we bring to market and bidders are seeking to be more competitive on their offers.

At the same time, the supply of consented land has been adversely impacted by planning delays which are affecting both developers and land promoters alike. The planning process has been slowed by staff shortages in local councils and local authorities holding back on reviewing their Local Plans whilst potential changes in planning policy are uncertain. Natural England's guidance on nutrient neutrality, together with phosphate and nitrate mitigation requirements, has also caused further delays across the industry and Gleeson Land is currently unable to progress planning on nine sites until a resolution is agreed. These factors have led to pressure on land supply, which in turn has increased land values, with annual growth of UK greenfield residential development land values up 9.9% to June 2022[1].

Competitive advantages

- High planning success rate, including through appeal
- Strong relationships with all major housebuilders
- Strong pipeline of sites held under promotion or option agreements
- High cash conversion

Gleeson Land specialises in sourcing high-quality land opportunities to promote for residential development. We have a dedicated and highly-skilled team who navigate the complexities of the planning system, plus an in-house technical team experienced in dealing with drainage, flooding, landscaping and other physical site constraints. We have an outstanding planning success rate of over 90% and bring high-quality, "technically solved" sites to market.

The business operates a low capital intensity model, securing land interests either through option or promotional agreements rather than taking freehold land ownership, therefore avoiding the speculative risk on land value. Gleeson Land generates a high cash return which enables continuous investment in the portfolio and sites. Our reputation, experience and relationships with landowners, agents, local authorities and other stakeholders set us apart.

Results

During the year, the business sold six sites with residential planning permission for 1,443 plots (2021: eight sites, 1,978 plots) at an average of £9,550 gross profit per plot (2021: £6,910 per plot). These were sold to a range of housebuilders, and increasingly we are seeing housing associations and smaller private housebuilders bidding on equally competitive terms to major housebuilders. Total gross profit for the year was £13.8m (2021: £13.7m).

Revenue from land sales increased to £38.8m (2021: £22.8m), driven by the mix of option and planning promotion sites sold (which have different accounting treatments for revenue recognised on sale). Included within revenue is £2.5m relating to further phases of a legacy site sold in 2019. The sites sold in the year totalled 221 gross acres.

Overheads for the business continue to be well controlled at £2.7m (2021: £2.6m). As a result, operating profit remained in line with the prior year at £11.1m (2021: £11.1m).

Portfolio

This year Gleeson Land added seven sites (904 plots) to its portfolio secured under option and promotion agreements, and split two existing sites. Three legacy sites which were no longer viable to promote were aborted.

At 30 June 2022, the business had a portfolio totalling 71 sites (2021: 71 sites) with the potential to deliver 20,241 plots (2021: 22,315 plots) plus 25 acres of commercial land (2021: 44 acres).

The portfolio is expected to realise value over the short, medium and long term, driven by the planning context of each site. It continues to have a geographic bias towards the South of England where land values are highest.

We continue to see opportunities to add well-located, attractive sites to the portfolio both through our strong relationships with land agents and through proactive in-house land sourcing. We carefully select sites where we see the potential for development and where we can unlock maximum value for landowners.

Planning

This year Gleeson Land submitted planning applications for 10 sites with the potential to deliver 1,428 plots (2021: 10 sites, 1,281 plots). Whilst in the prior year the slowdown in the planning system was attributable to the impact of Covid-19, other factors are now delaying applications in certain local authorities including potential changes to planning policy and environmental issues such as nitrate and phosphate mitigation and nutrient neutrality.

Whilst the planning system remains extremely congested, our team is experienced in navigating these challenges and we have a record number of sites being promoted through the planning system.

1 Savills Residential Development Land Q2 2022

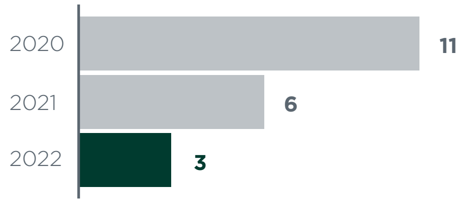
Water Lane,
North Angmering,
West Sussex
(525 plots)

Outlook

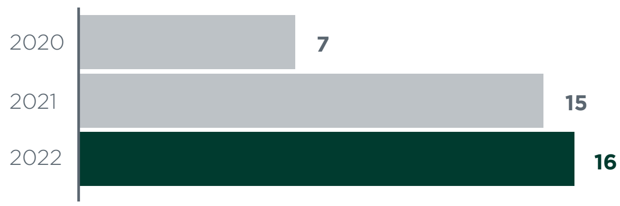
Although the shortage of consented land in the market is having a positive increase in land values, a cautious approach is maintained for the future outlook. Land value growth is expected to slow as developers contend with more modest house price growth and supply chain pressures. However, Gleeson Land is well positioned to deal with the market dynamics with an agile, low capital intensity model and resources to invest in its portfolio. It has a strong pipeline of sites at different stages in the planning process that will continue to support profit delivery and growth.

Portfolio planning status

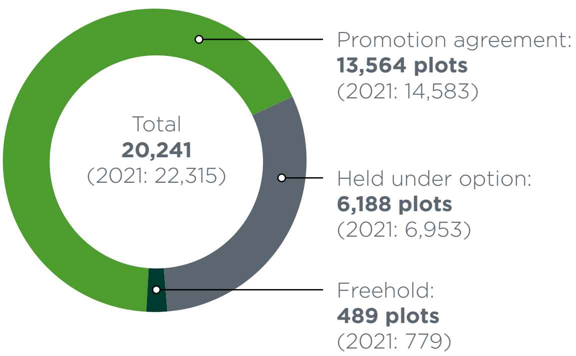
Sites with planning consent or resolution to grant



Sites awaiting planning decision



Portfolio (plots)



Plots sold

1,443
(6 sites)

2021: 1,978 (8 sites)

Portfolio

71 sites

2021: 71 sites

Operating profit

£11.1m

2021: £11.1m

Financial Review

> "The Group delivered a strong performance for the year with revenue up 29.4% and underlying profit before tax and exceptional items up 33.1%."

Stefan Allanson
Chief Financial Officer

Strong trading results – pre-exceptional items

Group revenue increased by 29.4% to £373.4m (2021: £288.6m) as a result of significant growth in Gleeson Homes and the mix of sites sold by Gleeson Land.

Gleeson Homes' revenue increased by 25.9% to £334.6m (2021: £265.8m) driven by a 10.4% increase in the number of homes sold to 2,000 (2021: 1,812) and a 14.7% increase in the average selling price ("ASP") to £167,300 (2021: £145,800), driven by underlying selling prices up 11.8% and changes in the mix of sites and house types.

Gleeson Land sold six sites in the year (2021: eight sites). Revenue increased by 70.2% to £38.8m (2021: £22.8m), driven by the mix of sites sold under option and promotion agreements.

Underlying gross profit for the Group increased by 24.0% to £110.7m (2021: £89.3m), with gross profit in Gleeson Homes increasing by 28.0% to £96.9m (2021: £75.7m). The gross profit margin for Gleeson Homes increased to 29.0% (2021: 28.5%) as increases in selling prices more than offset cost inflation. Gross profit for Gleeson Land remained relatively flat at £13.8m (2021: £13.7m) due to continued congestion in the planning system slowing the progress of sites in the pipeline.

Administrative expenses increased by £7.3m (15.5%) in the year to £54.5m (2021: £47.2m) as investment to support the future growth of the business continued.

Underlying Group operating profit was £56.8m, a 31.8% increase (2021: £43.1m) on the prior year. This growth was driven by the 36.9% increase in operating profit in Gleeson Homes to £51.2m (2021: £37.4m) with Gleeson Land operating profit remaining flat at £11.1m (2021: £11.1m). Group overheads were £5.5m (2021: £5.4m).

Net finance expenses of £1.3m (2021: £1.4m) consisted of finance expenses of £1.5m (2021: £1.7m) being interest payable on bank facilities, bank charges and the unwinding of discounts on deferred payables, partly offset by finance income of £0.2m (2021: £0.3m) consisting of the unwinding of discounts on deferred receivables on land sales and shared equity receivables.

As a result, the Group delivered underlying profit before tax and exceptional items of £55.5m (2021: £41.7m).

Exceptional items – building safety provision

In April 2022, MJ Gleeson plc signed the Department for Levelling Up, Housing and Communities' ("DLUHC") pledge, taking responsibility for performing or funding mitigation works to address life-critical fire-safety issues on buildings over 11 metres in which the Group had, over the last 30 years, some involvement in developing and to secure withdrawal of those buildings from the Building Safety Fund and ACM Funds.

Following the detailed assessment of the buildings covered by the pledge, an exceptional provision of £12.9m was recorded. This is management's best estimate of the life-critical fire-safety remediation costs for these buildings based on reviews and surveys completed to date. We are in the process of undertaking a programme of intrusive inspections and fire risk assessments, where permitted by the building owners.

Tax

The pre-exceptional tax charge was £10.0m, which represents an effective tax rate of 18.0%. Included in the tax charge is £0.1m related to the newly-enacted residential property developers tax ("RPDT"), which was effective from 1 April 2022 and applies to profit from residential development activity.

A tax credit of £2.5m was recognised in respect of the exceptional provision. This resulted in a total tax charge for the year of £7.5m (2021: £7.8m), reflecting an effective tax rate of 17.7% (2021: 18.8%).

The effective tax rate will increase from next year as a result of a full year of RPDT and the planned increase in the standard rate of corporation tax to 25% from April 2023.

Profit for the year

Underlying profit after tax for the year increased 34.2% to £45.5m, while reported profit, net of the exceptional charge, increased 3.5% to £35.1m (2021: £33.9m).

Earnings per share

Underlying basic earnings per share increased by 34.2% to 78.1 pence (2021: 58.2 pence). Reported basic earnings per share increased to 60.2 pence (2021: 58.2 pence).

Improved return on capital employed

Pre-exceptional return on capital employed increased 400 basis points to 25.4% (2021: 21.4%) driven by the strong returns in Gleeson Homes.

Strong balance sheet

During the year to 30 June 2022, shareholders' funds increased by 11.1% to £272.2m (2021: £244.9m). Net assets per share increased to 467 pence, an increase of 11.2% year on year (2021: 420 pence).

Non-current assets increased during the year by 11.9% to £14.1m (2021: £12.6m). This was primarily due to an increase in property, plant and equipment of £1.4m, being mostly the cost of sales offices, show homes and site compounds.

Current assets increased by 17.6% to £353.5m (2021: £300.5m), with inventories increasing by £46.9m to £286.9m, mostly as a result of investment in Gleeson Homes land and build activity, and trade and other receivables increasing by £6.8m to £29.2m (2021: £22.4m). Cash and cash equivalents reduced marginally from £34.3m to £33.8m. Corporation tax receivable decreased by £0.3m to £3.6m.

Total liabilities increased by £27.2m to £95.4m (2021: £68.2m). This includes the £12.9m building safety provision made in the year, as well as a £10.9m increase in accruals and deferred income to £37.9m (2021: £27.0m), and a £2.1m increase in trade payables to £36.5m (2021: £34.4m). Land creditors remained low at £10.7m (2021: £7.8m).

Cash and bank facilities

The Group generated cash before financing activities of £9.7m (2021: £21.2m). After dividend payments of £9.3m, lease payments of £0.5m and the purchase of own shares of £0.4m, the Group had a net cash outflow of £0.5m (2021: £42.5m outflow, reflecting the repayment of borrowings of £60.0m in November 2020).

At 30 June 2022, the Group had cash and cash equivalents of £33.8m (2021: £34.3m).

The Group continues to have a £105m borrowing facility available, provided by Lloyds Bank plc and Santander UK plc.

Dividends

As a result of the strong financial performance in the year and our confidence in our future growth, the Board proposes a final dividend of 12.0p per share, which equates to £7.0m. The dividend will be paid on 25 November 2022 to shareholders on the register at the close of business on 28 October 2022. Combined with the interim dividend of 6.0p per share paid in April 2022, the total dividend for the year will be 18.0p, representing an increase of 20% on the prior year (2021: total dividend of 15.0p per share).

The Board intends to maintain an earnings to ordinary dividend cover ratio of between three and five times and expects to continue paying a final dividend representing two-thirds of the total dividend each year.

Stefan Allanson
Chief Financial Officer

14 September 2022

Risk Management

Effective risk management is essential to the achievement of our strategic priorities and risk management controls are integrated across all levels of our business and operations.

The Board has overall responsibility for the Group's management and assessment of risk, supported by the Audit Committee. Our risk management framework includes a Group risk register which includes the key risks to the business. The register identifies both principal and emerging risks and informs a formal risk assessment process that considers the likelihood and impact of the identified risks together with any mitigating controls that are already in place or planned. This position is formally reviewed by the Audit Committee at the majority of its scheduled meetings, including consideration of emerging risk areas and changes in risk ratings.

Our risk management framework consists of the following components:

The Board

- Sets the Group strategy and overall risk appetite
- Reviews operational and financial performance
- Has overall responsibility for monitoring key risks

Audit Committee

- Monitors the Group's systems, controls and integrity of reporting
- Approves and advises on the internal audit plan and monitors the effectiveness of internal audit
- Monitors the performance, effectiveness and independence of external audit
- Monitors the management of principal and emerging risks

Divisional Management Teams

- Monitor and manage day-to-day operational and financial performance
- Identify operational and strategic risks
- Ensure internal control policies set by the Board are implemented

Internal Audit

- Undertakes a programme of risk-based internal audit activities
- Provides assurance to the Audit Committee
- Manages the Group's insurance policies

We categorise our risks into two sources:

- External – macro risks, outside of our direct control
- Operational – risks related to the day-to-day operation of the business, within our control

The Group's risk framework shows how the principal risks are rated by the Board in terms of their potential impact on the business and the likelihood of the risk transpiring. The risk matrix is presented after taking account of mitigating controls and actions.

The Board has assessed the risks during the year and determined that the risk relating to the economic environment has increased due to the current economic climate and cost of living crisis, while the risk relating to sustainability has decreased due to mitigating actions taken by the Group. More detail can be found in the following risk table.

Risk	Description of risk	Assessment	Mitigation
1 **Economic environment** Residual risk: High Change in year: **Increased** Strategic priorities: 1, 3	An economic downturn or uncertainty in the housing market could affect buyer confidence and the demand for new homes and consented land. This would have an adverse impact on Group revenue, profit, cash generation and carrying value of assets.	The rapidly-rising cost of living crisis together with rising inflation and interest rates all contribute to uncertainty in the housing and land markets and increase the risk of an economic downturn.	• Lead indicators of the economy and housing market are closely monitored. • A cautious approach to funding is maintained. • Visitor and reservation rates, prices and incentives are regularly reviewed. • Investment in new sites and spend are carefully controlled.
2 **Mortgage availability** Residual risk: Medium Change in year: No change Strategic priorities: 1, 3	The availability of mortgage finance, particularly the deposit requirements for first time buyers, is crucial to our customers' ability to purchase. Restrictions on mortgage funding could reduce demand for new homes and negatively impact Group revenue and profit.	Mortgage availability remains relatively stable and mortgage approvals have returned almost to pre-pandemic levels. Lending is supplemented by the government's 95% LTV mortgage guarantee scheme and the relaxation of lending restrictions.	• Lead indicators of mortgage availability are closely monitored. • Gleeson Homes provides a range of customer assistance packages. • We innovate to find new ways to support our customers. • We work with key lenders to ensure products are appropriate and available.
3 **Land availability** Residual risk: Medium Change in year: No change Strategic priorities: 1, 3, 6	An increase in land prices or decrease in land availability would reduce the viability of sites in Gleeson Homes given the high hurdle rates internally set, and would increase competition for land opportunities in Gleeson Land, driving down profitability and cash flow.	Although land prices have increased, we continue to find land available to purchase at prices that meet our hurdle rates to support the growth of Gleeson Homes. Gleeson Land continues to source opportunities to sign up and promote good-quality land for development across the South of England.	• We have a clearly defined land strategy and geographic focus which are regularly reviewed by the Executive Directors. • We work closely with local authorities to identify and purchase land at sensible prices. • There is a formal gateway process and rigorous adherence to margin requirements and rates of return. • We have proactive land searching capabilities and strong relationships with land agents.

Strategic priorities

1 Sustainable growth
2 Build quality
3 Affordability
4 Climate change
5 People, wellbeing, health and safety
6 Land

Read more about **Our Business Strategy** on pages 16 to 19

Risk	Description of risk	Assessment	Mitigation
4 **Government policy and regulations** Residual risk: High Change in year: No change Strategic priorities: 1, 3	Planning regulation changes due to changes in government policy or delays within the system may affect the Group's ability to secure planning consents on a timely basis. Other policy changes, including changes to building regulations, the Future Homes Standard and further legislation relating to building safety may adversely impact revenue, profit and cash flow.	Changes to building regulations continue to change the way our homes are built and impact build costs. Additional environmental requirements including biodiversity net gain, nutrient neutrality and phosphate and nitrate mitigation are also creating new obstacles in pursuing planning permissions. Further legislative changes to building safety requirements may impact the costs required to remediate affected buildings.	• Our planning and technical experts closely monitor changes to legislation. • Forthcoming changes to building regulations are built into site cost plans. • We consult with government, local authorities and industry bodies to understand proposed changes and highlight issues. • The Board closely monitors the changes in building safety legislation and engages with industry bodies.
5 **Build costs and availability** Residual risk: High Change in year: No change Strategic priorities: 1, 2, 3	Shortages or increased cost of materials or skilled labour, the failure of key suppliers or the inability to secure supplies on appropriate terms could increase costs and delay build programmes, reducing revenue and profit.	Inflationary pressures, Covid-19, Brexit, and the war in Ukraine continue to impact the supply chain with price increases on certain labour and materials together with availability constraints. Whilst some of these pressures have eased, there remains ongoing risk.	• The Group is strategically procuring supplies ahead of issues or stoppages on sites. • Price increases are mitigated by rising average selling prices. • Group purchasing arrangements are in place to ensure continuity of supply. • We have strong, established relationships with key suppliers and subcontractors.
6 **Build quality and customer service** Residual risk: Medium Change in year: No change Strategic priorities: 2	A failure to build new homes to the standard and quality that our customers expect, to not treat our customers fairly, or not respond adequately to complaints or rectify defects in a timely and professional manner. Adverse publicity from perceived poor build quality would damage our reputation, lead to lower sales and impact future revenue and cash flow.	The customer and customer experience are at the heart of what we do. We will not hand over a new home where it does not meet our quality requirements and we have a strict inspection process in place. We have already committed to the New Homes Quality Code and we have continued to invest in our customer care team and after sales support to ensure any defects or issues are rectified quickly.	• We registered early for the New Homes Quality Code. • A strict final inspection process identifies issues and allows us to remedy these before handover. • Our Gleeson Quality Charter sets out what our customers can expect in terms of quality. • Independent build inspections and buyer surveys ensure a high level of quality control. • We continue to invest in our customer care team.

Risk	Description of risk	Assessment	Mitigation
7 **People** Residual risk: Medium Change in year: No change Strategic priorities: 5	Failure to attract, develop and retain good-quality people with the right skills may result in overstretched and demotivated staff, decreased productivity or quality and stifled growth opportunities. Inadequate succession planning could result in inefficiency and a loss of key knowledge from the business.	The focus on recruitment, development, and recognition is reflected in high scores on our annual employee survey. The leadership development and succession programme has continued to strengthen the management team. Our focus on making Gleeson one of the best companies to work for will help to attract, develop and retain good-quality people.	• We have a clear mission, vision and values that our people share. • We have regular performance and development reviews. • Action is taken from the feedback gained from our employee surveys. • Our people have access to training throughout their career at Gleeson. • Our remuneration policy is reviewed and benchmarked to ensure it remains attractive.
8 **Cyber and IT systems** Residual risk: Medium Change in year: No change Strategic priorities: 1	Failure of the Group's IT systems or unauthorised access to systems due to inadequate protection, controls, processes or cyber attack could result in data loss, business disruption, reputational damage or financial loss.	New working protocols were put in place following the sudden shift to working from home in 2020 to mitigate the risk of fraud and cyber crime. We continue to invest significantly in our IT systems and networks so these remain secure and up to date, whilst continuing to support remote working as needed.	• Industry-standard systems are managed by a central IT team with outsourced support. • Contingency plans are in place and regularly tested. • The majority of data is held on secure external servers and backed up regularly. • Regular testing is conducted on the security of our systems. • Enhanced network and cyber controls have been implemented during the year.
9 **Health and safety** Residual risk: Medium Change in year: No change Strategic priorities: 5	Health and safety failures can result in injuries to employees, subcontractors or site visitors, resulting in harm to people, delays in construction, additional cost, reputational damage, criminal prosecution or civil litigation.	The health and safety of our people and anyone associated with our developments is paramount to our business, and we continued to improve our training and awareness across the business.	• Experienced health and safety team in place to provide regional support, inspections and training. • Our "HomeSafe – everyone, every day" campaign promotes the focus on health and safety awareness across the Group. • Regular independent inspections of all development sites. • We have specific actions to improve health and safety reporting and performance. • Documented policies and procedures are updated to ensure continued focus and improvement.

Risk Management
CONTINUED

Risk	Description of risk	Assessment	Mitigation
10 **Financial control** Residual risk: Medium Change in year: No change Strategic priorities: 1, 3	The Group could suffer losses from financial fraud or error, poor financial or tax controls, credit risk or through having inadequate insurance. An inability to meet obligations as they fall due could result in insolvency. Lack of liquidity may also limit the Group's ability to take advantage of business opportunities as they become available and be a possible impediment to future growth.	The risk of financial fraud or error is closely monitored by management, the Audit Committee, and the Board. Although the financial regulatory and tax environment continues to evolve, the Group has adequate knowledge and experience to maintain compliance, supported by third-party advisers. The Group maintains a strong relationship with its lenders, insurance providers and investors.	• The Group has robust financial and tax controls designed to segregate duties and minimise opportunities for fraud or error. • The Group has committed banking facilities of £105m until October 2024, shared between two established lenders. • The Group maintains security over the majority of land sold on deferred terms. • External firms are used to provide "health checks" over systems and processes. • External experts are employed to support the production of corporation tax and other returns.
11 **Climate risk** Residual risk: Medium Change in year: No change Strategic priorities: 4	The physical effects of climate change could result in reduced land availability, disrupted build programmes or shortages of materials due to more frequent extreme weather events.	The speed at which climate-related legislation and expectations on corporate business to respond to climate change is accelerating. The Group is taking progressive action to monitor and reduce the impact of our activities on the environment both now and in the future.	• We undertake detailed flood, environmental, and biodiversity assessments as part of preparing planning applications. • We set clear targets to reduce our carbon emissions and waste from sites. • We track carbon emissions, waste and other initiatives to evaluate the success of our actions.

Risk	Description of risk	Assessment	Mitigation
12 **Sustainability** Residual risk: Medium Change in year: **Decreased** Strategic priorities: 1, 2, 3, 4, 5, 6	The Group could fail to meet the expectations of our stakeholders relating to our sustainability responsibilities including climate change, health and safety, governance, build quality and customer service. Failure to ensure we remain a sustainable business could affect the Group's ability to secure sites, planning permissions, attract house buyers, recruit new employees, appeal to investors or raise finance when needed. By not having clear targets and effective communication of our sustainability strategy, this could result in damage to the Group's reputation.	Stakeholder expectations relating to corporate sustainability are rapidly evolving. We continue to actively engage with our stakeholders to understand expectations, and monitor sustainability best practice. The risk has decreased in the year due to the appointment of a new Group Sustainability Manager and a full year of oversight by the Sustainability Committee (established partway through the prior year), as well as the implementation of additional controls and monitoring relating to our sustainability targets.	• The Sustainability Committee oversees the development, implementation, and reporting of sustainability initiatives. • A new Group Sustainability Manager was appointed during the year and is responsible for embedding the sustainability strategy into operations. • We publish and monitor clear targets to ensure our business operates in a sustainable and socially responsible way. • We report in line with the recommendations of the Financial Stability Board's Task Force on Climate related Financial Disclosures ("TCFD") and Sustainability Accounting Standards Boards ("SASB") Standards.

Hardwicke Place,
Hartlepool,
County Durham

Communities

We put our customers and their communities at the heart of everything we do.

Our vision and mission are not just words on a page; they are built into the fabric of what we do and how we operate.

Our vision:

Building Homes. Changing Lives.

Our mission:

Changing lives by building affordable, quality homes. Where they are needed, for the people who need them most.

Building homes.

We build homes our customers want to live in, that are designed around their needs.

We build two, three and four-bed homes in a variety of styles and floorplans designed to suit modern living. All of our homes feature stylish and well-designed kitchens, gardens at the front and back of the house and private driveways for off-street parking. We also offer a wide range of custom specifications and optional upgrades including flooring, appliances, landscaping and more, allowing our customers to tailor their homes to their taste, needs and budget.

We use high-quality, cost-effective materials in building our homes and regularly review these to ensure they continue to best suit our needs. We have sustainable Group procurement policies for materials, packaging and waste management and carefully consider the environmental impact of the elements that go into building our homes. This year we have significantly enhanced our understanding of the embodied carbon emissions from our supply chain as part of quantifying our scope 3 carbon emissions. More details can be found in the Environment section on pages 52 to 60.

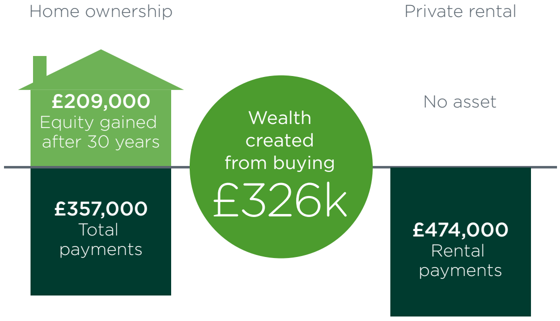
We recently refreshed the exterior designs of our homes and are rolling this out across our new development sites. These have an updated look and modern feel. We have also added rendering and reconstituted stone exteriors, as well as contemporary doors, windows and dormer styles on certain sites.

Changing lives.

Buying a Gleeson home does not just provide our customers with a place to live, it can change their lives in many ways. The customer stories shared here speak for themselves, and are only a few of the 2,000 lives changed this year.

In addition to the health and wellbeing benefits that come from home ownership, there are clear financial benefits. According to a recent independent report, nearly half of all homeowners with a mortgage agree they are able to save more because their mortgage is cheaper than renting, and 1 in 3 homeowners see their mortgage as a means to invest in their future. The typical homeowner can generate wealth of £326,000 over thirty years compared with renting, even before any potential house price gains are factored in.

Wealth creation through home ownership



Source: Equity Release Council. Rent assumes the average rent rising by 2% p.a. Homeowner assumes £220,000 home bought with a 30-year repayment mortgage, and subsequent remortgages. Analysis includes other costs of ownership including insurance and repairs

Customer case study – to see more visit mjgleesonplc.com

Changing the lives of Katie & Liam

Out of their parents' houses and into their own home

At the ages of 24, Katie and Liam were ready to move out of their parents' homes and into their own space. Katie is a keen baker and yearned for her own kitchen to cook in and Liam was desperate for a garage for his bike and tools.

After visiting Gleeson's Greencroft View development, Katie and Liam were surprised and pleased to find that they would be able to afford a detached home with a garden and garage for their first home, and that their mortgage would only be £400 per month. Additionally, using the government's Help to Buy scheme meant they only needed a 5% deposit, allowing them to purchase their first home sooner than they expected.

Katie and Liam are thrilled with their own space and are enjoying the independence that has come from home ownership. Liam's commute to work has been cut in half following the move, giving him a better work-life balance, and the couple have made new friends on their development.

Katie said: *"After looking at other developers, we felt like Gleeson offered the best value for money and the customer service was second to none. The Sales Executive who guided us through the process was really friendly and knowledgeable and answered any questions we had. As first time buyers, this was invaluable and made our buying experience feel really easy, especially in the early stages when we were finding our feet with the process."*

Buyers: Katie and Liam (both 24)
Occupations: Recruitment Assistant and Glassblower
Date of purchase: June 2021
Development: Greencroft View, Stanley, County Durham
House type: Kilkenny, 3-bed detached + garage
Purchase price: £139,995
Mortgage cost: £400 per month
Previous rental cost: Lived with parents

Liam said: *"Since moving into our new home, we have a new sense of freedom and responsibility. We are really grateful that Gleeson has given us the opportunity to get onto the property ladder and that we have been able to afford a three-bedroom detached home at just 24 years old."*

Customer case study – to see more visit mjgleesonplc.com

Changing the life of Amber

Giving her the freedom she dreamed of, while saving her money

Amber had dreamed of buying her first home before she turned 30, which Gleeson made possible.

Previously, Amber was living with her partner and renting a small one-bedroom flat with no outdoor space or parking, paying £550 per month in rent.

Buyer: Amber (29)
Occupation: NHS Clerk
Date of purchase: April 2022
Development: Linkswood Park, Rotherham, South Yorkshire
House type: Kerry, 2-bed semi
Purchase price: £117,775
Mortgage cost: £380 per month
Previous rental cost: £550 (1-bed flat)

When her relationship ended and Amber was looking for her own home, she was drawn to Linkswood Park, her local Gleeson development, because her brother had bought a Gleeson home on a different development three years earlier. Through her brother's experience and recommendation, she already knew our homes were affordable and great quality.

Amber found the plot of her dreams and reserved it as soon as it was released for sale. She was even more delighted that her mortgage would be £170 per month less than her previous rent. Amber is thrilled that she chose to buy a Gleeson home and is enjoying decorating her blank canvas with none of the restrictions she had when renting.

Amber said: "*I was blown away by the affordability of a Gleeson home. In my rented flat I was paying £550 per month and in my beautiful new home, which is twice the size, I'm only paying £380 per month on my mortgage. Plus, in my new home my energy bills are really affordable because it is so well insulated and cosy. I am over the moon that I've got a garage; it helps with storage and I love that my car is not parked on a busy main road anymore.*

Having my own garden is brilliant too! I've made friends with my neighbours and have already had them over for a barbecue. The sense of community on our development is great and just what I wanted as a single buyer. I love my new sense of freedom, being able to decorate and personalise my home, having so much more space, and I'm saving money too!"

Customer case study – to see more visit mjgleesonplc.com

Changing the lives of Ben & Rebecca's family

From cramped military accommodation to a spacious family home

After 11 years of living in military accommodation, Ben and Rebecca were thrilled to move into their Gleeson home in Hull with their two children in December 2021. After living with the restrictions of military housing for so long, the couple were ready for their own space that they could personalise and make their own.

Ben and Rebecca heard about Gleeson through Forces Property Direct who helped them with their mortgage process and paperwork, tailoring their advice to the needs of military personnel. After years of living in three-bedroom terraced properties with minimal outdoor space, the detached Renmore, complete with a driveway and a big garden, was the clear winner for their family.

The couple were delighted to discover how affordable home ownership actually is, enjoying a relatively low mortgage cost and low monthly bills due to the energy efficiency of their new home.

Rebecca said: *"It's a breath of fresh air to have a brand new home that we can call our own. Prior to buying with Gleeson, in our rented military houses we couldn't put our own stamp on the décor; we had always dreamt of choosing our own kitchen design or being able to paint the walls, which Gleeson made possible with their fantastic options and extras range. Ben has always wanted a spacious kitchen of his own for cooking and entertaining, which the Renmore provides."*

Ben said: *"Our lives have completely changed for the better since buying with Gleeson. We love that every room in our home is a blank canvas with plenty of space and our sons both have their own bedrooms, which is brilliant. We're now closer to family, good schools and jobs, so it has been a win-win all around. We're not wasting our money on rent, and can really plan for the future in our beautiful new home."*

Buyers: Julie (68) and Neville (66)

Occupations: Retired Social Services Care Worker and Retired Engineer

Date of purchase: November 2021

Development: Barnburgh View, Barnsley, South Yorkshire

House type: Wicklow, 3-bed semi

Purchase price: £164,995

Mortgage cost: Mortgage free

Customer case study – to see more visit mjgleesonplc.com

Changing the lives of Julie & Neville

Living mortgage free in their forever home

Retirees Julie and Neville were ready to get away from their noisy, terraced house on a busy road and enjoy a quieter life. Their old house was too small for family gatherings and made it difficult to have their three-year-old granddaughter stay overnight.

Julie and Neville considered buying an older home but were worried about how much work they would need to do and the running costs. Prior to discovering Gleeson, they were put off by the high cost of other new build homes, and were thrilled to discover they could live mortgage free in a Gleeson home.

When they visited our Barnburgh View development, they immediately felt at home. They loved the rolling fields and picturesque views the development provided, and felt very welcomed by the Gleeson sales team. Julie and Neville chose the Wicklow house style after seeing its open staircase, ample storage, and roomy bedrooms.

Since moving in, Julie and Neville have made friends with a number of their neighbours. They love having family over to their new home, and enjoy taking their granddaughter to the park that Gleeson built on the development.

Julie said: *"It's great being mortgage free in our dream home; we will never need to move again. We love our home and it's very energy efficient, which keeps our bills low. We hardly ever need to have our heating on but are always warm and cosy, plus being mortgage free means that we have more money left over at the end of the month to spend on treating our grandchildren!"*

Neville said: *"We're so pleased that we chose to buy a new build. We've loved moving into a freshly-painted blank canvas, and have enjoyed furnishing it and creating rooms tailored to our needs. It's much easier to have family over now we live in a larger home, and we're relishing being able to entertain. Our garden is ideal with space for the grandkids to play in, a shed, a bird table, and even an agility station for our dogs."*

Buyers: Ben (32) and Rebecca (36)

Occupations: Armed Forces Chef and Hairdresser

Date of purchase: December 2021

Development: Dane Park, Dunswell, Hull

House type: Renmore, 3-bed detached

Purchase price: £176,000

Mortgage cost: £600 per month

Previous rental cost: £456 (military accommodation)

Building affordable, quality homes.

Affordability is one of our key strategic objectives (see page 16) and supports target one of UN SDG 11 to "ensure access for all to adequate, safe and affordable housing". The UN SDGs we support can be found on page 5.

Whilst our average selling price increased this year to £167,300, buying a Gleeson home remains highly affordable and we continue to meet our requirement that a couple in full-time employment on the National Living Wage can afford to buy a home on every one of our developments.

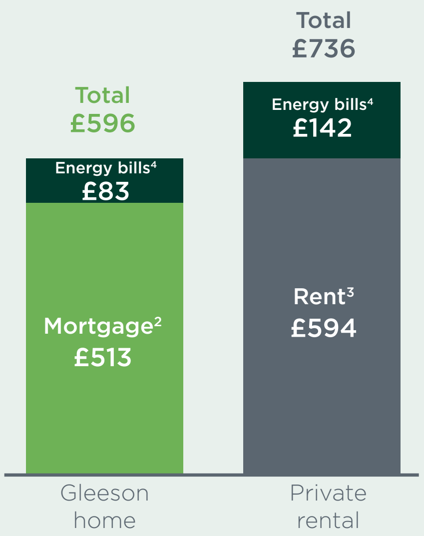
Additionally, the average selling price of other new build homes in the North of England and Midlands is 59% higher than the average selling price of a Gleeson home.

Homes on our developments can start from as low as £115,000 for a 2-bed semi-detached house, depending on location, and the average selling price is significantly below the average cost of all new build homes in England of £327,000[1].

Owning a Gleeson home is cheaper than renting. Mortgage costs are less than the equivalent rental cost, and with energy costs continuing to increase, the savings generated from owning an energy-efficient Gleeson home are significant.

Average selling price of new build homes in the North of England and Midlands

Owning a Gleeson home costs less than renting – typical 2-bed home



1 ONS House price simple averages.

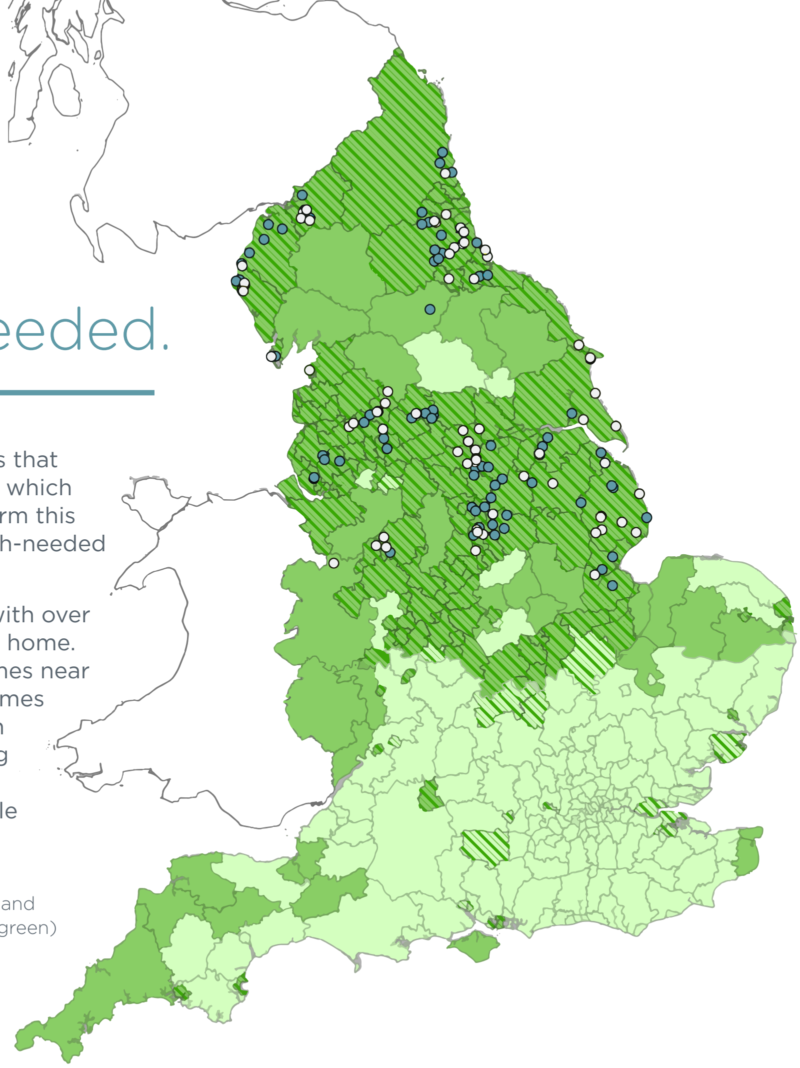
2 Mortgage payments: Standard 90% LTV, 35-year repayment mortgage, fixed payments for five years, from a high street bank at August 2022. Mortgage payments based on average price of a 2-bed Gleeson home during the year.

3 Rental payments: ONS average private rental costs for a 2-bed house in the North of England and Midlands as at June 2022 (adjusted for 6% p.a. inflation).

4 Energy bills: Average electricity and gas usage using energy prices per August 2022. Gleeson Homes based on actual usage data provided by British Gas. Private rental based on "Great Homes" website using data from the National Energy Efficiency Database (gov.uk).

Our focus on affordability does not mean that we sacrifice on quality in any way. Building high-quality, energy-efficient homes is one of our key strategic objectives (see page 17). Our independently assessed customer recommendation score of 90.7% puts us in line with the Home Builders Federation 5-star rating, and we achieved the Gold Award for customer satisfaction from In-house Research, an independent third party who conducts our customer satisfaction surveys.

We proudly offer a Gleeson Quality Charter to all our customers as our commitment to both a quality home and exceptional service all the way through the buying journey and beyond. We have a customer care portal, MyGleeson, for customers to log issues and receive updates, and dedicated customer care teams to promptly deal with issues as they arise. All our homes come with a 2-year Gleeson warranty and a 10-year NHBC Build Mark Warranty or similar, and we have already committed to the government's New Homes Quality Charter.



Where they are needed.

We build mostly in areas of deprivation or on brownfield land, preferring to regenerate areas that have been left derelict, rundown or neglected, which are often a blight to the local area. We transform this land into thriving communities, providing much-needed homes for local residents.

Our customers are often from the local area, with over half living within 10 miles of their new Gleeson home. We often have younger customers buying homes near to their families, or family members buying homes on the same development to stay near to each other. Our developments open up new housing opportunities in locations where there are not enough high-quality homes available for people who want to live in the area.

The map shows Gleeson Homes active build sites and pipeline sites in our target areas in the North of England and Midlands based on average selling price (shaded darker green) and affordability (hashed).

For the people who need them most.

Our customers are often young, first time buyers who are escaping the “rent trap” or moving out of their parents’ homes.

We know that this will be the largest purchase many of our customers have made in their lives, and we support them through the journey. We can talk potential customers through a range of support options including Help to Buy, First Homes and shared ownership options, as well as recommending trusted mortgage advisers. We have recently launched a first time buyer podcast with weekly episodes to help our customers with advice and tips when buying their first home.

We offer special incentive packages for key workers and members of the armed forces and are proud to support these individuals and families as they support our wider communities.

Gleeson customers are:

Young

29 years old median buyer age

74%

first time buyers

50%

single buyers

on a low to average income

£24,000

median buyer income

Pride in home ownership.

We foster a sense of pride in home ownership and engagement in the local community by only selling to owner occupiers. All our homes are sold with a covenant that restricts our customers and future owners from privately letting their homes. We also believe that home ownership should include the land on which it is built, and we sell our homes as freehold wherever possible.

We have one remaining development in the North West where we do not own the land ourselves, and a peppercorn ground rent is payable on these homes. We also sell a small number of homes to registered housing providers who offer shared ownership opportunities as a way of making home ownership accessible for more people.

What we don't do:

We don't
build flats

We don't
sell leasehold

We don't
do part-exchange

We don't
sell to investors

Community beyond our customers.

Our commitment to the community extends beyond our customers as we aim to make a difference in the areas in which we build and contribute in a positive way.

We have a long history of partnering with local schools, including giving health and safety talks, inviting school trips onto our sites for children to learn about house building and holding "design a bedroom" and "street naming" competitions. We want our developments to be part of the community and get children involved in creating and burying time capsules or planting flowers and trees.

We recognise the health and wellbeing benefits that local sports teams and charities can bring and offer support and sponsorship to those local to our developments.

Additionally, our colleagues regularly get involved in fundraising efforts for local causes. The Bradley Lowery Foundation, on the next page, is one such example.

Our commitment to our communities also extends to good corporate practices. For the past 10 years, the British public has voted corporate tax avoidance as the number one issue that businesses need to address[1]. We are proud to do our part in addressing this by paying our taxes fairly and responsibly, and reporting on them transparently. This commitment is demonstrated by our accreditation with the Fair Tax Mark Foundation, which we have held since 2020, when we were the first housebuilder to achieve accreditation.

Fair Tax® accredited

1 IBE Survey: Attitudes of the British Public to Business Ethics 2022, by the Institute of Business Ethics

The Bradley Lowery Foundation

One charity that is close to the hearts of our colleagues is the Bradley Lowery Foundation in the North East. The Foundation is named after six-year-old Bradley Lowery, who lost his fight to stage 4 high risk neuroblastoma, a rare and aggressive form of childhood cancer. The Bradley Lowery Foundation aims to support families who are fundraising for treatment or equipment that is not readily available or covered by the NHS. Gleeson got involved with the Foundation because Bradley used to live across the street from our Hardwicke Place, Blackhall Colliery development in Tees Valley. In addition to naming two streets on the development after him – Bradley Lowery Way and Sunshine Place – our colleagues in the region have undertaken numerous fundraising events including skydiving and walking the equivalent of Land's End to John O'Groats to raise almost £9,000.

The Foundation is currently developing plans to build a holiday home called "Super Brad's Pad" for sick children and their families and we are supporting this build both with our fundraising efforts as well as involving our suppliers and contractors where we can.

People

Our values and culture

We are Passionate

We are passionate about building high-quality homes that are affordable for everyone.

We are passionate about our customers and ensuring they enjoy buying their home from us. Where we get things wrong, we aim to put it right quickly and fairly.

We are proud of the strong relationships we build with our suppliers and subcontractors who work alongside us.

We are Collaborative

We work together collaboratively, with shared goals, where information, knowledge and ideas can be discussed openly, honestly and free from judgement.

We listen to our customers and work with them throughout their buying journey.

We collaborate with our external partners and value their part in helping us achieve our goals.

We are Respectful

We respect the right to a safe working environment on all our sites and in all our offices and are fully committed to ensuring our colleagues and those who work on, or visit our sites and offices, return HomeSafe – everyone, every day.

We are respectful of our customers, colleagues and partners by listening to them and treating them equally and fairly.

We undertake our business in an ethical way, and we respect the environment.

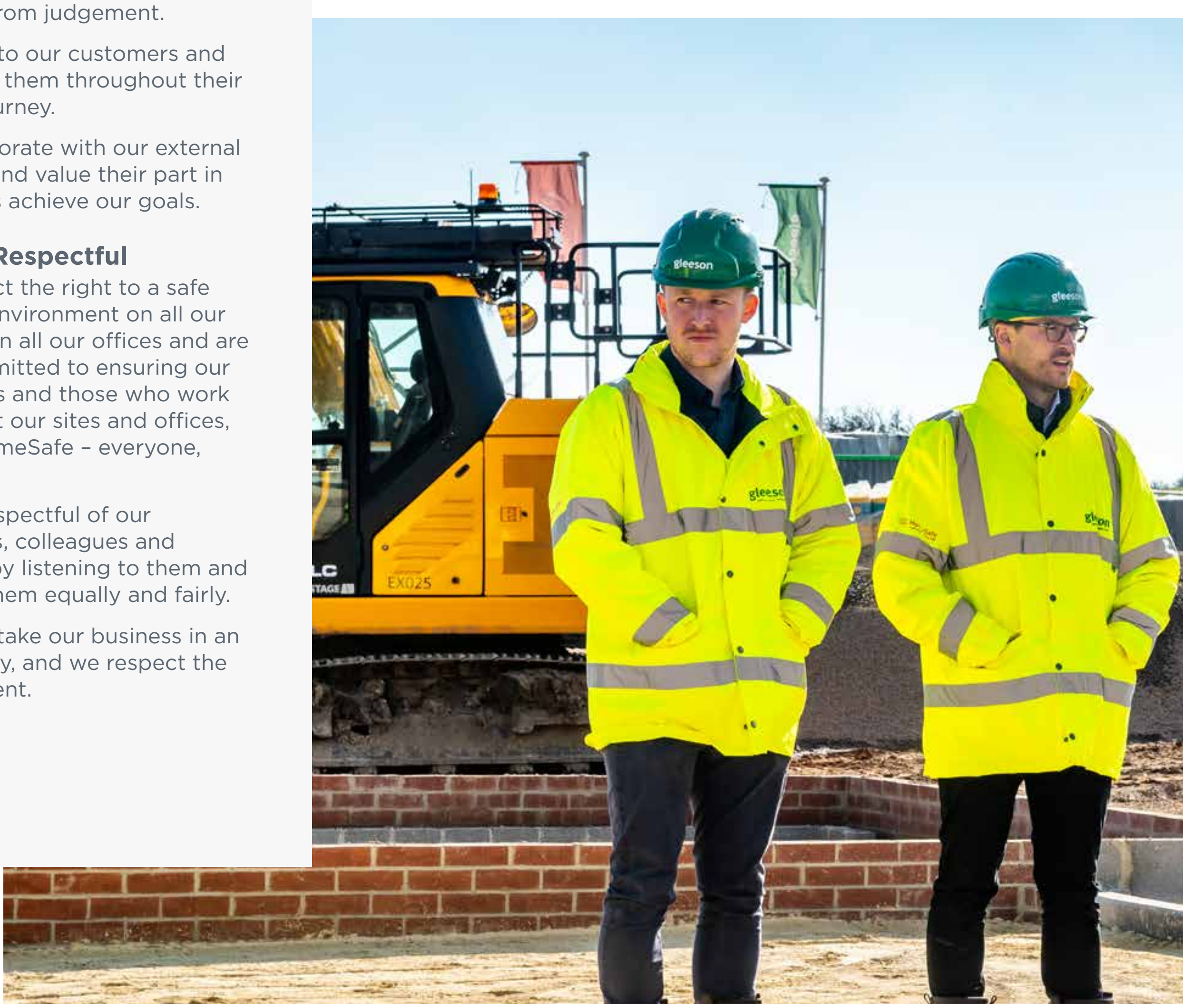
Monitoring our culture

Our annual Your Voice survey is one of our engagement tools and helps us monitor the views of our colleagues across the business.

This is our third year running the survey, and both participation and overall scores have increased every year. 76% of our colleagues completed the survey this year, up from 68% last year. Our overall engagement score increased to 90% which puts us in the top decile of companies surveyed across the country for employee engagement. We are incredibly proud that we have been awarded an “Outstanding Workplace” award, which reflects this achievement.

We use our personal development review process as a way to engage with all colleagues in a structured way at least twice a year. Our people reflect on how they have demonstrated our shared values and engage in meaningful conversations with their line manager about their aspirations, development needs and performance.

PeopleInsight
Outstanding Workplace 2022
Where people shine



Achieving our goals relies on having people in the right roles, with the right training and development, who share our vision, mission and values.

One of our key strategic objectives is to attract, retain and develop employees who share the values, culture and objectives of the Group.

How we attract the right employees

Attracting the best candidates and developing talent in our business is crucial to ensure that we have the right skills for operational delivery and future growth.

Apprentices
We have a long-standing and active apprenticeship programme across the business, and we currently have 79 apprentices – approximately 10% of our total workforce – training in a variety of office and site-based roles, including 20 colleagues completing training through an apprenticeship route as part of further skills development. Our apprentices get an average of two years on-the-job training and an NVQ or equivalent. In many cases, they stay on with us for further training or move into permanent roles once their apprenticeship is completed.

Graduate programme
In August 2021, we launched our first graduate programme with 11 new Land Graduates in the Gleeson Homes land team. This is a two-year structured programme for university graduates that includes a blend of on- and off-the-job learning. Graduates receive mentoring from Gleeson colleagues as well as attending workshops covering topics including technical land issues, planning, valuation and commercial management and interpersonal skills.

Early Talent Partner
In recognition of the importance of attracting and developing talent early in their careers, we have appointed a new Early Talent Partner to specifically focus on developing our apprentice and graduate programmes and support the development of our colleagues in these programmes.

Tom, Land Graduate,
Richard, Land Manager,
Rob, Head of Technical, Hardwicke Place,
Hartlepool, County Durham

Supporting our apprentices as they progress

Name: Katie Wilson
Job title: Assistant Quantity Surveyor
Location: Midlands

Why did you choose a Gleeson apprenticeship?
I chose a Gleeson apprenticeship as it was a great opportunity to get into the construction industry and train in an area that I wanted to progress in. Gleeson has really supported me in my role and allowed me to learn and develop to be the best I can be.

How did you progress following your apprenticeship?
I started as an Apprentice Quantity Surveyor and in June 2021 I completed my Level 3 BTEC Diploma in Construction and the Built Environment with Distinctions, along with an NVQ in Construction Contracting Operations. I am now an Assistant Quantity Surveyor and am studying for a Level 4 HNC in Construction and the Built Environment as part of my Level 4 Quantity Surveying Apprenticeship Standard.

What made you want to progress within Gleeson?
Gleeson has taken the time to support my development and aspirations. I have developed incredible on-the-job skills and practical understanding that wouldn't have been possible only by attending college.

What are your future development aspirations?
I am currently working towards becoming a fully qualified Quantity Surveyor.

What advice would you give to someone considering doing an apprenticeship?
Be confident and always be open to taking on new things!

How we develop our employees

Continuous development is important both for individuals as they progress through their careers, and for the success of our business as we continue to grow. We support our colleagues' development in a number of ways, including:

New appointments

In recognition of the importance of talent development across the business, we appointed a Head of Organisational Development, who leads a team made up of a Learning and Development Manager and the Early Talent Partner. Together this team is responsible for driving forward the development of talent throughout the organisation.

People management training

A new training programme for people managers was created during the year. People managers attended three workshops that covered topics such as manager responsibilities, team wellbeing, performance management, effective communication and employment law. Over 1,200 hours of training were delivered to people managers across the business and this training is now included in the onboarding process for new people managers coming into the business as well as those promoted internally.

Supply Chain Sustainability School

This year we partnered with the Supply Chain Sustainability School which aims to upskill those working within the built environment sector. This partnership enables us to provide additional training to colleagues and to work collaboratively with other housebuilders, subcontractors and suppliers in the construction industry to achieve common goals in areas such as climate action, resource use and biodiversity. Throughout the next 12 months we will be developing targeted learning pathways based on job roles to help upskill and further develop colleagues throughout the business.

What we do to help retain our employees

We believe that retaining good people depends on a variety of factors that extend beyond just financial incentives and are constantly reviewing ways to make Gleeson an even better place to work.

Communication and engagement

We recognise the importance of keeping employees informed of operational, financial, and strategic business matters and do this in a number of ways, including:

- @Home – a weekly newsletter from the Chief Executive sent to all colleagues;
- Gleeson Employee Roadshows and Q&A – twice a year the Executive Directors host all-employee roadshows to update on progress in the year, communicate important messages, and answer questions;
- the Hub – our company intranet which contains up-to-date information for employees; and
- videos – over the past two years we have produced a range of videos introducing Gleeson Homes, Gleeson Land, our approach to sustainability, recruitment, and many more which can be found on our website, mjgleesonplc.com.

In addition, our annual Your Voice survey provides an opportunity for all employees to provide anonymous feedback on a wide range of topics. We were pleased that both participation and overall engagement increased again this year for the third year in a row.

Wellbeing

In January 2022, we launched our Wellbeing Toolkit, which is available to all employees on the Hub, the company intranet. It includes advice, guidance, tips, support services and information on all areas of wellbeing including financial, social, emotional and physical aspects. It also includes details of mental health support services and contact information for our Mental Health First Aiders.

We also provide an Employee Assistance Programme for all employees, and our private healthcare policy includes up to eight free counselling sessions.

Our focus for the next 12 months will continue to be targeted around how we can encourage and support our employees with looking after their wellbeing, including an emphasis on financial wellbeing due to the ongoing increases in the cost of living.

Recognition

Our STAR awards are a way to recognise our people for their commitment, drive and willingness to work above and beyond expectations. Colleagues can nominate one another on a monthly basis and the winners are recognised in our weekly newsletter and win prizes. Employee recognition is an area of focus and we are continually looking to innovate and improve its effectiveness for both office and site-based colleagues.

Other employee information

Real Living Wage

We are proud to be accredited as a real Living Wage employer, which means that we pay all of our colleagues and subcontractors at least the real Living Wage, an independently-calculated rate of pay that is based on the actual cost of living. The real Living Wage exceeds the National Living Wage (set by the government) and covers all employees aged 18 and older, with the exception of apprentices. Receiving this accreditation demonstrates our clear commitment to our colleagues as well as making it clear that we expect the same from our suppliers and subcontractors.

Diversity and inclusion

We aim to create a working environment that provides equal opportunities for all. Promoting and embedding our values of being passionate, collaborative and respectful forms the foundation for a diverse and inclusive work environment.

Health and Safety Manager nominated for 100 Most Influential Women in Construction

Paula Clark, Health and Safety Manager for the North East division, has been nominated in the National Builder Federation Top 100 Most Influential Women in Construction Awards. These awards are aimed at showcasing women in the sector in order to make female and non-binary role models more visible and accessible, and help to shine a light on those that are working to support equality, diversity, inclusion and equity across the industry through their actions and support of others.

Paula has been at Gleeson for two years and has been influential in improving awareness and reducing the risk of accidents and near misses across her region. We wish her the best of luck in the awards!

Selection for employment and promotion is based on merit, following an objective assessment of ability and experience, after giving full and fair consideration to all applications. We are also committed to ensuring that our workplaces are free from discrimination and that everyone is treated with dignity and respect. All new employees receive mandatory diversity and inclusion training as part of their induction.

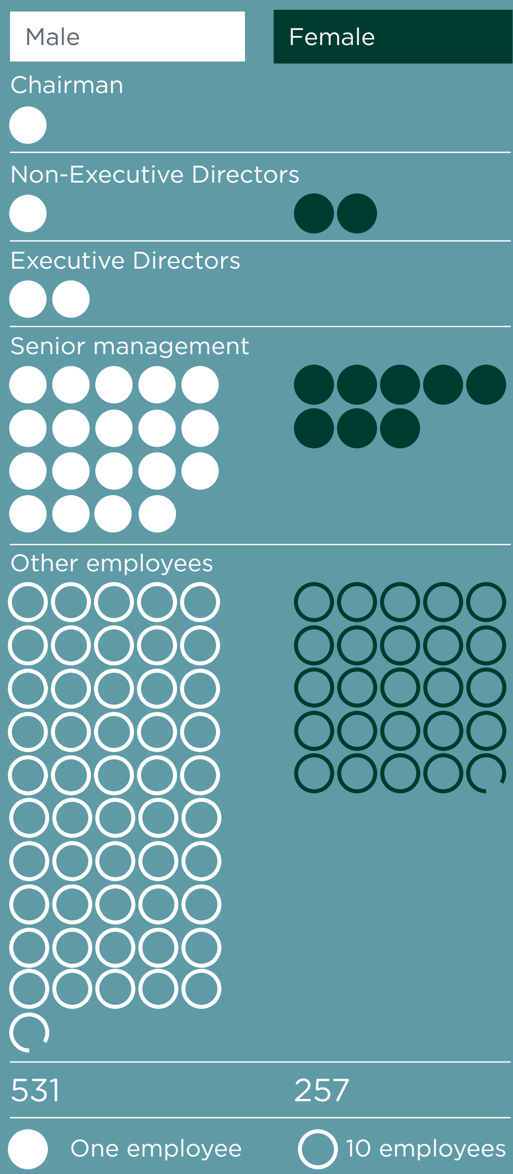
Every effort is made to retain and support employees who become disabled while working within the Group and we continue to remove physical barriers for disabled colleagues or applicants.

Promoting women in construction
We, and the construction industry overall, need to do more to promote women working in the industry. We are continuously seeking ways to reduce the barriers to women entering and advancing their careers in construction. We work in partnership with Women in Construction and Women in Property to develop new ways of recruiting more females into our organisation and we are making progress; of the 11 new Land Graduates hired in the year, eight are female.

We continue to look at the roles in the business that females occupy and review how our succession planning programme fits with these roles, including a talent-mapping exercise. Since beginning this exercise, many of our internal promotions have been to females taking on more senior roles, and this is an area which continues to receive focus.

Gender pay gap
In 2022, our median gender pay gap was 3% (2021: 11%). This shows that we are making progress on closing the gap and 48% of women now occupy the upper two pay quartiles compared to 44% in 2021. Further information about our gender pay gap and what we are doing to address it is included in our Gender Pay Gap Review which is available at mjgleesonplc.com.

Gender breakdown:



We recognise the importance of gender equality and inclusivity and understand that the gender identification employees have on record may not match how all employees self-identify as some employees may not identify as either male or female. For data purposes none of our colleagues have identified as non-binary at the time of reporting.

Environment

Building homes involves the use of materials and construction processes which have an impact on the natural environment.

We are committed to taking all reasonable measures to minimise our impact on the environment, whilst balancing the need to deliver affordable, quality homes.

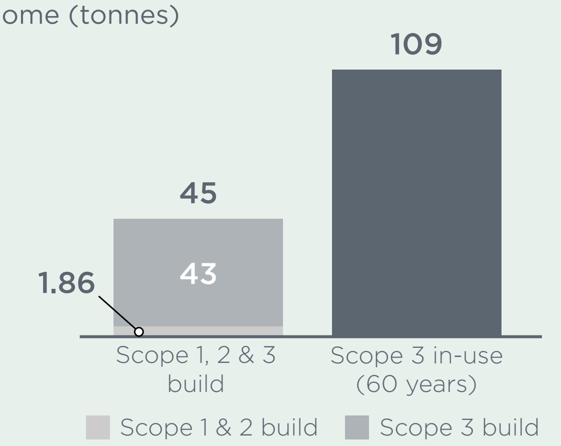
Our environmental priorities are reducing carbon emissions, carefully managing our use of natural resources, and minimising waste.

Carrwood Park,
Bradford, West Yorkshire

45 tonnes CO_2e...

Carbon emissions

Carbon emissions over the life of a Gleeson home (tonnes)



Lifetime carbon emissions from a Gleeson home

An average Gleeson home currently generates 154 tonnes of CO_2e over its life, with 45 tonnes attributable to the build process, including supply chain and materials emissions, and 109 tonnes attributable to the in-use emissions of the home over a 60-year period.

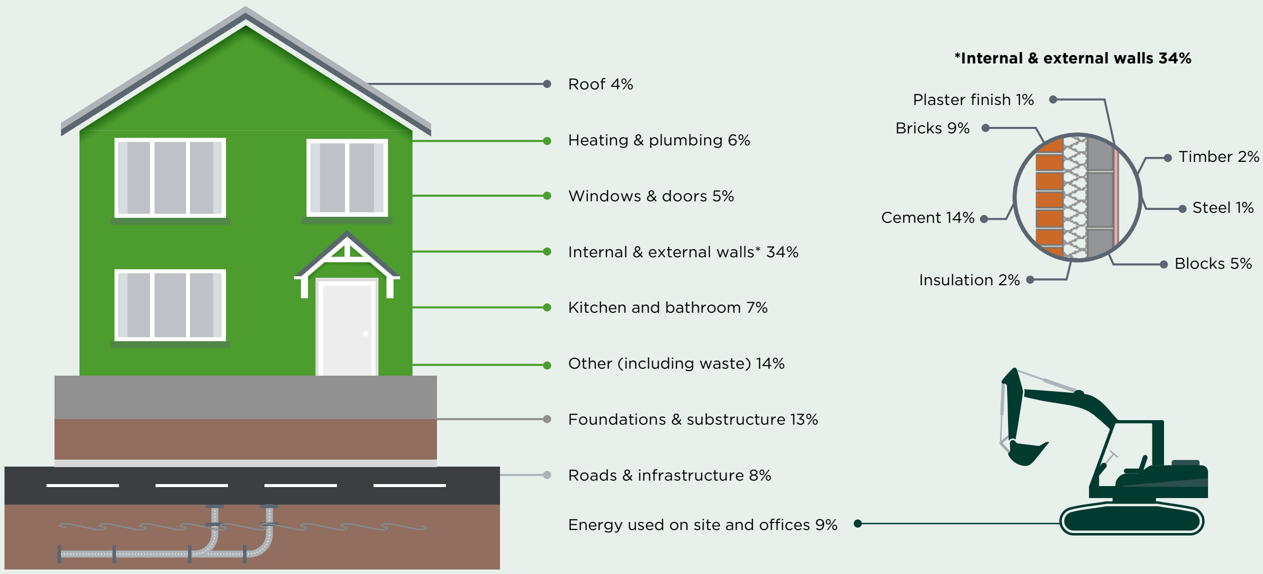
We have reduced scope 1 and 2 emissions by 9% this year (26% in total over the last two years) and have started to take actions to reduce embedded scope 3 emissions. We recognise the majority of emissions arise from the build process and in-use emissions and are examining the ways in which we can reduce these.

For the detailed analysis and methodology used in calculating our scope 1, 2 and 3 emissions, see pages 59 and 60.

The carbon cost of building a home

Gleeson and our supply chain generate an average of 45 tonnes of CO_2e for every home built. Last year we estimated that an average Gleeson home contributed 30 tonnes of CO_2e. This year we have been working closely with our supply chain to calculate embodied emissions more accurately. Total emissions for a Gleeson home range from 38 tonnes to 60 tonnes, depending on the house type and size. This has been independently verified by an external sustainability consulting expert. Based on our latest data and the mix of house types sold in the year, the average emissions for a Gleeson home was 45 tonnes.

…the carbon cost of building a home



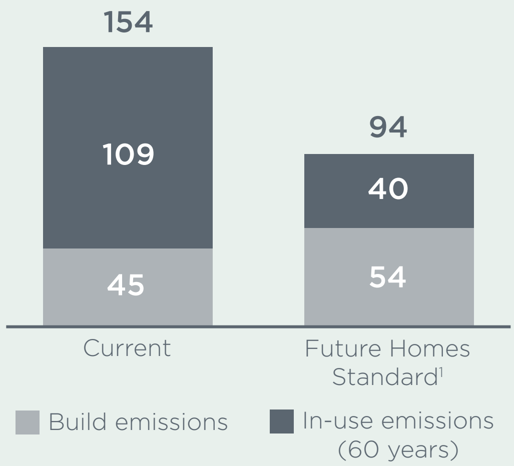
Regulatory changes – Future Homes Standard

The government has introduced significant changes to building regulations to support its Future Homes Standard, requiring new build homes in England to produce 31% less carbon emissions compared to the old regulations by 2023 and 75-80% less emissions by 2025. The Future Homes Standard requires new build homes to be "future-proofed with low carbon heating and world-leading levels of energy efficiency". This requires significant changes such as the removal of gas boilers, increased insulation, the installation of electric vehicle charging points and increased space requirements.

The immediate impact of these regulatory changes is to increase the embodied carbon emissions from building our homes, which requires additional carbon-intensive materials. This will result in the average embodied carbon intensity increasing from 45 tonnes to 54 tonnes per home built.

However, when taken over the lifetime of a home, which is notionally assessed over 60 years, the in-use emissions for our customers from heating and powering their homes falls significantly. This will, in part, be driven by the wider decarbonisation of the electricity grid as the UK switches to more renewable energy sources.

Impact of the Future Homes Standard on total CO_2e emissions over 60 years (tonnes)



[1] Includes assumption of decarbonisation of the UK electricity grid based on BEIS Updated energy and emissions projections 2019.

Environment

CONTINUED

How are we reducing carbon emissions?

Scope 1 and 2

Carbon emissions from scope 1 and 2 activities reduced from 2.05 tonnes of CO_2e per home in 2021 to 1.86 in 2022, a decrease of 9% in the year and 26% since 2020 (adjusted for the impact of Covid-19). This puts us well on track to achieving our strategic target of reducing CO_2e by 30% to 1.75 tonnes in the three years to 2023.

Scope 1 and 2 emissions comprise direct emissions from energy purchased and used by the Group, such as diesel, natural gas and liquid petroleum gas used on sites and in our offices, as well as the emissions associated with the consumption of energy from purchased electricity. This year we have continued to make changes to our business operations, without sacrificing quality or efficiency, in order to reduce these direct emissions.

Our largest carbon-emitting fuel is diesel, which is used by forklift trucks, plant and machinery and generators, so we have focused on ways to reduce diesel usage across the business.

Forklift trucks – Last year we announced that we had upgraded 59% of our forklift truck fleet to newer models which included lower carbon-emitting engines, start/stop function and tracking to monitor usage and idle time. We have now completed this transition and 100% of the forklifts on our sites are the newer, more energy-efficient models, reducing CO_2e from forklift trucks by 8%. This has generated a saving of 144 tonnes of CO_2e this year.

Generator usage – Over the past two years we have significantly reduced our generator usage – which use diesel to power them – through more considered planning of on-site temporary facilities. In particular, we have changed the timing of our site build and sales activities in order to reduce generator usage, which has been a significant factor in the 26% reduction in CO_2e in the past two years.

Biodiesel/HVO fuel – This year we trialled the use of hydro-treated vegetable oil (“HVO”) fuel as an alternative to red diesel and regular diesel on 14 sites. The outcome of this trial was encouraging and we saved 143 tonnes of CO_2e versus regular diesel and 154 tonnes of CO_2e versus red diesel, equivalent to 93% and 94% respectively. Extrapolated across all of our sites, this could generate potential savings of circa 2,000 tonnes of CO_2e, reducing our CO_2e per home built by 0.9 tonnes. Following this trial, we implemented a Group-wide fuel policy that promotes the use of HVO fuel where it is available at a reasonable price and will continue to monitor price, usage and availability.

Eco-cabins – This year we trialled eco-cabins on seven new build sites. The eco-cabins consist of a number of energy-efficient features, including 100W solar panels to provide enough power for periods of low activity, supplemented by a small diesel generator for periods of peak usage, motion-activated lights, water-saving technologies, and battery charging systems that use less energy to charge. Our trial showed the eco-cabins generated a fuel saving of approximately 50 litres of diesel per week, equivalent to a carbon saving of approximately 126kg of CO_2e per week. Our colleagues on the trial sites also reported that the eco-cabins are much quieter without having a noisy generator running continuously to provide power.

Our second largest carbon-emitting fuel is petrol and diesel for business mileage. In order to address this, we implemented a new company car policy this year to incentivise employees to choose low-emission and electric vehicles and placed a cap on vehicle carbon emissions. In addition, the new policy offers a significantly improved choice of vehicles to our colleagues, enhancing the company benefits. We will begin to see the positive impact of this change and the associated carbon emission savings more fully in 2023.

Scope 3 – build process

An average of 43 tonnes CO_2e scope 3 emissions were emitted for every home sold during the year.

As part of our commitment to understanding and reducing the sources of embodied carbon in our supply chain, we have been working closely with our supply chain to obtain Environmental Product Declarations (“EPDs”) for 62% of the materials we use. Where we have not been able to obtain EPDs industry standards have been used.

Undertaking detailed analysis has allowed us to understand the main contributors of embodied carbon in the homes that we build. The top 10 contributors, which account for 60% of the total embodied carbon in a home, are set out below:

Top 10 CO_2e contributors in the build process	Tonnes of CO_2e	% of total
Cement mortar	6.6	15%
Clay brick	3.7	8%
Fuel used on site	3.2	7%
Concrete blocks	3.0	7%
Ready mix concrete	2.7	6%
Windows and doors	2.2	5%
Road surfacing	1.8	4%
Radiators	1.7	4%
Cavity wall insulation	1.0	2%
Fiberglass roof materials	0.9	2%
Total	26.8	60%

We are working closely with our supply chain partners to identify alternative materials with lower embodied carbon without sacrificing quality.

We started with clay bricks and identified that changing to concrete bricks could achieve a 49% reduction in CO_2e when compared with clay. This year we built 52 homes using concrete bricks, including reconstituted stone. This equates to a carbon saving of 94 tonnes of CO_2e on bricks alone.

Whilst concrete bricks have significantly lower embodied carbon than clay bricks, concrete products still have high levels of embodied carbon, and we are continuing to evaluate lower-carbon alternatives.

Fuel used on site is another large contributor of embodied emissions. Our efforts to reduce these emissions is set out in the scope 1 and 2 section on the previous page, particularly the changes to forklift trucks, generator usage and biodiesel/HVO fuel.

We continue to include embodied carbon intensity considerations into our procurement processes as well as considering sustainable packaging and suitable alternatives to reduce waste.

As our supply chain catches up with understanding the carbon intensity in their own value chain, we will continue to request key material suppliers to disclose their environmental impact and carbon reduction plans and to offer lower-carbon alternatives. One of our key areas of focus will be on cement mortar that we source from a number of suppliers and is our number one contributor to carbon emissions.

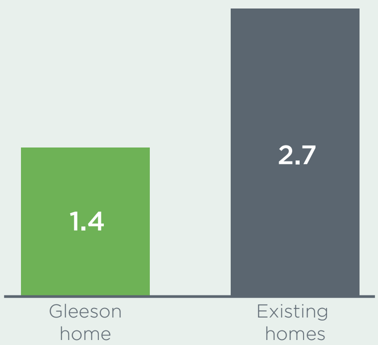
Scope 3 – in-use emissions

The largest contributor of carbon emissions from a new build home arises from the in-use emissions over the lifetime of a home. Over a 60-year period, the in-use emissions are estimated to be 109 tonnes of CO_2e – almost 2.5 times higher than the embodied carbon in building the house.

We build high-quality, affordable homes that are energy efficient. 97% of our homes achieve an energy performance rating ("EPC") of B or above compared to the house building industry average of 86%.

When compared to existing dwellings, a Gleeson home produces 48% lower carbon emissions due to its higher energy efficiency.

Annual emissions to heat and power a home (CO_2e tonnes)



The Future Homes Standard is designed to reduce the emissions over the lifetime of the house and this is being implemented by changes in building regulations. One significant change is the move away from gas-fired boilers in homes. Alternative technologies are being widely taken up and one of the most efficient is air source heat pumps.

Air source heat pumps

As part of the Future Homes Standard, new homes will be required to produce 75-80% less in-use carbon emissions compared with pre-transitional regulations. One of the largest sources of carbon emissions in homes is heating a home with a gas boiler. Finding an alternative heat source is therefore critical in reducing in-use emissions.

We engaged with industry-leading manufacturers and subcontractors to research and design an efficient and cost-effective solution, and selected air source heat pumps ("ASHP") as the best solution for our homes.

Air source heat pumps are located outside of the home. Much like a refrigerator working in reverse, air is pulled into the ASHP and pushed through a coil of fluid. The fluid is then compressed, which causes it to heat up, and pushed into the heating system to heat the home. By harnessing this process, an ASHP can take a single kilowatt of electricity and make three kilowatts of heat energy, making it extremely energy efficient.

We installed our first ASHP in a detached home on Erin Court, Derbyshire, in September 2021. In partnership with Sheffield Hallam University we ran a number of tests, including assessing the efficiency and running costs. These test results showed an impressive efficiency of 293% compared to the 94% efficiency of a gas boiler.

Since this initial test we have continued to work with Sheffield Hallam University and our ASHP manufacturer to make changes, and further testing is now under way to provide a better understanding on the effects of seasonality on ASHP efficiency.

As these continue, we have taken the decision to move from traditional gas boilers to ASHP technology. We are already installing ASHPs on certain developments, and they will be installed in all new homes built from June 2023.

Environment

CONTINUED

Natural resources

Land

Our developments are located in areas where there is a need for regeneration; typically areas of deprivation or brownfield sites that would otherwise remain derelict or unused. 82% of our homes sold this year were in the third most deprived areas of the country or on brownfield land.

We invest in our sites, creating attractive and well-planned developments with green open space and access to local facilities. We continue to purchase land in areas that are in need of regeneration, but with good transport links and access to local facilities and employment. Page 58 sets out an example of the brownfield land remediation that we undertake.

Water stress

Areas of serious water stress are areas where the demand for water is a high proportion of the rainfall which is available to meet that demand, or will be in the future. Where demand is higher than availability, this places significant stress on the environment as additional resources are needed to make up the shortfall.

We typically acquire sites and build in areas of relatively low water stress, being located in the North of England and Midlands. For the year to 30 June 2022, 23% of homes sold were in areas of serious water stress. In total, 38% of plots in the Gleeson Homes land pipeline are classified as being in an area of serious water stress. We do not undertake any water abstractions from ground or surface waters.

Licenced water usage

We recognise that water is a valuable resource and during the next 12 months, we will be developing a water strategy to reduce our reliance on licenced water supply. As part of the work supporting the development of our strategy, we will evaluate the feasibility of incorporating grey water usage into our operating activities, including exploring initiatives such as rainwater harvesting and the use of surface water management during construction for site processes such as dust suppression. Our strategy will also include improving the tracking of water consumption across sites with actual usage data, rather than using estimates. We will be engaging with water companies to identify supply risks, improve data and maximise water reduction opportunities.

Water consumption	**2022**	2021
Cubic metres of water consumed	**90,692**	78,143
Cubic metres of water consumed per home sold	**45**	43
Cubic metres of water consumed per build site	**1,093**	1,007

All our homes are fitted with dual-flush toilets, low-flow taps and showers and water meters. They are designed to achieve an internal water use of less than 110 litres per person per day. This is 12% lower than the maximum allowance specified by building regulations, saving both natural resources and our customers on their water bills. We are working to design further efficiencies and collaborating with our supply chain with the aim of reducing this to less than 100 litres per person per day.

Waste

In the year, we diverted 99% (2021: 98%) of waste generated in our operations away from landfill through recycling or conversion to energy. We continue to maintain our commitment of zero waste to landfill[1]. We will continue to engage with specialist waste management providers and implement initiatives such as pallet repatriation, re-use of waste materials on site and engage with our supply chain to minimise incoming packaging waste. We will also be developing targeted, role-specific training and awareness including waste management practices.

1 The common interpretation of “zero waste to landfill” is that at least 99% of waste diversion from landfill is achieved.

Our total waste this year amounted to 12,272 tonnes (2021: 13,511 tonnes), a waste intensity of 6.1 tonnes (2021: 7.5 tonnes) per home sold. Absolute waste has decreased by 9% despite the 10.4% increase in homes sold as a result of the measures being taken on sustainable procurement, packaging and waste management. We continue to work with our supply chain and internal stakeholders to firstly reduce waste generated, then to maximise waste recovery options.

Hazardous waste is generally limited to packaging containing hazardous residues such as paint tins, sealant and adhesive cartridges. These are specifically handled by our specialist waste management providers.

Biodiversity

From November 2023, biodiversity net gain requirements, which were introduced in the Environment Act 2021, require developers to ensure that all new developments demonstrate a 10% increase (net gain) in habitat value for wildlife compared with a pre-development baseline. On many brownfield sites that have been rewilded by nature, this can be more challenging to achieve than an equivalent agricultural or greenfield site. However, we are working towards these targets on all future developments and developing our biodiversity strategy not only to meet the obligations, but also provide significant increases to biodiversity where it is viable to do so.

We recognise the importance of the linkage between biodiversity and environmental amenity within the built environment. Our developments incorporate design features such as open spaces, sustainable drainage systems ("SuDS") and soft landscaping such as plants and trees to complement the surrounding natural infrastructure and support the wider natural environment. Every Gleeson home sold includes garden space which provides the opportunity for our customers to create outdoor living spaces to enjoy.

During the coming year we will be strengthening our team with ecology expertise and aligning our biodiversity actions into a focused biodiversity strategy (see targets on page 65).

Supply chain and sustainable materials

We are committed to reviewing the impact on the environment throughout our supply chain and, in particular, are taking the following actions:

- We source 99.9% of the timber we use in construction from FSC or PEFC certified sources.
- We engage with suppliers to use packaging materials that are recyclable or biodegradable where possible.
- We continue to evaluate alternative materials to those currently used, where these have lower embodied carbon emissions and can be more easily recycled or reused.

In 2022, Gleeson partnered with The Supply Chain Sustainability School. This enables us to upskill colleagues and work collaboratively with other housebuilders, contractors and suppliers to achieve common goals in delivering a sustainable future.

Additional information

We take our environmental responsibilities seriously; we meet all of our compliance obligations and are committed to protecting the environment and preventing pollution. During the year, Gleeson has not been subject to any environmental prosecutions, enforcement or warnings.

Case study: Regenerating land

Kilner Park, South Yorkshire

Coal, coke and bottles

Kilner Park is named after the world famous Kilner jars, which were manufactured at nearby Providence Glassworks in Conisbrough up until 1937.

Kilner Park is situated on the old Denaby Main colliery and coking plant which served the Kilner jar factory. The colliery operated from the 1860s, finally closing in 1968. The area was left derelict until the land was developed for the "Earth Centre", opening in 1999 and then closing in 2004.

Land degradation

100 years of coal mining and coking had taken its toll by significantly degrading the land through physical use and contamination, primarily from the coal mining and processing wastes, which often include various heavy metals, polycyclic aromatic hydrocarbons and other contaminants which are damaging to the natural environment and to human health.

Regeneration of the land

The site underwent significant remediation works to remove contaminants, demolition waste and other detritus before work began on the Earth Centre. Following its closure the site was largely demolished and remained vacant for a considerable number of years before further significant remediation was undertaken to remove fly tipped waste and clear invasive plant species. Large amounts of road surfacings and the existing capping material used for the Earth Centre car park were removed, with new layers of capping placed in readiness for build.

A legacy for the future

Kilner Park has 175 plots comprising of two, three and four-bed family homes. Designs were carefully considered by engaging with stakeholders from the local community and the local authority who had clear visions on how they wanted to see the site developed. The development provides affordable, quality homes with easy access to public transport infrastructure and amenities, and sits alongside other redevelopment serving to elevate the entire area and leave a lasting legacy for future generations of home owners.

Carbon emissions – detailed information

Our scope 1 and 2 emissions in detail

The table below shows the energy usage and carbon emissions for the Group in line with the Streamlined Energy and Carbon Reporting ("SECR") requirements. All energy and carbon emissions originate in the UK. Our carbon emissions are calculated in accordance with the Greenhouse Gas Protocol – a Corporate Accounting and Reporting Standard.

	2022		2021		2020	
Scope 1 and 2	**Tonnes of CO_2e**	**Energy usage**	Tonnes of CO_2e	Energy usage	Tonnes of CO_2e	Energy usage
Gas oil / diesel	**2,009**	**750,257 litres**	2,288	829,440 litres	2,071	750,974 litres
Car fuel	**783**	**328,960 litres**	490	203,871 litres	427	176,650 litres
HVO fuel / biofuel	**9**	**55,900 litres**	0.25	1,500 litres	–	–
Electricity	**518**	**2,676,613 kWh**	380	1,788,610 kWh	331	1,420,709 kWh
Gas	**290**	**1,576,126 kWh**	479	2,615,295 kWh	149	810,795 kWh
Liquid petroleum gas ("LPG")	**105**	**488,701 kWh**	84	392,472 kWh	45	210,968 kwH
Total scope 1 and 2	**3,714**		3,721		3,024	
Per home sold	**1.86**		2.05		2.82[1]	

1 Removing the impact of Covid-19 gives an adjusted carbon intensity reference of 2.50 tonnes per home sold for 2020.

Scope analysis

Scope 1 and 2	**2022 Tonnes of CO_2e**	2021 Tonnes of CO_2e	2020 Tonnes of CO_2e
Scope 1 – burnt fuels	**3,196**	3,341	2,692
Scope 2 – electricity			
– location based[1]	**518**	380	331
– market based[1]	**260**	196	331
Per home sold (location based[1])	**1.86**	2.05	2.82[2]
Per home sold (market based[1])	**1.73**	1.95	2.82[2]

1 The Group reports location-based and market-based scope 2 electricity data. Market-based data is based on the emissions from electricity purchased by the Group. Location-based uses the average emissions intensity of the UK electricity grid. Purchased renewable sources of electricity used on our sites is supported by Renewable Energy Guarantees of Origin ("REGO") certificates.

2 Removing the impact of Covid-19 gives an adjusted carbon intensity reference of 2.50 tonnes per home sold for 2020.

Divisional analysis

	2022		2021	
Scope 1 and 2 (tonnes of CO_2e)	**Gleeson Homes**	**Gleeson Land**	Gleeson Homes	Gleeson Land
Scope 1 – burnt fuels	**3,172**	**24**	3,327	14
Scope 2 – electricity	**509**	**9**	369	11
Total	**3,681**	**33**	3,696	25

Scope 1 and 2 methodology

The Group reports the sources of material greenhouse gas emissions from its main activities, categorised as scope 1 and 2. Scope 1 comprises direct emissions from sources purchased and used directly by the Group, such as diesel, natural gas and liquid petroleum gas on sites and in our offices. Scope 2 comprises emissions associated with the consumption of energy from purchased electricity.

Our largest carbon emitting fuel is diesel, which is used by forklift trucks, generators, plant and machinery. Emissions are calculated using the volume of litres purchased during the year and multiplying by the applicable conversion factor to convert into CO_2 equivalent. In April 2022, the government prohibited the use of red diesel in the construction industry and as an alternative we have switched to a combination of regular white diesel and HVO biodiesel.

Our second largest carbon emitting fuel is petrol and diesel for company vehicles. This is calculated by taking the total litres of each fuel purchased, split proportionally based on business mileage submissions. This is multiplied against a standard conversion factor to convert this into CO_2 equivalent.

Our scope 3 emissions in detail

Tonnes of CO_2e	**2022**	Restated[1] 2021
Plot build	**78,729**	71,169
Infrastructure	**7,450**	6,750
Total scope 3 (excluding in-use)	**86,179**	77,918
Per home sold	**43**	43
In-use emissions (60 years)	**218,639**	197,402
Total scope 3 (including in-use)	**304,818**	275,320
Per home sold	**152**	152

1 2021 reported figures have been restated to reflect the increased detail of bill of quantities, supplier EDPs and our improved understanding of scope 3 emissions.

Environment
CONTINUED

Scope 3 methodology

For emissions from build, all of the materials used for each house type plus emissions from construction work on site (including infrastructure such as roads and sewers), transport and end-of-life replacements are used to estimate the embodied carbon emissions.

We use the “bill of quantities” to understand every individual component of our homes and the volume of materials required for the build, including an apportionment of site infrastructure such as roads and utilities. To date, we have obtained EPDs reporting the embodied carbon emissions for 62% of the materials used in our homes and applied these, where appropriate, in calculating the scope 3 build emissions. The remaining 38% are calculated based on standard industry emissions data by material.

This assessment was carried out for our most common house types, collectively accounting for 89% of total homes sold in the year to 30 June 2022. The remaining 11% is extrapolated based on floor area and other known material quantities in the remaining house types to give the total annual emissions from house building.

The figures reported for 2021 have been restated to reflect the increased detail of bill of quantities, supplier EPDs and our improved understanding of scope 3 emissions.

For in-use emissions, actual energy spend data from customers is converted to energy consumption and carbon emissions, then projected forward (assuming broadly stable energy usage) to arrive at the 60-year in-use carbon emissions total for each house type.

Our methodology and calculation of our scope 3 emissions have been independently verified by an external consultant for accuracy, completeness and to ensure we are reporting in accordance with the GHG protocol.

Springfield Meadows,
Bolsover, Derbyshire


Welcome to
Springfield
Meadows
gleeson

Sustainability Targets

Progress against our 2022 improvement targets

Health and safety incident rate ("AIIR") will be reduced to the industry standard or lower in the year

Target achieved

Reportable incidents ("RIDDORs") reduced significantly to a single incident during the year. As a result, our AIIR for the year to 30 June 2022 reduced to 55 (2021: 556) and was below the HBF industry average of 239.

2022 actions	Update	Result
Introduce independent, unannounced safety inspections on every active build site at least once per month.	These were introduced. 704 independent site inspections were completed during the year with 89% achieving at or above our 90% benchmark. The average site score was 94%.	✓
Launch a training and development passport mandatory for all apprentices.	Training and development passports have been rolled out for all apprentices.	✓
Enhance working-at-height procedures through additional training and enhanced working practices.	An updated and improved scaffolding specification was introduced in January 2022 and implemented across all sites.	✓
Provide bi-annual supply chain and subcontractor HomeSafe workshops focusing on health and safety.	Workshops were undertaken in a number of regions but had not been completed bi-annually by the end of the year due to resource constraints.	✗
Deliver a company-wide campaign on slips, trips and falls and manual handling training.	A campaign on slips, trips and falls was delivered and manual handling training has been provided to all colleagues.	✓
Enhance tracking and reporting of near misses and raise awareness of importance.	A Group-wide awareness campaign on near misses was launched and a centralised data-capture system introduced.	✓
Assess feasibility and implement digital recording of personnel on all sites.	A feasibility assessment was successfully completed and implementation of the new system has commenced. This has not yet been introduced on all sites.	✗

Our employee engagement will be maintained in the upper quartile of all companies

Target achieved

Our independently-assessed employee engagement score increased to 90% this year (2021: 89%) and 89% of colleagues (2021: 88%) are proud to say that they work for Gleeson. This places Gleeson in the upper decile of all UK companies surveyed.

2022 actions	Update	Result
Enhance communication across the Group including online forums, regional roadshows and company-wide communications.	All-employee roadshows, a weekly newsletter, @Home, and "At a Glance" notice boards on all our sites and regional offices are used to communicate regularly with colleagues.	✓
Launch employee "Wellbeing Toolkit" which will give all of our employees the resources to obtain relevant support.	The Wellbeing Toolkit was launched in the year. Regular reminders are sent out in @Home reminding employees and signposting them to the Toolkit.	✓
Further develop the apprenticeship programme to broaden skills and retain talent.	Training and development plans are in place for all apprentices which record their progression and support requirements.	✓
Enhance our recognition schemes to incorporate Company values and improve on-site participation.	We are exploring options to enhance our recognition programme, but further work is required to include site-based employees who do not have access to a company laptop. This action was not met and will be carried over into 2023.	✗

We will maintain our 5-star customer recommendation status

Target achieved

We achieved an independently-assessed customer recommendation score of 90.7% (2021: 90.6%) this year. This is equivalent to a Home Builders Federation ("HBF") 5-star rating.

2022 actions	Update	Result
Roll out a "Customer First" campaign across all developments.	"Customer First" programme has been rolled out, and is integrated into onboarding and training processes.	✓
100% quality inspections to be achieved within 48 hours of obtaining CML (Certificate for Mortgage Lending).	We have inspected 100% of plots within 96 hours of legal completion, with 68% inspections within 48 hours of CML. The inspections not achieved within 48 hours of CML are a result of resource limitations during the first half of the year.	✗
Improve customer care systems and reporting to integrate all elements of inspections, defect management and customer care.	We have improved systems and processes for pre-completion inspections and established weekly divisional, regional and site-level defects reporting. We have developed applications to measure sales administration performance and generate action logs for issues identified.	✓
Engage and provide training to third-party subcontractors and suppliers on our "Customer First" requirements.	Nine regional seminars and presentations were held during the year for selected subcontractors to further embed our Customer First programme.	✓

We will reduce our carbon emissions by 30% over three years to 1.75 tonnes by 2023

On track

As set out on page 59 our scope 1 and 2 emissions for the year were 1.86 tonnes of CO_2e per home sold (2021: 2.05 tonnes, 2020: 2.50 tonnes adjusted for the impact of Covid-19).

This is a 9% reduction from 2021 and 26% reduction from 2020, which puts us well on track to meet our CO_2e reduction target of 1.75 tonnes per home sold by next year.

2022 actions	Update	Result
All forklift trucks to be upgraded to the newer models within one year.	All forklifts have been replaced with the new, more fuel-efficient models.	✓
Complete our eco-cabin trial and, if successful, roll out across all new sites.	Eco-cabin trial completed and carbon emission savings of 126kg CO_2e per week generated. We will continue rolling out eco-cabins on all new sites in 2023.	✓
Complete our biodiesel trial and, if successful, roll out across sites.	Biodiesel trial completed and carbon emissions savings of 154 tonnes generated. We have implemented a fuel policy to promote the use of biodiesel across the Group.	✓
Review energy efficiency measures in each of our offices.	We have engaged an energy broker and consultant to develop an efficiency plan which will commence in 2023.	✗
Ensure electricity purchased for sites continues to come from certified renewable sources with Renewable Energy Guarantees of Origin ("REGO").	We continue to procure electricity on a 100% renewable-sources tariff which is supported by REGO certification.	✓
Launch a generator usage policy to reduce generator fuel usage.	Our generator usage policy has been successfully launched and implemented across the business.	✓

Sustainability Targets
CONTINUED

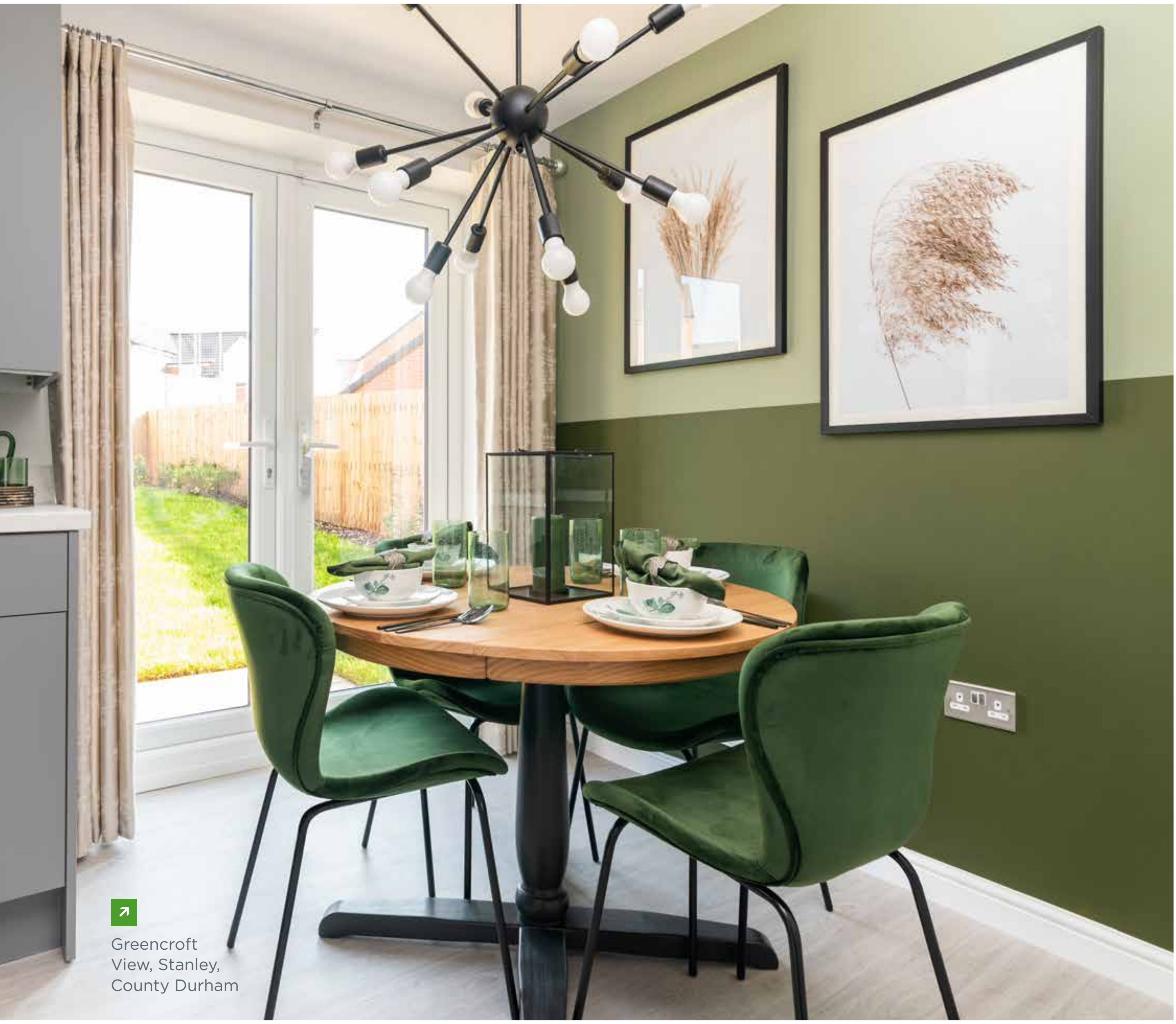
What we want to improve

Health and safety
Our incident rate ("AIIR"), at 55 per 100,000 employees, has reduced significantly and is lower than the industry average reported by the Home Builders Federation. We want to continue to improve our health and safety performance through training, awareness and proactive engagement with all colleagues.

Staff engagement
We want all our colleagues to continue to be happy, motivated and engaged in their work. We want them to share the values and strategy of the business.

Customer satisfaction
We want to continue improving our build quality and customer journey, and our focus will be on the systems, training and ongoing engagement with our suppliers and subcontractors to support this.

Carbon emissions
Our scope 1 and 2 emissions have reduced significantly but remain higher than some other housebuilders. We want to fully understand our office energy consumption to identify and realise energy efficiencies across all offices.



Greencroft View, Stanley, County Durham

Our 2023 sustainability targets

Health and safety incident rate ("AIIR") will be lower than the industry average in the year

Actions:

- Deliver enhanced temporary-works training and implement focused action plans.
- Enhance our campaign on slips, trips and falls across all sites and offices.
- Provide training to all site management colleagues on underground services and utilities.
- Introduce additional spot checks on monthly health and safety focus areas.
- Further develop our digital near miss reporting systems to deliver improved data and root-cause analysis.

Our employee engagement will be maintained in the upper quartile of all companies

Actions:

- Enhance our new starter onboarding programme to improve pre-commencement support and communication.
- Create regional focus groups to target and action key findings from the annual Your Voice employee engagement survey.
- Provide resources for site-based staff to enable them to participate more easily in the Your Voice survey.
- Deliver targeted learning and development pathways for our colleagues.
- Undertake quarterly talent mapping meetings to gain insights into development, performance and succession plans.

We will maintain our 5-star status with a 90% or above customer recommendation score[1]

Actions:

- Develop and implement a digitised quality inspection and monitoring system for key build stages.
- Implement an enhanced customer contact workflow to improve pre-completion communication.
- As an early adopter of the New Homes Quality Code, ensure adherence to its standards.
- Enhance "My Gleeson" data recording to enable better root-cause understanding and allow preventative actions to be taken.
- Increase our percentage of issues resolved within 30 days by 10%.
- Improve our customer satisfaction score for "Communication" (pre completion) by 5%.

We will reduce our carbon emissions by 30% over three years to 1.75 tonnes in 2023

Actions:

- Install eco-cabins, which reduce carbon emissions, on all new sites.
- Trial the use of more efficient generators for use on sites to reduce fuel consumption.
- Improve energy efficiency across our offices.
- Promote the use of biodiesel across all of our sites.
- Continue to enhance our company car scheme to encourage more colleagues to switch to electric or hybrid vehicles.
- Continue to progress actions in respect of reducing scope 3 emissions as set out on pages 54 and 55.

Other environmental actions

We are also committed to a number of other actions aligned with our strategic objective of protecting the environment beyond reducing carbon emissions, including, but not limited to:

- Develop a Group-wide water strategy to address water consumption, waste and re-use of water.
- Develop a biodiversity strategy that will align with and complement our existing activities and planning strategies.
- Achieve zero waste to landfill by further improving waste management practices and data recording.
- Deliver sustainability training through targeted learning and development pathways in collaboration with the Supply Chain Sustainability School.

1 As polled by an independent survey company, which is equivalent to the Home Builders Federation 5-star rating

Task Force on Climate-Related Financial Disclosures

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures ("TCFD") to improve and increase reporting of climate-related financial information.

Responding to the TCFD requirements, we aim to continually enhance our disclosures in line with its recommendations and market practice. We also disclose climate-related governance, strategy, risk management and metrics as part of the Carbon Disclosure Project ("CDP").

Governance

The organisation's governance around climate-related risks and opportunities.

The Board has ultimate responsibility for climate-related risks and opportunities, with the day-to-day approach in responding to climate-related risks and wider sustainability targets being managed by the Executive Directors.

The Sustainability Committee is a sub-committee of the main Board and meets to discuss the strategic direction of the Group in respect of sustainability, climate-related risks and opportunities and to assess progress on ongoing sustainability projects, including carbon emissions reduction. Find out more on pages 106 to 109.

Regular updates are provided to the Audit Committee and Board outlining any changes to the assessment of sustainability risks, material issues, policies, disclosure requirements and progress against sustainability targets.

Below the Board, operational directors and heads of department have responsibility for sustainability matters in their respective areas, including managing compliance with the Group's sustainability policies:

- climate and environment;
- sustainable procurement;
- sustainable packaging;
- sustainable timber usage;
- sustainable fuel usage; and
- sustainable waste management.

This year we appointed a Group Sustainability Manager who supports senior management and the Executive Directors in delivering our sustainability strategy. The Group Sustainability Manager is responsible for managing carbon emissions reduction projects, environmental compliance and developing strategies for water and biodiversity, amongst other matters.

During the year we also created a Sustainability Action Team and Climate Action Team which are responsible for the development and delivery of our wider sustainability initiatives, including progressing our current year actions as set out on page 65. These teams include the Chief Financial Officer, the Managing Director of Gleeson Homes, and other members of senior management who are held accountable for delivering measurable progress against our sustainability targets.

Risk management

How the organisation identifies, assesses, and manages climate-related risks.

The Board has overall responsibility for the Group's management and assessment of risks, supported by the Sustainability and Audit Committees.

The Group risk register is formally reviewed by the Audit Committee at the majority of its meetings, including consideration of emerging risk areas or changes to existing risks. Climate change and sustainability have been identified as principal risks for the Group. Find out more on pages 38 and 39.

The Group's risk management framework includes a separate sustainability risk register, which includes key climate-related and other sustainability risks for the business.

The sustainability risk register identifies both principal and emerging risks and informs a formal risk assessment process that considers the likelihood and impact of the identified risks together with any mitigating controls that are already in place or planned. This position is reviewed by the Sustainability Committee as part of its bi-annual review of the sustainability risk register.

Any changes to risk scores on the sustainability risk register are then considered in the context of the Group risk register in respect of the principal risks of climate change and sustainability. Proposed changes are reported to the Audit Committee and Board as part of its monitoring of principal and emerging Group level risks.

During the year, the Group completed an exercise to define the risk classification criteria in respect of its risk term, likelihood and impact. This is outlined below.

Risk term

Risk term was determined by considering the four risk scenarios, set out on pages 68 and 69, and balancing the anticipated timescales of the climate-related scenarios against the actions and mitigations required. Our risk terms have been defined as:

- 1-3 years = short term
- 4-10 years = medium term
- 10+ years = long term

Likelihood and impact

Internal stakeholder meetings were undertaken to discuss the risk scenarios and the likelihood of occurrence together with the impact they would have on the business.

Impact was assessed based on the estimated financial costs attributable to the realisation of part, or all, of these scenarios:

- Less than £1m = low impact
- £1m-£3m = medium impact
- £3m+ = high impact

Moorland Green, Gateshead, Tyne and Wear

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.

Climate change has the potential to significantly impact our business strategy through regulatory changes, government policy, stakeholder expectations and the direct effects of climate change such as weather events, loss of developable land and the impact on biodiversity and the wider natural environment.

During the year we have used the process of scenario planning to aid our assessment of climate-related risks and opportunities and the potential impact on the Group, its strategy and any financial impacts. As part of this evaluation, we have identified the four most significant climate-related risk scenarios that could impact the Group. Each of these risks has been assessed against its defining risk category, risk term, likelihood and financial impact. These four risk scenarios are set out in the table on pages 68 and 69.

Risk category

TCFD places climate-related risks into two major categories:

- Transition risks focus on financial and reputational risk relating to transitioning to a lower-carbon economy and include four sub-categories of policy and legal risk, technology risk, market risk and reputation risk.
- Physical risks relate to the actual or potential impacts of climate change and include two sub-categories of acute and chronic. Acute risks are event-driven such as flooding, and chronic are longer-term events such as rising temperatures and sea-level rise.

Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Our climate performance is measured by reference to a carbon-intensity target. In 2020, we set a target of reducing our scope 1 and 2 emissions by 20% per home sold within three years. This would have resulted in a carbon intensity of less than 2.0 tonnes of CO_2e per home sold. Due to the significant progress made during 2021, we increased our carbon reduction target from 20% (2.0 tonnes of CO_2e) to 30% (1.75 tonnes of CO_2e) by the end of 2023. This year we have reduced our scope 1 and 2 carbon emissions to 1.86 tonnes of CO_2e per home sold and remain well on track meet our CO_2e reduction target by next year. Our carbon emissions figures can be found on page 59.

Our climate performance metric for scope 1 and 2 emissions is calculated by the total metric tonnes of CO_2e from our direct operations, divided by the number of legally completed house sales in a financial period. We report both "market-based" and "location-based" metric for our scope 2 (electricity) usage.

During the year, we have progressed our understanding and data accuracy of scope 3 emissions which covers the indirect upstream and downstream carbon emissions of our value chain. This includes the emissions generated by our supply chain in the services and materials they provide to our business, the construction process, and over the life of the homes that we build. This level of accuracy of scope 3 data will be critical in developing our carbon reduction pathway.

The embodied scope 1, 2 and 3 emissions per home sold of 45 tonnes of CO_2e will be used internally for the purposes of assessing our principal and emerging risks, as well as further carbon reduction strategies.

Further details on our scope 1, 2 and 3 emissions, including methodology, can be found in the Environment section on pages 52 to 60. Sustainability KPIs are set out on page 20.

Task Force on Climate-Related Financial Disclosures CONTINUED

Climate scenarios

We have considered a +1.5°C, a +2.0°C and a "business as usual" +4°C scenario. Climate-related emerging regulation is considered to be a +1.5°C scenario as it is driven by the UK government in line with the Paris Agreement. We have assumed a +4°C scenario (worst case) for the remaining risks.

Risk	Risk category and scenario	Description	Targets and actions	
Climate-related emerging regulation	Transition – policy and legal +1.5°C scenario	The Future Homes Standard requires new build homes in England to produce 31% less carbon emissions compared to the old regulations by 2023 and 75-80% less emissions by 2025. These require changes such as the removal of gas boilers, increased insulation, the installation of electric vehicle charging points and increased space requirements. We fully support the UK government in their carbon reduction commitments, however, there is an inherent financial impact to our business to meet the requirements of the new building regulations.	In response to the Future Homes Standard, we are switching from our existing gas boiler specification to a more efficient air source heat pump installation. The air source heat pump will remove the dependence on gas for heating our homes and capitalise on the benefits of the decarbonisation of the electricity grid. We expect this to reduce in-use emissions by 54 tonnes per home over the 60 year assessment period. We are also required to improve the thermal efficiency of new build homes. As a result, improved insulation is required with the aim of reducing the amount of energy required to heat a home.	**Risk term** Short **Likelihood** Virtually certain **Financial impact** High
Adverse weather events affecting build progress	Physical – acute/ event driven Current trajectory +4°C scenario	Increased frequency and severity of adverse weather events are likely to cause increased disruption to our build programmes and pose increased health and safety risks if not managed carefully. Extreme rainfall poses significant risks to construction sites and makes activities such as working at height more dangerous. It can also make other site activities such as groundworks virtually impossible due to poor working conditions. Site flooding and storm damage are likely to have further impact on our business as build delays and remedial works cause additional disruption to build rate.	Our sites are set up to minimise the effects of normal weather events as much as reasonably possible. Extreme events, including extreme rainfall, pose a significant risk. We will be developing our water strategy in the coming year, which will include mapping out actions to improve resilience to these types of adverse weather events.	**Risk term** Medium **Likelihood** Likely **Financial impact** Low
Loss of developable land due to flooding	Physical – chronic Current trajectory +4°C scenario	As a result of climate change, the UK has become wetter over the past few decades. Increased seasonal flooding and sea-level rise may pose greater risk to available land for development. Loss of developable land will impact the geographic locations of our developments, reducing the available land bank and leading to increased land costs. Additionally, there is greater emphasis on designing better water management solutions across our developments and the inclusion of flood-resilient design measures, which can impact the number of plots per development and increase costs.	We acquire and develop land following planning regulations including addressing flood risk. Virtually all of our developments incorporate sustainable drainage systems ("SuDS") to reduce surface run off. Further development of flood prevention measures and mitigations will be undertaken in line with any changes to planning or building regulations.	**Risk term** Long **Likelihood** Likely **Financial impact** High

Risk	Risk category and scenario	Description	Targets and actions	
Biodiversity loss and net gain	Physical – chronic Current trajectory +4°C scenario	From November 2023, the Environment Act 2021 will require developers to ensure that all new developments achieve a 10% increase (net gain) in habitat value for wildlife compared with a pre-development baseline. When brownfield sites have been left for a period of time they often become "rewilded" by nature, making it more challenging to achieve a net gain in biodiversity as the baseline measure is often far greater than a comparable greenfield development. All development works undertaken are compliant with relevant legislation and with appropriate mitigation being undertaken where required, including protected species and the management of invasive and injurious plant species. This can result in increased costs. The additional space required for biodiversity may reduce the number of plots per development and could make some future sites unviable.	In addition to satisfying planning compliance obligations, we will be developing our biodiversity strategy during 2023. We are proud of the fact that our developments already include green spaces and soft landscaping to complement and provide a linkage to the surrounding natural environment and existing green infrastructure.	**Risk term** Short **Likelihood** Likely **Financial impact** Medium

Saphron, Dane Park, Hull, East Yorkshire

Sustainability Accounting Standards Board

Land use and ecological impacts

Code / SASB criteria	Our approach
IF-HB-160a.1 **Number of (1) lots and (2) homes delivered on redevelopment sites**	In the year to 30 June 2022, we added 1,475 (2021: 2,740) brownfield land plots to our land pipeline. This accounted for 58% (2021: 52%) of plots acquired in the year. The total number of brownfield plots held at 30 June 2022 was 6,262 (37%) (2021: 7,606, 48%). In the year to 30 June 2022, we had 1,211 (2021: 1,387) home sales on brownfield sites. This accounted for 61% (2021: 77%) of our total annual completions. **Notes:** We consider brownfield land to include sites upon previously developed land, below ground disturbance (including mining or waste disposal) or land that contains contamination from previous use.
IF-HB-160a.2 **Number of (1) lots and (2) homes delivered in regions with High or Extremely High Baseline Water Stress**	In the year to 30 June 2022, we acquired 1,202 plots in regions of serious water stress. This accounted for 47% of plots acquired in the year (2021: 1,767 plots, 33%). The total number of plots in areas of serious water stress at 30 June 2022 was 6,433, 38% of the pipeline (2021: 2,945, 19%). In the year to 30 June 2022, we had 457 (2021: 106) home sales in areas of serious water stress. This accounted for 23% (2021: 6%) of our total annual completions. In July 2021, the Environment Agency ("the EA") changed their classification of areas of water stress from a "Low", "Moderate", "Serious" scale to a "Serious" or "Not Serious" scale. This change in classification has resulted in sites previously classified as "Moderate" increasing to "Serious" in the year. **Notes:** Serious water stress is defined as "the current household demand for water is a high proportion of the current effective rainfall which is available to meet that demand; or, the future household demand for water is likely to be a high proportion of the effective rainfall which is likely to be available to meet that demand". The water stress method takes a long-term view of the availability and demand for public water supply, rather than a snapshot of shorter or peak periods. It accounts for future population growth, climate change, environmental needs and increased resilience. It reflects and supports the commitments that water companies have made to reduce leakage and water consumption.
IF-HB-160a.3 **Total amount of monetary losses as a result of legal proceedings associated with environmental regulations**	We incurred no monetary losses in relation to environmental matters in the year.
IF-HB-160a.4 **Discussion of process to integrate environmental considerations into site selection, site design, and site development and construction**	**Site selection** We operate a "gateway" procedure in our site acquisition process to ensure that each site meets our hurdles at various stages throughout the purchase. At the earliest step, gateway 1, a site will be reviewed at a high level to ensure that it meets our guiding core principles and requirements; of particular importance at this stage is our objective to bring forward development of affordable homes on mostly brownfield sites or sites in areas of deprivation in a manner which safely and sustainably returns such sites back into meaningful use whilst simultaneously alleviating any environmental issues which may have been left behind by previous landowners. On clearing this hurdle, further due diligence is carried out, in part guided by our in-house appraisal document which carries a checklist to prompt consideration of all factors affecting sustainable development including matters of contamination, noise, odour, impact on ecology and biodiversity, proximity to transport links and local facilities. **Site design** We work with a panel of partner architects to ensure that our designs accord with National and Local Planning Policy and Guidance, whilst providing a development where our customers want to live and which is sympathetic to existing constraints including existing local development. Through the planning process we will procure the expertise of third-party consultants in various technical disciplines including all aspects of environmental assessment such as ecology, contamination, noise and odour to ensure that any constraints are appropriately integrated into our designs, or appropriate mitigation measures are identified in order to bring forward appropriate and sustainable development. When designing the layout for our sites we undertake an initial assessment of development schemes using the generic Dwelling Emission Rates in order to improve energy efficiency of each type through orientation and plotting. This assessment considers landform, layout, building orientation, landscaping and other surrounding features of each home. All of our homes have driveways for off-street parking and outdoor garden space for customers to enjoy.

Code / SASB criteria	Our approach
IF-HB-160a.4 (continued) **Discussion of process to integrate environmental considerations into site selection, site design, and site development and construction**	**Site development and construction** Material selection is carefully considered during the construction of our homes as the specification and quality of build materials can directly influence the projected CO_2e emissions. All of our properties are currently built with traditional cavity wall construction, thermally-efficient light aggregate blocks and high-performance insulation within the cavity. Where contractors are required to source materials for key building elements, we stipulate that they use suppliers capable of demonstrating certification to high tier levels in the Chain of Custody certification process and have been independently certified by the BRE Framework Standard for Responsible Sourcing (BES 6001) or ISO 14001. We take waste management very seriously and the segregation of all waste materials is paramount in reducing the amount of waste taken to landfill. This is managed by having the following procedures in place: • Target benchmarks for resource efficiency set in accordance with best practice. • Procedures and commitments to minimise non-hazardous, construction waste at design stage. • Procedures for minimising hazardous waste. • Monitoring, measuring and reporting of hazardous and non-hazardous site waste production according to the defined waste groups. • Diversion of waste from landfill should adhere strictly to the principles of the waste hierarchy of reduce; reuse; recycle; recover. Our site operations report their fuel consumption by type of plant and machinery on a monthly basis so we can identify and target any inefficiencies within our construction activities. We also have a number of initiatives ongoing in order to reduce the environmental impact of our sites, with further details on pages 54 to 57.

Workforce health and safety

Code / SASB criteria	Our approach
IF-HB-320a.1 **(1) Total recordable incident rate ("TRIR") and (2) fatality rate for (a) direct employees and (b) contract employees**	We measure health and safety performance using an Annual Injury Incidence Rate ("AIIR") metric. Our AIIR for reportable injuries per 100,000 employees and contractors was 55 in 2022 (2021: 556). The industry average for the house building sector was 239 (2021: 264) (Source: Home Builders Federation). In the year we reported one RIDDOR incident (2021: 10 RIDDOR incidents). The improvement in performance has come from various actions completed during the year, with further details set out on page 62. There were no fatalities. **Notes:** Reportable injuries are aligned to the UK's Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR"). The figure reported is the consolidated figure for all direct employees and contractors.

Design for resource efficiency

Code / SASB criteria	Our approach
IF-HB-410a.1 **(1) Number of homes that obtained a certified HERS® Index Score and (2) average score**	The Energy Performance Certificate ("EPC") is the UK equivalent to the HERS Index. 96.8% of our homes achieve an EPC rating of B or higher due to efficient design and build characteristics in each of our standardised house types (2021: 98.2%).
IF-HB-410a.2 **Percentage of installed water fixtures certified to WaterSense® specifications**	WaterSense is not applicable in the UK. All our homes are fitted with dual-flush toilets, low-flow taps and showers and water meters. They are designed to achieve an internal water use of less than 110 litres per person per day; the specification for sanitary ware and fittings to be used throughout the homes has been modified to suit this requirement. This is 12% lower than the maximum allowance specified by building regulations, saving both natural resources and our customers money on their water bills. We are working to design further efficiencies in collaboration with our supply chain to reduce this to less than 100 litres per person per day.

Code / SASB criteria	Our approach
IF-HB-410a.3 **Number of homes delivered certified to a third-party multi-attribute green building Standard**	All of our homes are subject to UK building regulations which include standards for energy and water efficiency as detailed in criteria IF-HB-410a.1 and IF-HB-410a.2. There are no widely-adopted green building standards that outline specification or sustainability credentials of homes in the UK. The historic Code for Sustainable Homes was withdrawn by the government with the view that these requirements would be embedded into the latest building regulations.
IF-HB-410a.4 **Description of risks and opportunities related to incorporating resource efficiency into home design, and how benefits are communicated to customers**	Throughout the design stage of our homes, we apply a "fabric first" approach to energy efficiency by bringing together a house type range and specification designed to reduce the consumption of energy by the homeowner. An energy consultant is appointed on every site to provide site and plot-specific energy ratings. Testing regimes and certification is issued to assist in the control of the quality of construction which in turn reduces the carbon emissions of each home by ensuring we build a thermally-efficient, well-insulated building with low heat losses. In order to further improve on building regulation compliance, the following are also incorporated into the design of our homes: • energy-efficient boiler or air source heat pump; • time and temperature zone control for boiler systems; • air permeability rating of five or better; and • natural / positive input ventilation. Reviews are carried out on a six-monthly basis to monitor forthcoming changes to building regulations and consider optional extras that can be offered to customers in line with trends and expectations. These often lead to updates in specification and design, allowing improvements to be made where practicable. Any proposed changes are carefully considered as we balance the impact of changes with the need to keep our homes affordable, which is fundamental to our sustainable business strategy. Smart meters are provided as standard where available, so that our customers can easily keep track of their energy usage and efficiencies. We use sustainable materials where possible, such as introducing concrete bricks to our build material specification. Concrete bricks have significantly lower embodied carbon emissions compared to a traditional kiln-fired clay brick allowing us to reduce our scope 3 emissions. More details can be found on pages 54 and 55. These benefits are communicated to customers as part of the handover process, in our new home handbooks and our Gleeson first time buyer podcast, which was launched during the year. This explains to customers what to expect when they become homeowners, how to get the most out of their new home and minimise their running costs. We are installing electric vehicle charging points in our homes on some of our sites to understand the associated infrastructure requirements in advance of "Part S" building regulations being implemented.

Community impacts of new developments

Code / SASB criteria	Our approach
IF-HB-410b.1 **Description of how proximity and access to infrastructure, services, and economic centers affect site selection and development decisions**	We always consider matters such as access and proximity to existing infrastructure and services, as well as economic and employment centres when selecting our sites. We aim to bring forward developments which are in close proximity to existing services, with good access to services and facilities. This often comes hand-in-hand with our objective to develop brownfield sites, in areas of deprivation which often have a high provision of surrounding rental properties, as these target site typologies are already well served. Where access to facilities is more limited, we work with consultants and the local authority to identify mitigation measures that might be taken to improve services and access. Often this will form part of a Transport Assessment and Travel Plan which might identify improvements to local public transport infrastructure to improve the sustainability of the site, or ways in which other sustainable (non-car) transport methods can be promoted. **Notes:** The UK government's National Planning Policy Framework ("NPPF") also requires consideration of the opportunities presented by existing or planned investment in infrastructure.
IF-HB-410b.2 **Number of (1) lots and (2) homes delivered on infill sites**	91% (2021: 90%) of our developments were infill sites at 30 June 2022. In the year to 30 June 2022, we completed the sale of 1,900 (2021: 1,731) homes on infill sites representing 95% (2021: 96%) of total homes sold. **Notes:** Infill sites are sites served by existing infrastructure such as roads, power lines, sewerage and water, and other necessary facilities.

Code / SASB criteria	Our approach
IF-HB-410b.3 **(1) Number of homes delivered in compact developments and (2) average density**	We consider all of our sites to be cluster developments which meet the definition of a "compact development". As a result, we delivered 2,000 homes on such developments in the year to 30 June 2022 (2021: 1,812 homes). Gleeson Homes typically builds low-density developments delivering on average 100-150 homes per site. The average density of our developments is 14 homes per net acre with some developments having a density as low as 11 homes per net acre. **Notes:** A cluster development is defined as a development that "produces very attractive and marketable communities and makes it easier for developers to preserve environmentally sensitive lands such as wetlands and forests by allowing lots to be grouped on certain portions of a site, rather than spread uniformly across a site, so that other areas of the site may remain undisturbed as open space."

Climate change adaptation

Code / SASB criteria	Our approach
IF-HB-420a.1 **Number of lots located in 100-year flood zones**	In the year to 30 June 2022, we acquired 625 plots in regions within flood zone 3. This accounted for 25% of plots acquired in the year (2021: 1,481 plots acquired, 28% of plots acquired). The total number of pipeline plots within areas of flood zone 3 at 30 June 2022 was 2,158 (13%) (2021: 2,687 pipeline plots, 17% of total pipeline). In the year to 30 June 2022, we had 222 home sales within areas of flood zone 3. This accounted for 11% of our total annual completions (2021: 235 home sales, 13% of total completions). **Notes:** As per the Environment Agency, flood zone definitions are set out below: • Flood Zone 1 – land assessed as having a less than 1 in 1,000 annual probability of river or sea flooding (<0.1%) • Flood Zone 2 – land assessed as having between a 1 in 100 and 1 in 1,000 annual probability of river flooding (1%-0.1%), or between a 1 in 200 and 1 in 1,000 annual probability of sea flooding (0.5%-0.1%) in any year • Flood Zone 3 – land assessed as having a 1 in 100 or greater annual probability of river flooding (>1%), or a 1 in 200 or greater annual probability of flooding from the sea (>0.5%) in any year These flood zones refer to the probability of river and sea flooding, ignoring the presence of defences.
IF-HB-420a.2 **Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks**	Climate risk has been identified as a principal external risk for the Group as set out on page 38. The Group risk register is formally reviewed by the Audit Committee at the majority of its scheduled meetings, including any changes to risk ratings and any mitigations. Climate risk has been classified as having a medium level of residual risk. This is assessed both from the potential physical aspects of climate change and how they will impact our business strategy, and also the compliance aspects of climate change with increased regulation, including changes to building regulations and disclosure requirements. Further analysis of the climate risks we have identified are reported within our disclosures in accordance to TCFD on pages 66 to 69.

Activity metrics

Code / SASB criteria	Our approach
IF-HB-000.A **Number of controlled lots**	At 30 June 2022, our owned land pipeline stood at 8,478 plots (2021: 7,930 plots).
IF-HB-000.B **Number of homes delivered**	In the year to 30 June 2022, we completed 2,000 homes (2021: 1,812 completions). **Notes:** Completions mean all legally completed sales to customers during the year.
IF-HB-000.C **Number of active selling communities**	In the year to 30 June 2022, we were actively selling from an average of 63 sales sites (2021: 64 active sales sites). **Notes:** Active sales sites are sites which are actively selling homes and typically average 28 home sales per year.

Section 172 Statement

As required by s172 of the Companies Act 2006 ("the Act"), a director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, and in doing so, have regard, among other matters, to:

a. the likely consequences of any decision in the long term;
b. the interests of the company's employees;
c. the need to foster the company's business relationships with suppliers, customers and others;
d. the impact of the company's operations on the community and the environment;
e. the desirability of the company maintaining a reputation for high standards of business conduct; and
f. the need to act fairly between the members of the company.

Board decision-making

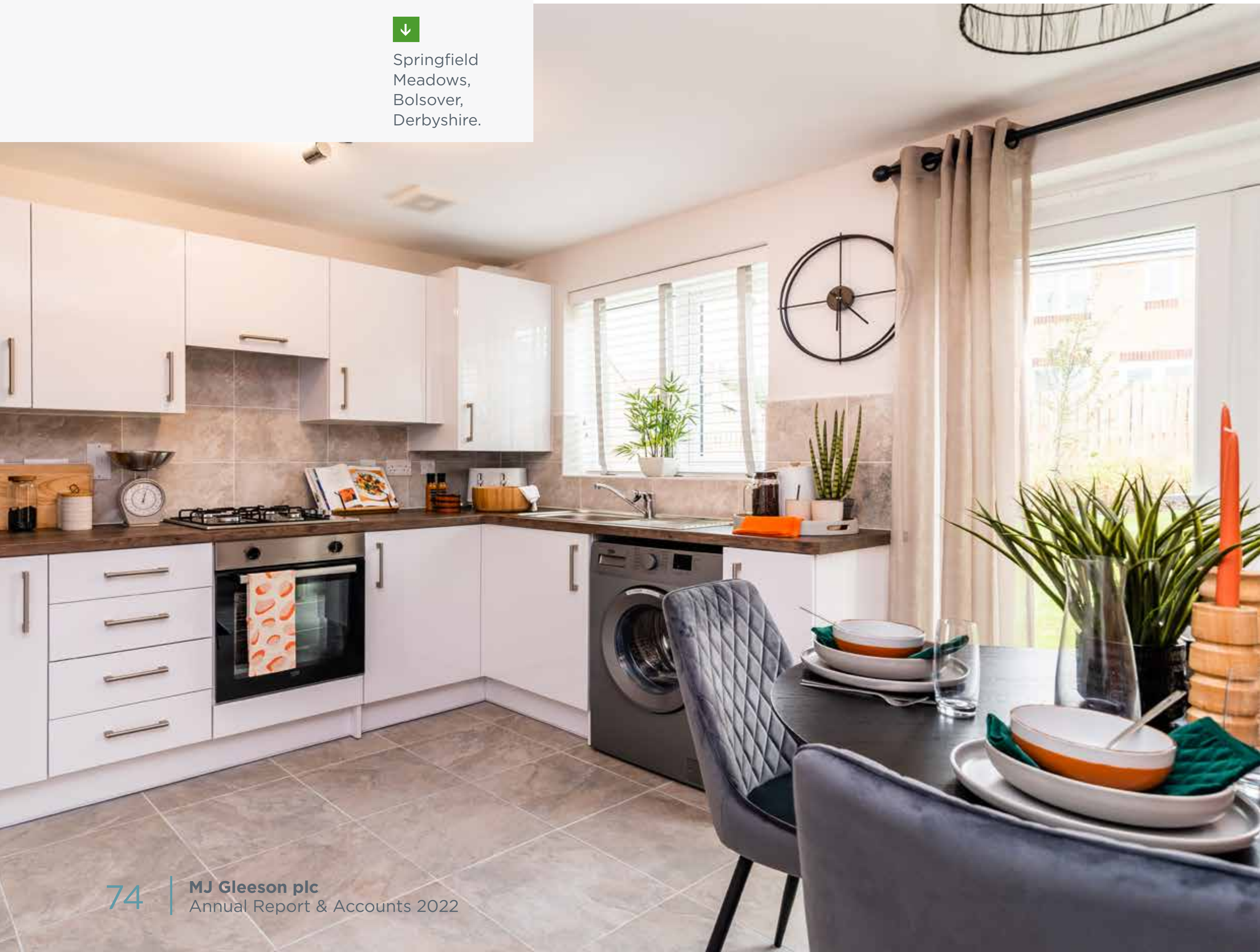
Ahead of matters being put to the Board for consideration, we undertake significant levels of engagement with relevant stakeholders so that full consideration is given to how such decisions will impact on our key stakeholders.

Our key stakeholders include:

- shareholders;
- employees;
- customers;
- suppliers and subcontractors;
- banks;
- local authorities; and
- government and regulators.

Key examples of stakeholder engagement enhancing strategic decision making and promoting the success of the Group are set out in the table on pages 75 to 77.

Springfield Meadows, Bolsover, Derbyshire.



Decision	Discussion topics with, and feedback from, stakeholders	Action taken by the Board as a result of stakeholder feedback
Signing the Department for Levelling Up, Housing and Communities' ("DLUHC") pledge letter	The Directors engaged with government departments, the Home Builders Federation ("HBF"), shareholders and insurers when considering the impact of signing DLUHC's pledge letter in April 2022, which commits developers to remediating mid-rise and high-rise buildings with life-critical fire-safety defects.	The Board considered the impact of the letter, stakeholder feedback, and the Group's responsibility to residents of those buildings which the Group played a part in developing over the last 30 years and elected to sign and publish the pledge letter.
Initiating safety inspections of mid-rise and high-rise buildings the Group played a part in developing	The Directors engaged with government departments, the HBF, shareholders and advisers to discuss the responsibilities of the Group in remediating mid-rise and high-rise buildings that the Group played a part in developing over the last 30 years.	The Board initiated a review on all buildings over 11 metres tall that the Group played a part in developing in the last 30 years. This involved an extensive exercise to locate records and compile a list of buildings affected. Desktop surveys were then undertaken and a programme of intrusive inspections and fire risk assessments has commenced where permitted by the building owners.
Investing in talent development	The Directors recognise the value of retaining talent within the business to reduce workforce attrition rates and support the development of each employee. Through engagement with the workforce and external stakeholders including local colleges, they identified a need for the Group to grow and retain talent organically.	The Board supported the introduction of a Land Graduate programme, a two-year structured programme to harness the talent of recent graduates and develop their skills to support the future growth of the Group. The Board has also supported the development and delivery of people manager training across the Group, while members of the senior management team received professional development coaching.
Prioritising the health and safety and wellbeing of our colleagues and subcontractors	The Directors engaged with the workforce, external advisers and stakeholders including the Health and Safety Executive, the National House Building Council ("NHBC"), the HBF and private health and safety consultants regarding health and safety matters across the business and the Group's commitment to prioritise the wellbeing of employees and subcontractors.	The Board is keen to maintain its reputation for high standards of ethical and business conduct and supports our HomeSafe approach, which encompasses a number of new policies, procedures and objectives for health and safety on both development sites and in offices. Significant activities to promote the HomeSafe brand and key health and safety reminders have been undertaken throughout the year. The Board supported the launch of the "Wellbeing Toolkit" in the year, accessible to all employees.

Section 172 Statement
CONTINUED

Key examples as to how the Board has regard for the s172 factors can be found in the table below:

Factor considered	How this factor has been considered in the year	Actions taken by the Board as a result
Long-term consequences of any decisions	• The Group undertakes future planning up to five years in critical areas and develops a strategy which will enable it to deliver its long-term objectives. • The Group invests in information technology and cyber security to enable it to meet new technological demands and protect the business against cyber threats.	• Extensive analysis and forecasting work was undertaken on securing the Group's land pipeline. • A long-term talent mapping pipeline has been developed across the business. • A Land Graduate programme was introduced to strengthen the talent pipeline and build for the future. • Invested in both personnel and new IT systems to improve quality, streamline processes, increase productivity and mitigate the risk of cyber threats.
Interests of our employees	• The Group arranges an anonymous and independently conducted employee engagement survey called Your Voice. • The Group conducts an annual pay and benefits benchmarking exercise. • Directors carry out regular site and office visits and undertake roadshows to communicate with all employees, including interactive question-and-answer sessions. • An open-door culture is reinforced from the top down.	• Responded to the action points arising from the Your Voice surveys. • Changed the participation rules of our Share Incentive Plan so that employees become eligible to join as soon as they complete their probationary period. • Enhanced pay and benefits packages where the external benchmarking identified a gap. • Made significant investment in recruitment, training and development which included an expansion of the Human Resources department to include an Organisational Development team.
Interests of our suppliers, customers and others	• Customer feedback and satisfaction scores are considered at Board meetings. The Board is committed to focusing on our customers and prioritising the customer journey. • The Group conducts supplier and subcontractor roadshows in order to engage with our supply chain and encourage open communication. • The Group holds open discussions with our supply chain about productivity, quality and health and safety. • Customer feedback is obtained through surveys conducted by a third party. • Target to be a 5-star builder across all divisions built into Executive bonus targets.	• Appointed a new Customer Excellence Director during the year and launched our "Customer First" initiative. • Registered with the New Homes Quality Board and have signed up to the New Homes Quality Code. • Made further improvements to our purchase-to-pay process and reduced the average time taken to pay suppliers and subcontractors. • Updated consultant appointment documents to manage risk and ensure clear communication with all parties. • Signed up to the government's First Homes scheme. • Set ambitious sustainability targets for people, environment and communities in line with our sustainable business strategy and embedded these within the Executive bonus structure.

Factor considered	How this factor has been considered in the year	Actions taken by the Board as a result
Impact on our community and environment	• The Sustainability Committee and Sustainability Action Team closely monitor progress against the sustainability targets set for the year. • Focus on the Group's existing Community Matters programme to work closely with the communities where we build.	• Developed and published new sustainability policies. • Set ambitious sustainability targets for the short and medium term, including the reduction of carbon emissions. • Appointed a Group Sustainability Manager. • Sustainability targets delegated to senior management and linked to Executive and senior management bonuses.
Maintaining a reputation for high standards of business conduct	• The Group has policies and procedures in place to ensure it operates to the highest standards of conduct. • Our employees are paid at least the real Living Wage and we require our subcontractors to do the same. • The Group achieved re-accreditation from the Fair Tax Foundation for paying its fair share of taxes. • Zero tolerance on violations of human rights, slavery, bullying or harassment.	• Compulsory compliance training modules undertaken across the business, including Whistleblowing, Bullying and Harassment, Modern Slavery and Anti-Bribery and Corruption. • Due diligence checks are completed on our supply chain to ensure they uphold our standards. • Regular reporting on governance and compliance matters to the Audit Committee. • Instructed an external GDPR audit to assess our data protection credentials.
Need to act fairly between members of the Company	• The Company has one class of shares in issue so all shareholders benefit from the same rights as set out in the Company's Articles of Association.	• Following the closed-door AGM in 2020 due to Covid-19 restrictions, the Company returned to an in-person AGM in 2021 with access to all shareholders. • Engaged major shareholders in preparing the proposed Remuneration Policy.

Non-financial Reporting

The following table summarises our approach to internal and external stakeholder engagement to comply with the Companies Act 2006 requirements regarding non-financial reporting:

Statement	Ways we engage	Read more
Employees We are committed to ensuring that all our colleagues and stakeholders are treated fairly and equitably. We have a culture that values passion, collaboration and respect.	• Employee policies on diversity, recruitment, equality and all significant life events • Anti-Harassment and Bullying Policy, Health and Safety Policy, Equal Opportunities Policy • Approach to employee relations and the involvement of our Workforce Representative • Health and safety reporting and improving the safety and welfare of colleagues and visitors to our sites and offices • Commitment to employing local people, training and developing all our colleagues, especially apprentices, and promoting women in construction • Gender pay gap reporting	• Page 133 • mjgleesonplc.com • Page 131 • Pages 62 and 65 • Pages 48 to 51 • Pages 51 and 112 and mjgleesonplc.com
Anti-bribery and corruption We are committed to the highest standards of ethics, honesty and integrity and expect the same from all parties we engage with.	• Whistleblowing Policy and monitoring of malpractice reporting • Approach to anti-bribery and corruption • Anti-Bribery Policy, Anti-Money Laundering Policy, Corporate Criminal Offence Policy • Reporting of registers of gifts and hospitality given or received by Directors and employees of the Group	• Page 104 and mjgleesonplc.com • Pages 104 and 105 • mjgleesonplc.com • Page 105
Human rights and social matters We are committed to upholding human rights across our business and with all our stakeholders. Our employee policies cover all aspects of human rights and our grievance and fair treatment at work policies ensure anyone connected with our business can speak up about concerns without fear of retribution.	• Modern Slavery and Human Trafficking Policy • Payment terms and performance in relation to payment practices • Commitment to pay the real Living Wage or higher to our employees • Commitment to provide freehold ownership, selling our customers the land on which their home is built and not selling under leasehold • Data Protection Policy	• Page 105 and mjgleesonplc.com • gov.uk and mjgleesonplc.com • Pages 50 and 112 • Page 46 • mjgleesonplc.com

Statement	Ways we engage	Read more
Environmental matters and community We are committed to creating more sustainable ways of undertaking our operations to conserve energy, reduce waste and minimise our impact on the environment. We also invest in the communities, local areas and the supply chain around our development sites.	• Monitoring and reporting of carbon emissions (scope 1, 2 and 3) related to our homes • Target set to reduce our scope 1 and 2 carbon emissions • Focus on more efficient and more sustainable materials • Sustainable Procurement Policy, Timber Sourcing Policy, Climate & Environmental Policy, Waste Policy, Packaging Policy • Investment in the communities, schools and areas in which we operate	• Pages 52 to 60 • Page 65 • Pages 54 and 55 • mjgleesonplc.com • Pages 46 and 47
Other information Additional non-financial information required under the Companies Act.	• Our Business Model • Principal risks affecting the Group and mitigating actions undertaken • Sustainability and operational key performance indicators	• Pages 14 and 15 • Pages 34 to 39 • Pages 20 and 21

Strategic Report approval statement

The Strategic Report contained in pages 2 to 79 has been approved by the Board of Directors and is signed on its behalf by:

James Thomson
Chief Executive Officer

14 September 2022

Corporate Governance

Stefan Allanson, Chief Financial Officer, and Fiona Goldsmith, Non-Executive Director, Canal Walk, Burnley, Lancashire


gleeson
gleeson

Chairman's Introduction

“

I am pleased to present the Corporate Governance Report for the year ended 30 June 2022.”

Dermot Gleeson
Chairman

In a year in which the housing sector experienced a wide variety of challenges, the Board ensured that our Executives and operatives were able to work within a clearly-defined and coherent strategic framework.

This made it possible for the Group to achieve its medium-term target of doubling annual sales to 2,000 homes. I would like to take this opportunity to thank all our colleagues for the very great efforts they made to achieve this important milestone.

The Board's overall strategy gives high priority to environmental, social and governance issues, and its commitment to sustainability is embedded in all its operations. Details of how we put sustainability into practice are within the Strategic Report on pages 40 to 60.

Board changes

Andrew Coppel resigned from his role as Non-Executive Director on 16 March 2022, and the Board is in the process of seeking a suitable replacement. Fiona Goldsmith has been appointed as the new Senior Independent Director of the Board and Elaine Bailey has become the Interim Chair of the Remuneration Committee. The Board is committed to increasing the number of independent Non-Executive Directors and also to achieving greater diversity in its composition in the course of the current financial year.

On 27 April 2022 the Board announced that James Thomson will be stepping down from his role as Chief Executive Officer from 31 December 2022. He will be replaced from 1 January 2023 by Graham Prothero, who is currently Chief Operating Officer of Vistry Group plc. James will remain on the Board as a Non-Executive Director.

Further details can be found in the Nomination Committee Report on pages 94 to 97.

Culture

The Board continues to promote and embed our vision, mission and values, which are described in more detail on pages 40 and 48. The results of the latest employee engagement survey, Your Voice, indicated that employee engagement has once again increased and overall satisfaction is very high.

I am pleased that the Board members, both collectively and individually, were able to visit a number of our sites this year. It was humbling to see the great work that is being undertaken daily by our colleagues to support the strategic growth of the business.

I am confident that the Board and management continue to embed an honest and transparent culture within the Group, which enhances our long-term prospects.

Meadowcroft,
Winterton,
Lincolnshire

Building responsibly

The Board is committed to building responsibly. In April 2022 the Group announced it had signed the Department for Levelling Up, Housing and Communities' ("DLUHC") pledge confirming that we will take responsibility for performing or funding mitigation works to address life-critical fire-safety issues on buildings over 11 metres which the Group had some involvement in developing. We are committed to working with the owners of those buildings to investigate and remediate, where necessary, any life-critical fire-safety issues in order to protect the lives of residents and ensure their homes are mortgageable.

Our commitment to engaging with stakeholders

The Board embraces the ethos behind the requirements of Section 172 of the Companies Act, and information on how we engage with our stakeholders is set out in our Section 172 Statement on pages 74 to 77.

Code compliance

During the period under review, the Company, as a premium listed company, was subject to the 2018 edition of the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council (the "FRC"). The Board and its Committees are responsible for ensuring that, wherever possible, compliance with the Code is achieved. This is demonstrated throughout this Corporate Governance Report and, in particular, in the Code principles as set out on page 84. Where the Board has not complied with provisions of the Code, these are set out in the compliance statement on page 85.

Dermot Gleeson
Chairman

14 September 2022

Chairman's Introduction

CONTINUED

Section of the Code	How we have applied the Code
Board leadership and Company purpose See pages 86 to 90	The Group is led by an effective and experienced Board, which promotes the long-term success of the Group and engages with its shareholders and other stakeholders. The Board has established the Group's purpose and strategy and is satisfied that these are aligned with the Group's culture and values. The Board has established and oversees an effective governance and risk framework. The Board promotes effective engagement with the workforce, with open lines of communication where employees can raise matters of both concern and opportunity.
Division of responsibilities See pages 90 and 92	The Chairman leads the Board, which includes a combination of Executive Directors and Non-Executive Directors. Board relations are constructive and Board members are able to demonstrate objective judgement. There is a clear division of responsibility between leadership of the Board (the Chairman of the Board) and the Executive leadership of the Group's business (the Chief Executive Officer and the Chief Financial Officer). The Non-Executive Directors provide constructive challenge, strategic guidance and advice, and have sufficient time to meet their Board responsibilities. There are relevant policies and processes in place for the Board to receive timely and clear information and function effectively and efficiently.
Composition, succession and evaluation See pages 94 to 97	Board appointments are subject to a formal, rigorous and transparent procedure, based on objective criteria that promotes diversity. A comprehensive and tailored induction programme is in place for new Directors joining the Board, led by the Chairman, Company Secretary and Executive Directors. The Nomination Committee oversees an effective succession plan, which takes into consideration a desired combination of skills, experience, knowledge and diversity of the Board. The Board is subject to an annual evaluation that considers Group and individual Director performance.
Audit, risk and internal control See pages 98 to 105	The Board has established formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions, and has satisfied itself on the integrity of financial and narrative statements. The Board presents a fair, balanced and understandable assessment of the Group's position and prospects. The Board has established procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks of the Group to achieve its strategic objectives.
Remuneration See pages 110 to 131	The Board has designed the remuneration policies and practices to support the Group's strategy and promote long-term sustainable success. Executive remuneration is aligned with the Group's purpose and values and is clearly linked to the successful delivery of our sustainable strategy. There is a formal and transparent procedure for developing the Executive remuneration policy and determining Director and senior management remuneration. The Remuneration Committee is able to exercise independent judgement and discretion when authorising remuneration outcomes, taking into account Group and individual performance.

Louise, Group Sales Director, and
Amanda, Marketing Director

Code compliance statement

The Company has complied with all of the principles of the Code for the year ended 30 June 2022 and the vast majority of its provisions. However, as in previous years, there are some instances where the Company has chosen to take advantage of the flexibility offered with the "comply or explain" principle when applying certain provisions.

The Code recognises that good governance can be achieved by other means and the Board believes the approach taken is the most appropriate for the Group and its shareholders, whilst remaining consistent with the spirit of the Code.

Provisions 9 and 19

The Chairman of the Board, Dermot Gleeson, was appointed to the Board in 1975 and has previously been Chief Executive, Chairman and Chief Executive, and Executive Chairman, and therefore was not considered independent at the time of his appointment as Chairman of the Board. The Board continues to support his appointment based on the extensive knowledge of the Group and industry that Dermot brings to the role and to Board discussions.

Provision 11

Christopher Mills represents a major shareholder, Harwood Capital LLP, and is therefore not considered to be independent within the definition of that term contained in the Code. As a result, following the resignation of Andrew Coppel, less than half of the Board, excluding the Chairman, are Non-Executive Directors who are considered to be independent under the terms of the Code. The Board has begun a search for an additional independent Non-Executive Director.

Provision 38

The Chief Financial Officer received a pension contribution of 9% in the year. This reflects the voluntary reduction previously reported from 15% to 6.5% over a three-year period to align his Company pension contributions with the level available to the majority of the workforce. From 1 July 2022, Company contributions reduced to 6.5%. Further details can be found in the Annual Report on Remuneration on pages 113 to 122.

Board of Directors

Dermot Gleeson
MA CANTAB

Chairman

Committee membership
N(C)

Appointment to the Board
Dermot was appointed to the Board in 1975.

Background and experience
Dermot became Chief Executive of the Company in 1988 and Chairman in 1994. He relinquished the post of Chief Executive in 1998. Formerly the Chairman of the Major Contractors Group, a Board member of the Housing Corporation and a Director of the Construction Industry Training Board.

Key strengths
House building and construction. Public limited companies. Corporate governance. Risk management. Strategy development. HR. Commercial.

External appointments
None.

James Thomson
MA (OXON), ACA

Chief Executive Officer

Committee membership
S

Appointment to the Board
James was appointed to the Board in June 2019.

Background and experience
James was previously Chief Executive of Keepmoat Homes and Group Finance Director and Chief Operating Officer of DTZ (now part of Cushman & Wakefield). He qualified as a Chartered Accountant with PricewaterhouseCoopers and spent ten years in investment banking.

Key strengths
House building and construction. Public limited companies. Health and safety. Strategy development. Organisational culture. Acquisitions and mergers.

External appointments
A local authority councillor for the City of London, Chair of the City of London Police Authority Board, and Non-Executive Director of the Serious Fraud Office.

Stefan Allanson
ACMA, FCT

Chief Financial Officer

Committee membership
S

Appointment to the Board
Stefan was appointed to the Board in July 2015.

Background and experience
Stefan was previously Deputy Chief Financial Officer of Keepmoat Homes. He qualified as an accountant in 1994, following which he held senior finance roles at Honda Motor Co, BTP plc, The Skills Market, The Vita Company and Tianhe Chemicals.

Key strengths
House building and construction. Public limited companies. Accounting and finance. IT. Business continuity. Risk management. Strategy development. Commercial.

External appointments
None.

Fiona Goldsmith
FCA

Non-Executive Director, Senior Independent Director and Workforce Representative

Committee membership
A(C) N R

Appointment to the Board
Fiona was appointed to the Board in October 2019.

Background and experience
Fiona previously held executive finance roles at First Choice Holidays plc and Land Securities Company plc. She was also Non-Executive Director at Walker Greenbank. Fiona qualified as an accountant at KPMG.

Key strengths
Accounting, finance and audit. Risk management. Corporate governance. Acquisitions and mergers. Compliance and regulation.

External appointments
Non-Executive Director and Chair of the Audit Committee of Safestyle UK plc, and Non-Executive Director of KCOM Group Limited.

Christopher Mills

Non-Executive Director (Non-independent)

Committee membership
N/A

Appointment to the Board
Christopher was appointed to the Board in January 2009.

Background and experience
Christopher is the founder of Harwood Capital Management Group and previously Chief Investment Officer of J O Hambro Capital Management Limited with an extensive background in investment management.

Key strengths
Public limited companies. Accounting, finance and audit. Acquisitions and mergers. Strategy development. Risk management. Business development.

External appointments
Managing Director of Harwood Capital Management Group, Chief Executive Officer of North Atlantic Smaller Companies Investment Trust Plc, and a Non-Executive Director of several publicly quoted and private companies.

Elaine Bailey

Independent Non-Executive Director

Committee membership
S(C) R(C)* A N
*Interim

Appointment to the Board
Elaine was appointed to the Board in March 2021.

Background and experience
Elaine was previously Chief Executive Officer of the Hyde Group housing association and held a number of senior roles at Serco. She has extensive experience in housing, engineering, construction and government services. Elaine is a chartered member of the Institution of Structural Engineers.

Key strengths
House building and construction. Strategy development. Health and safety. Risk management. Business development. Commercial.

External appointments
Non-Executive roles at Residential Secure Income plc, McCarthy & Stone (Shared Ownership) Limited, Andium Homes Limited, CHAS, and Trustee for The Greenslade Family Foundation.

Leanne Johnson
LLB

Head of Legal and Company Secretary

Appointed as Company Secretary in March 2020, Leanne is a qualified solicitor and is Head of Legal for the Company. Leanne trained at Irwin Mitchell and was Legal Counsel for Keepmoat Homes before joining MJ Gleeson plc.

Leanne is also a graduate Chartered Governance Professional.

Key strengths
House building and construction. Corporate governance. Legal. Regulatory and compliance. IT.

Key:

N – Nomination Committee

A – Audit Committee

S – Sustainability Committee

R – Remuneration Committee

(C) – Committee Chair

Directors who served during the year

Andrew Coppel resigned from his role as Non-Executive Director on 16 March 2022

Corporate Governance Report

Role of the Board

The Board is responsible to shareholders for the direction, management, performance and long-term success of the Group. It sets the Group's strategy and objectives and oversees and monitors internal controls (in conjunction with the Audit Committee), risk management, principal opportunities and risks, governance and viability of the Group. In doing so, the Directors comply with their duties under section 172 of the Companies Act 2006.

There is a clear and effective division of responsibilities between Board members. The Chairman is responsible for the overall effectiveness of the Board and, in doing so, promotes the highest standards of integrity and corporate governance. The Chief Executive Officer leads the business in delivering the Group's overall strategy and works closely with the Chairman and the Chief Financial Officer. The Non-Executive Directors provide constructive challenge, strategic guidance and hold management to account. More detailed descriptions of the roles of the Board members can be found in the table on pages 90 and 91.

Board composition and independence

The Board considers that it has a suitable balance of skills, knowledge and experience in order to discharge its duties effectively. This includes a combination of backgrounds and experience, which enable it to function effectively and to have a dialogue that is both constructive and challenging. However, the Board is cognisant that following the resignation of Andrew Coppel on 16 March 2022, the Board does not meet the independence provisions of the Code, and has therefore initiated a search for a new independent Non-Executive Director.

Matters reserved for the Board or its Committees

To ensure the Directors maintain control over strategic, financial, operational and compliance matters, the Board meets regularly during the year and has formally adopted a schedule of matters that are required to be brought to it for decision, including:

- Determining the Board's structure and composition, including Board appointments, removals and succession planning.
- Agreeing the Group's strategy and financial policy.
- Approving banking and financing arrangements.
- Approving the interim and annual financial statements.
- Agreeing and overseeing risk management and internal control effectiveness.
- Agreeing major capital expenditure, material investments and the acquisition or disposal of land.
- Entering into and amending pension arrangements.
- Approving contractual arrangements that fall outside authority delegated to Executive Directors.
- Approving the dividend policy and dividend payments.
- Pledging security over assets and providing Parent Company guarantees.

In addition, the Board receives updates on sustainability, governance, finance, regulatory and legal matters to assist the Board in maintaining compliance with legislative requirements and best practice. The Board has established the following Board Committees to assist it in fulfilling its oversight responsibilities, providing dedicated focus on particular areas:

- Nomination Committee – page 94
- Audit Committee – page 98
- Sustainability Committee – page 106
- Remuneration Committee – page 110

These Committees play an important governance role through the work they carry out to fulfil the responsibilities delegated by the Board.

Board and Committee attendance

Board and Committee attendance at scheduled meetings during the year is shown in the table below. Board packs and agendas are circulated in advance of such meetings. The main purpose of these meetings is to give the Board and Committees regular reports on the performance of the Group and address a wide range of matters, including health and safety, operational performance, risk management, governance and corporate strategy. Outside of the scheduled meetings, the Board and its Committees meet regularly to discuss specific matters. The minutes of all meetings of the Board and of each of its Committees are recorded by the Company Secretary. As well as recording the decisions taken, the minutes reflect any queries raised by the Directors and record any follow up actions.

	Board Scheduled: 6	Audit Scheduled: 4	Remuneration Scheduled: 3	Nomination Scheduled: 1	Sustainability Scheduled: 3
Dermot Gleeson	6	–	–	1	–
James Thomson	6	–	–	–	3
Stefan Allanson	6	–	–	–	3
Fiona Goldsmith	6	4	3	1	–
Christopher Mills	6	–	–	–	–
Elaine Bailey	6	4	3	1	3
Former Directors: **Andrew Coppel**[1]	3/3	3/3	1/1	–	–

1 Andrew Coppel resigned from the Board on 16 March 2022.

The table includes the scheduled Board and Committee meetings that were held during the year and in early July 2022 in respect of the year ended 30 June 2022.

Board activities

The following table summarises the key activities undertaken by the Board during the year:

Topic	Key activities in 2022
Financial and risk	• Approved the Annual Report and Accounts and interim financial statements. • Considered the Group's long-term viability and approved the going concern disclosures. • Reviewed monthly business updates and trading performance. • Approved the budget for the next financial year 2023 and plan for financial years 2024 to 2027. • Approved the payment of interim and final dividends for the year. • Considered the impact of legislative changes to the Defective Premises Act, and the financial implications of remedial works to medium-rise and high-rise buildings pursuant to the Department for Levelling Up, Housing and Communities' pledge and approved required provisions. • Approved the Group's tax strategy for the financial year. • Approved Group insurance policies for the next financial year.
Controls and governance	• Appointed a new Chief Executive Officer with industry experience following the resignation of James Thomson, which is effective 31 December 2022. • Reviewed the Group risk register and internal control assessments. • Approved enhanced controls within the Group's Commercial function with additional reporting to the Audit Committee and Board. • Reviewed and approved an updated Modern Slavery and Human Trafficking Statement. • Reviewed and approved updated Terms of Reference for the Remuneration and Sustainability Committees. • Reviewed a new Cyber Incident Response Plan.
Strategy	• Monitored progress against the Group's strategic priorities. • Reviewed and approved the Group's sustainability targets. • Considered the financial risk to the business ahead of the closure of the Help to Buy scheme to new applications in October 2022.

Topic	Key activities in 2022
People and employee engagement	• Undertook regular workforce engagement via the Executive Directors and senior management. • Conducted visits to the Group's offices and development sites to engage with colleagues. • Employee roadshows were hosted by the Executive Directors, providing employees with insight into the Group's performance and strategy. • The Workforce Representative engaged with the HR Director reviewing the results of the employee engagement survey, Your Voice.
Sustainability	• Published new sustainability-led Group policies. • Reviewed progress against sustainability targets and actions undertaken. • Reviewed the Group's sustainability risk register. • Approved new sustainability targets linked to Executive remuneration. • Approved the recruitment of a Group Sustainability Manager.
Shareholder engagement	• Engaged with shareholders on material sustainability issues. • Consulted with major shareholders on issues such as Directors' remuneration and the proposed Remuneration Policy. • Presented full and half-year results to investors and analysts. • Reviewed monthly investor relations reports and annual shareholder body reports. • Released regular business updates via RNS. • Invited and responded to questions received ahead of the 2021 AGM.

Key responsibilities of the Board

The following table summarises the key responsibilities of the Board:

Chairman	• Ensuring the effective running of the Board. • Promoting the highest standards of integrity and corporate governance throughout the Group. • Chairing Board meetings and setting agendas. • Ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. • Ensuring that the Board receives accurate, timely and clear information on: a. the Group's performance; b. the issues, challenges and opportunities facing the Group; and c. matters reserved to it for decision. • Ensuring compliance with the Board's approved procedures, including the schedule of matters reserved to the Board and each Committee's terms of reference. • Engaging with the Board outside of formal meetings on a group or individual basis, as required. • Initiating change and succession planning in Board appointments to build and maintain a highly effective Board. • Ensuring effective communication between the Group and its shareholders and ensuring that members of the Board develop an understanding of the views of the major stakeholders. • Ensuring that there is a properly-constructed induction programme for new Directors. • Ensuring that the performance of the Board as a whole, its Committees and individual Directors is formally and rigorously evaluated at least once a year.

Chief Executive Officer	• Diligently performing such duties and exercising such powers as may, from time to time, be assigned by the Board for the successful running of the Group's business. • Proposing and developing the Group's strategy and overall commercial objectives in close consultation with the Chairman and the Board. • Maintaining relationships with major stakeholders. • Ensuring effective dialogue with the Chairman on the important and strategic issues facing the Group. • Ensuring that the Executive Directors give appropriate priority to providing reports to the Board, which contain accurate, timely and clear information. • Ensuring that the Executive Directors comply with the Board's approved procedures, including the schedule of matters reserved to the Board and each Committee's terms of reference, and providing input on appropriate changes to the same. • Keeping the Board alerted to forthcoming complex, contentious or sensitive issues affecting the Group. • Providing information and advice on succession planning to the Chairman, the Nomination Committee and to members of the Board, particularly in respect of Executive Directors and senior management. • Setting the Group's culture and values from the top.
Chief Financial Officer	• Devising and implementing the Group's financial strategy and policies. • Responsible for the management of the finance, tax, IT, legal, internal audit and treasury functions. • Responsible for the Group's investor relations activities. • Developing budgets and financial plans. • Principal owner of the Group's risk register. • Managing the Group's insurance strategy and policies. • Managing the Group's relationship with the external auditors. • Devising and implementing the Group's sustainability strategy, policies and actions.
Senior Independent Director	• Chairing Board and Nomination Committee meetings in the absence of the Chairman. • Leading the annual evaluation of the Chairman's performance. • Leading the succession planning process for the Chairman. • Acting as a sounding board for the Chairman on Board and Nomination Committee matters. • Being available to shareholders or other stakeholders if they have concerns about the Chairman, Chief Executive Officer or Chief Financial Officer, and to intervene in any circumstances arising from such concerns. • Intervening in, and leading on, settlement discussions relating to any disagreements between the Chief Executive Officer and Chairman. • Calling a meeting of the Non-Executive Directors if, in their reasonable opinion, it is necessary in relation to any of the matters above or otherwise.
Non-Executive Directors	• Effectively scrutinising and holding to account the performance of the Executive Directors. • Evaluating and appraising the performance of the Executive Directors and senior management against agreed targets, and agreeing remuneration in line with the remuneration policy. • Monitoring the financial information, risk management and control processes of the Group to make sure that they are sufficiently robust. • Ensuring a rigorous process for the appointment and removal of Executive Directors.
Company Secretary	• Supporting the Chairman and Chief Executive Officer in fulfilling their duties, especially in respect of Board agendas, induction, training and the evaluation of Board and Committee effectiveness. • Being available to all Directors for advice and support. • Keeping the Board regularly updated on governance matters and best practice. • Ensuring Group policies and procedures are maintained and updated on a regular basis. • Attending and maintaining a record of the matters discussed and approved at Board and Committee meetings.

Corporate governance structure

The Board

Nomination Committee

Dermot Gleeson
Committee Chair

Board structure
Review the structure, size and composition of the Board and its Committees.

Succession
Consider succession plans for the Board and senior management.

Identify and nominate candidates for Board-level positions.

Effectiveness
Review the time commitment required of Non-Executive Directors at least once a year.

Review the independence of Non-Executive Directors.

Audit Committee

Fiona Goldsmith
Committee Chair

Financial reporting and disclosures
Monitor the integrity of the financial statements, including any significant financial reporting judgements.

Advise the Board on whether, taken as a whole, the Annual Report is fair, balanced and understandable.

Oversee the regulatory reporting requirements of the Group.

Risk management and internal audit
Monitor the effectiveness of the Group's internal controls and risk management systems.

Monitor the effectiveness of the Group's internal audit function, including approval of the annual internal audit plan.

Review the procedures for detecting fraud, preventing bribery and ensuring appropriate whistleblowing procedures in place.

External audit
Oversee the relationship with the external auditors, including their appointment, independence and objectivity, and the effectiveness of the external audit process.

Sustainability Committee

Elaine Bailey
Committee Chair

Sustainability strategy
Monitor the Group's sustainability strategy to ensure it remains consistent with the Group's mission, vision and sustainability policies.

Determine appropriate targets that will improve the sustainability of the Group.

Develop the Group's long-term carbon emissions reduction pathway.

Sustainability policy
Develop and agree sustainability policies that align with the Group's approach to sustainability.

Ensure the policy is fully understood and implemented by the Group's business operations.

Remuneration Committee

Elaine Bailey
Interim
Committee Chair

Setting remuneration
Set the remuneration of the Chairman and the Board.

Recommend to the Board the policy for Executive Directors and senior management remuneration.

Agree terms and conditions of employment for Executive Directors and senior management.

Approve measures and targets for any performance-related bonus and share schemes and monitor outturn.

Approve share awards granted under long-term incentive arrangements, including the outturn on such awards.

Approve terms of any termination arrangements for Directors and senior management.

Review and approve proposals for staff pay and bonuses, including examining market data and benchmarking.

All of the Committee terms of reference can be found on the Company's website at **mjgleesonplc.com**

Risk management and internal control

The Directors acknowledge their responsibility for the Group's risk management procedures and systems of internal controls and for reviewing their effectiveness. Further details on the Group's risk management procedures and internal control systems and how the Board and Audit Committee review their effectiveness are included in the Audit Committee Report on pages 98 to 105.

It should be recognised that all such systems and procedures are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, rather than absolute, assurance against material misstatement or loss. Risk management and internal control within the Group's divisions is delegated to senior management responsible for the division, with the Board retaining ultimate responsibility.

The Group operates internal controls to ensure the Group's financial statements are reconciled to the underlying financial ledgers. A review is completed by management to ensure that the financial performance and position of the Group are appropriately reflected.

During the year being reported, and in making this statement, the Board carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten the Group's business model, future performance, solvency or liquidity. The Board is of the view that there is an adequate ongoing process for identifying, evaluating and managing the Group's significant risks. This process takes the form of a formal risk management policy supported by financial and management controls, which are operated Group-wide and are subject to review by the Chief Financial Officer and internal auditor. The Group's principal risks and the mitigating actions the Group has implemented to manage them can be found on pages 34 to 39.

Viability statement

In accordance with the Code, the Directors have assessed the viability of the Company and the Group over a period longer than the 12 months required by the going concern principle. This takes account of the current position and circumstances of the Group, and the potential impact of its principal risks.

The Directors conducted their assessment for a period of three years to 30 June 2025, which is covered by the Group's financial budget and plan approved by the Board in May 2022. It is also aligned to the average operational period of a number of Gleeson Homes' developments. This has enabled a meaningful assessment of viability to be undertaken, utilising detailed Board-approved financial budgets that incorporate individual site cash flow forecasts.

The Directors have considered sensitivities from the impact of a severe but plausible downturn in the housing and land markets. For Gleeson Homes, this included the impact of a downturn in both volumes and selling price, combined with material cost increases. For Gleeson Land, the Directors have considered the impact of delays to the completion of land sales combined with a reduction in land values. Further details can be found in note 1 of the financial statements on page 153.

Additionally, the Directors have considered the measures that would need to be taken to mitigate the impact of these sensitivities, including the ability of the Group to curtail expenditure on new land purchases, new site starts, reduce overheads and cut discretionary spend. This would include reducing future dividend payments in response to a severe but plausible downturn.

A core principle of the Group is to maintain a cautious approach to debt funding. Following the refinancing undertaken in the prior year, the Group has a committed bank facility of £105m available until October 2024, with a one-year extension option provided by two banks. The facility was undrawn at the year end and the Group had a cash and cash equivalents balance of £33.8m (2021: £34.3m).

Based on these facilities, the Group continues to have a high level of liquidity, including under the severe but plausible scenario, to continue in operation, meet its liabilities as they fall due and remain in compliance with its financial covenants over the assessed period. The mitigating actions required do not disrupt the Group's ability to grow over the long term.

Based on the results of this assessment, the Directors have a reasonable expectation that the Company and Group will be able to continue in operation and meet their liabilities as they fall due over the three-year viability period.

Assessing the Group's prospects beyond the assessed period, the Directors consider that the demand for affordable, quality new homes will remain strong fundamentally due to market under-supply. The Group maintains a well-capitalised balance sheet and operates a sustainable business model that will continue to deliver long-term growth.

Nomination Committee Report

Key achievements for 2022

- Appointment of Graham Prothero as Chief Executive Officer effective 1 January 2023.
- Appointment of Fiona Goldsmith as Senior Independent Director effective 24 March 2022.

Areas of focus for 2023

- Appointment of a new independent Non-Executive Director.
- Promoting ethnic diversity across the Board and general workforce.
- Board evaluations to be undertaken by a third-party assessor.

Committee members

- Dermot Gleeson (Chair)
- Fiona Goldsmith
- Elaine Bailey

"The Committee's priority during the year was the search for a new Chief Executive Officer to succeed James Thomson when he stands down at the end of the calendar year. The focus for the year ahead will be to appoint a new independent Non-Executive Director to the Board."

Dermot Gleeson
Chair of the Nomination Committee

Dear shareholder,

I am pleased to present the Nomination Committee Report for the year ended 30 June 2022.

Operation of the Committee

The Committee comprises the Chairman of the Board and two independent Non-Executive Directors. The biographies and professional qualifications of the members are shown on pages 86 and 87. The Chief Executive Officer, Chief Financial Officer and Company Secretary attend meetings at the invitation of the Committee.

Committee meetings

The Committee is required, in accordance with its terms of reference, to meet at least once a year. During the year, the Committee formally met once and had three unscheduled meetings to consider a range of matters.

Activities during the year

The Committee's main activity during the year was to find a suitable successor for the Chief Executive Officer, James Thomson, who has played a pivotal role in embedding the cultural and structural changes needed to deliver the Group's strategic targets over the last three years.

Other areas of focus included:

- Appointing Fiona Goldsmith as Senior Independent Director effective 24 March 2022.
- Reviewing the composition of the Board and its range of skills and experience.

- Board and management succession planning.
- Reviewing Board diversity and independence.
- Annual review of the Committee's terms of reference.
- Reviewing the annual Board evaluation questionnaire and findings.

Board appointments

In the search for a suitable successor for the Chief Executive Officer, the Committee undertook an independent, wide-ranging search process both internally and externally. On 27 April 2022, the Committee was pleased to recommend to the Board that Graham Prothero be appointed as Chief Executive Officer. Graham is currently Chief Operating Officer at Vistry Group plc and will join the Board from 1 January 2023. Graham has an outstanding track record and significant experience in the house building sector, making him the ideal candidate to lead the Group in the next phase of its growth.

Committee changes

Following Andrew Coppel's resignation on 16 March 2022, Fiona Goldsmith was appointed as Senior Independent Director and Elaine Bailey was appointed as the Interim Chair of the Remuneration Committee effective 24 March 2022.

Re-election of Directors

The Company's Articles of Association ("the Articles") provide that, at each Annual General Meeting ("AGM"), at least one-third of the Directors shall retire from office and be eligible for reappointment. However, the Board has determined that all Directors will be subject to annual re-election by shareholders and will do so at the next AGM. James Thomson has served notice of his resignation and will stand down as Chief Executive Officer on 31 December 2022. He will still stand for re-election at the AGM, covering his remaining time in position. Stefan Allanson holds a service contract that may be terminated by the Company with a notice period of one year.

Diversity and inclusion

We believe that the composition and quality of the Board should be in keeping with the size and geographical spread of the Group, its sector, culture and status as a listed company. We understand that a diverse Board with a range of views enhances decision making, which is beneficial to the Group's long-term success and is in the interests of the Company's stakeholders.

The Board diversity policy was approved in 2017 and sets the framework for Board appointments to ensure that candidates are assessed against objective criteria which do not place any candidate at a disadvantage. We believe that it is in the interests of our shareholders that appointments to the Board and our senior management team are made on the basis of merit, therefore, the Board does not currently set specific targets for boardroom diversity. However, in light of the forthcoming changes to the Listing Rules announced by the FCA, the Board will review its policy during the current financial year and consider the steps needed to promote ethnic diversity on the Board and in the general workforce.

Since the appointment of Fiona Goldsmith to the role of Senior Independent Officer on 24 March 2022, at least one of the senior Board positions is occupied by a woman.

The Group has an equality and diversity policy in respect of its wider workforce, with further details set out on page 133.

Board tenure

Years	Board Members
1-5	●●●
6–9	●
10+	●●

Independence

Chairman	●
Executive	●●
Independent Non-Executive	●●
Non-Independent Non-Executive	●

Gender balance

Male	●●●●
Female	●●

Board appointment process

1. Information obtained through Board evaluations and succession planning is used to identify gaps in skills, experience, independence and knowledge.
2. The recruitment process commences, assisted by independent, external consultants to determine desired objective criteria. A longlist of candidates is prepared for the Nomination Committee to review, and from this a shortlist of candidates is selected for interview.
3. Interviews held with the Chairman, Non-Executive Directors and Executive Directors (separately).
4. Nomination Committee recommends a candidate to the Board for approval.

Succession planning

We recognise that succession planning is an important contributor to the Group's long-term sustainable success. Succession planning for the Board is monitored regularly and is considered in detail during the Board's annual performance evaluation.

Board inductions

Following successful appointment to the Board, new Directors receive a comprehensive and tailored induction programme. The induction programme facilitates their understanding of the Group and the key drivers of business performance and is an opportunity for the Directors to meet key members of the senior management team and undertake site visits.

How this supports a diverse succession pipeline

The process undertaken in stage 1 identifies a recruitment need by looking at the tenure of each individual Director, the background, knowledge and skill set of each Director, and Board composition as a whole.

This process enables the Nomination Committee to implement plans for the short, medium and long term, which support a diverse succession pipeline.

External advisers

The Nomination Committee uses external advisers where required to assist with the recruitment process. During the year, the Group used the services of a search agent with no connections to the Group or any of the Directors.

Board performance evaluation

Process

Last year, the Board announced that it would undertake an external evaluation of the Board's performance in 2022. Having considered the announcement of James Thomson's resignation as Chief Executive Officer and with the search for a new independent Non-Executive Director underway, the Board agreed to delay this process until the new Board members are in place. The Board will, therefore, undertake an external evaluation in 2023. The Board does, however, understand the importance of having a rigorous and transparent Board evaluation process, and therefore, during the year, the Board undertook a review of its own effectiveness, that of its Committees and of individual Directors. This was based on completion of a detailed questionnaire and individual discussions between the Chairman and the Directors.

Being a smaller listed company, the Company is not required by the Code to undertake an external Board evaluation. However, the Nomination Committee is committed to ensuring that a rigorous and effective Board evaluation is conducted and is therefore committed to undertaking an external Board evaluation in 2023, when the Board changes have been effected.

Fiona Goldsmith, in her role as Senior Independent Director, conducted an evaluation of the Chairman's performance in conjunction with the other Non-Executive Directors and with input from the Executive Directors.

Macaulay Park,
Grimsby, Lincolnshire

Outcome

The outcome and conclusions reached from these evaluations were discussed by the Board and it was concluded that the Board, its Committees and the Chairman continued to perform effectively. Findings and actions arisings are considered in more detail below:

Findings from the 2022 Board evaluation	Actions planned
Following the resignation of Andrew Coppel, the Board has too few independent Directors.	A review of Board composition has resulted in the Board commencing a search for an additional independent Non-Executive Director. This will realign the Board with the independence provisions of the Code.
The Board should undertake regular reviews of its composition and factor this into succession planning.	Increased focus on Board composition, skills and diversity. This will include an updated review of senior management succession planning.
The Board holds open, transparent and robust discussions.	Continue to communicate effectively as a Board with open and transparent discussions and use this dialogue to reach robust conclusions.
The Board makes an effective and balanced contribution to strategy, risk assessment and corporate governance.	Continue to regularly review risk and opportunity across the business, in line with the Company's overall strategy.
The Board Committees are operating effectively, and the Committee Chairs are effective in their leadership.	Appoint a permanent Chair of the Remuneration Committee and continue to hold an appropriate number of Committee meetings with pre-approved agendas, focusing on key issues with challenging debate.

Dermot Gleeson
Chairman

14 September 2022

Audit Committee Report

"The Committee continues to have a busy agenda supporting the Board in responding to change and monitoring the effectiveness of the Group's systems of risk management and control, including audit and financial reporting."

Fiona Goldsmith
Chair of the Audit Committee

Key achievements for 2022

- Close monitoring of commercial processes, cost management, profit and margin recognition.
- Assessing the recent changes brought about by the Building Safety Act 2022 and its impact on the Group and its financial statements.
- Assessing emerging and principal risks, including those related to climate change, environmental, social and governance matters.
- Obtaining assurance over areas of risk or complexity, including taxes, carrying value of certain assets and IT security.

Areas of focus for 2023

- Continued focus on commercial processes, cost management, profit and margin recognition.
- Monitoring changes in government legislation and regulation in relation to building safety and its impact on the Group.
- Ongoing assurance over the financial controls, tax compliance and risk management processes of the Group.
- Monitoring the resilience and security of key business systems against cyber risks and other threats.
- Reviewing and developing the Group's internal audit processes and plan.

Committee members

- Fiona Goldsmith (Chair)
- Elaine Bailey

Dear shareholder,

I am pleased to introduce the Audit Committee Report for the financial year ended 30 June 2022, which has been another busy year for the Committee.

Operation of the Committee

Both members of the Committee are independent Non-Executive Directors. The Board is satisfied that the membership of the Audit Committee meets the requirement for relevant and recent financial experience. The biographies and professional qualifications of the members are shown on pages 86 and 87.

The Chief Executive Officer, Chief Financial Officer, Company Secretary and other senior management are invited to attend meetings, along with the Group's internal and external auditors, when required. The Committee also met with the Group's internal and external auditors without the presence of Executive Directors or senior management on several occasions throughout the year.

Northbeck Grange,
Bradford, West Yorkshire

Committee meetings

The Committee is required, in accordance with its terms of reference, to meet at least three times a year. During the year, the Committee formally met four times.

Activities during the year

During the year, the Committee dealt with the following key matters:

- Approving the Group's interim and annual financial reporting.
- Reviewing principal accounting matters and judgements.
- Monitoring profit recognition and cost management.
- Obtaining assurance over carrying value of work in progress.
- Reviewing going concern and viability.
- Reviewing Group credit risk.
- Reviewing tax matters and approving the Group's tax strategy.
- Monitoring legacy matters, including those impacted by the Building Safety Act 2022.
- Assessing compliance with Group policies and whistleblowing.
- Assessing external auditor effectiveness, independence and fees.
- Monitoring risk and assurance matters, including:
  - reviewing the Group risk register;
  - internal audit plans and reports;
  - external audit strategy and findings;
  - internal control effectiveness;
  - IT and cyber security reports; and
  - regulatory compliance, including with the UK Market Abuse Regulation, GDPR, anti-bribery and corruption and Corporate Criminal Offence.

Audit Committee activities in 2022

Activity	Work carried out	Outcome
Financial reporting – fair, balanced and understandable	The Committee reviewed the integrity of this Annual Report and Accounts and formal announcements made during the year relating to the Group's financial performance. At the request of the Board, the Committee considered whether the 2022 Annual Report and Accounts taken as a whole is fair, balanced and understandable and whether it provides the necessary information for shareholders to assess the Company' and Group's performance, business model and strategy. In doing so, the Committee received comments from management and the external auditors at its meeting in September 2022. It also reviewed the annual compliance procedures and management confirmations that support the Group's financial reporting governance framework and risk management process for the year ended 30 June 2022.	The Committee was satisfied that, taken as a whole, the 2022 Annual Report and Accounts is fair, balanced and understandable and provides sufficient information for shareholders to assess the Company and Group's performance, business model and strategy. The Committee recommended as such to the Board.
Risk management	The Committee received an update on the Group risk register at four of its scheduled meetings during the year. A summary of the principal Group risks, mitigating actions and any changes during the year is set out in Risk Management on pages 34 to 39. The Committee fully understands the risks faced by the Group and how these are being addressed. This process ensures that the Committee meets its obligation to oversee the effectiveness of risk management, and allows it to confirm to the Board that appropriate controls and mitigations are in place and operating effectively.	The Committee and the Board fully understand and manage the balance of risks in the business.
Profit margin recognition	Throughout the year, the Committee reviewed the processes, controls and assumptions for recognising profit margin on development sites, including three particular areas: cost inflation, selling prices and contingencies. See further details under "Financial reporting and significant judgements" on page 102.	The Committee satisfied itself that the associated processes and controls have continued to operate effectively across the Group and the assumptions applied by management in relation to profit margin recognition are appropriate.
Work in progress	The Committee reviewed reports from the Group's internal auditor on the carrying value and recoverability of land and work in progress on selected Gleeson Homes sites. The Committee also received reports on the recoverability and carrying value of work in progress in Gleeson Land. See further details under "Financial reporting and significant judgements".	The Committee satisfied itself that the carrying value of land and work in progress in both Gleeson Homes and Gleeson Land remains appropriate.
Group taxes	The Committee received regular updates on Group tax matters. These cover all aspects of compliance, including VAT, Corporation Tax, the newly-enacted Residential Property Developers Tax, Construction Industry Scheme and employment taxes including off-payroll working arrangements. The Committee reviewed the Group's Tax Strategy statement for the year to 30 June 2022 and recommended its approval to the Board. A copy of the Tax Strategy statement can be found on the Company's website, mjgleesonplc.com.	The Committee satisfied itself that the processes and controls associated with Group taxes remain robust.

Activity	Work carried out	Outcome
Legacy matters	The Committee received and reviewed reports on claims associated with the Legacy businesses, being the contracting and engineering businesses sold more than 10 years ago.	The Committee, in conjunction with the Chief Financial Officer, continues to monitor the status of claims and any remaining liabilities.
Building safety	The Committee approved risk assessments on all buildings over 11 metres tall that the Group played a part in developing during the last 30 years and received reports on the outcome of those inspections. The Committee received updates on the latest legal requirements under the Building Safety Act 2022 and continues to monitor this evolving area of government policy.	The Committee is satisfied that the Group is meeting the commitments made in the pledge letter to the Department for Levelling Up, Housing and Communities ("DLUHC") and that it is acting responsibly to meet its obligations.
Internal audit	The Committee set the internal audit plan for financial year ended 30 June 2022 at its meeting in September 2021. The Committee received and reviewed reports from the internal auditor throughout the year on internal audits conducted across the business.	The Committee remains satisfied with the effectiveness of the internal audit function.
External audit	The Committee received and reviewed the external auditors' Group audit plan at its meeting in February 2022. Following completion of the audit of the Group, the external auditors presented their findings to the Committee in September 2022.	The Committee remains satisfied with the effectiveness of the external auditors and the audit process.

Other activities

During the year, the Committee also reviewed reports on IT and cyber security, corporate disclosures, GDPR, credit risk, Corporate Criminal Offence, anti-bribery and malpractice monitoring.

Springfield Meadows, Bolsover, Derbyshire

Financial reporting and significant judgements

The significant financial reporting matters and areas of significant judgement considered by the Committee during the year are those that present a risk of material misstatement to the Group's financial statements, being:

Activity	Work carried out	Outcome
Margin recognition	The allocation of inventories to cost of sales on the sale of individual homes is dependent on estimates of total build costs and future selling prices for each site as a whole. These estimates, therefore, impact on the timing and amount of profit margin recognised on sales of individual homes. The Committee monitors the effectiveness of internal controls exercised over the key processes employed by the Group in site development activities and the forecasting of future costs, revenue and profit. The Committee receives regular reports regarding sales of homes and the costs, and possible future costs, relating to individual sites. The Committee reviewed the assumptions applied by management supporting the profit margin recognised on the sale of individual homes and concluded that they remain appropriate.	The Committee satisfied itself that the associated processes and controls have continued to operate effectively across the Group and the assumptions applied by management in relation to profit margin recognition are appropriate.
Carrying value of land and work in progress	The most significant asset carried by the Group is inventory, which includes land and work in progress. The Group carries inventories at the lower of cost and net realisable value, which is dependent on estimates of total build or land promotion costs and future selling prices. There is, therefore, a risk that land and work in progress is held at a value in excess of the lower of cost and net realisable value. The Committee monitors the effectiveness of internal controls exercised over the key processes employed by the Group in site development activities and the forecasting of future costs, revenue and profit. The Committee also receives regular reports on the carrying value of land and work in progress in Gleeson Homes and Gleeson Land. The Committee reviewed these reports and debated them with the internal auditor and with management.	The Committee satisfied itself that the carrying value of land and work in progress remains appropriate. The Committee satisfied itself that the associated processes and controls have continued to operate effectively across the Group and the assumptions applied by management in relation to inventory value is appropriate.
Building safety	The Committee reviewed, challenged and agreed the basis on which the Group's review and assessment of buildings over 11 metres in which the Group played a part in developing was carried out. The Committee considered the assessment of costs associated with life-critical fire-safety remediation in respect of any such buildings and the findings from independent experts. More details can be found in note 18 to the financial statements. The Committee considered and agreed the appropriateness of presenting the costs associated with life-critical fire-safety remediation as an exceptional item in these financial statements, including discussions with the external auditors.	The Committee satisfied itself that the processes undertaken by the Group in respect of the identification, assessment and estimation of life-critical fire-safety remediation costs were robust and the provisions recognised were appropriate. The Committee satisfied itself that the presentation of such costs as an exceptional item in these financial statements is appropriate.

Activity	Work carried out	Outcome
Climate change and environmental risks	The Committee reviewed the risk of climate change impacting the Group as part of the risk register review during its regular meetings. Climate change has the potential to impact the Group through restricted land availability, disrupted build programmes, material and labour shortages and increased costs. This could impact the carrying value of assets, including land held in inventory, or require specific provisions to be made.	The Committee satisfied itself that no provisions or impairment of assets have been recognised in these financial statements as a result of climate change or environmental risks and that this remains appropriate.
Going concern and viability reporting	The Committee examined the financial forecasts for the Group, including the impact of a severe but plausible downturn in the housing and land markets. These were examined by the Committee in conjunction with its review of this Annual Report and Accounts. The Committee satisfied itself, and subsequently the Board, that the going concern basis of preparation continues to be appropriate in the context of the Group's banking and liquidity position. Further details can be found in note 1 of the financial statements on page 153. In accordance with the provisions of the Code, the Committee considered the time period over which it could reasonably assess the Group's ability to continue to trade, taking into account the Group's financial budget period and operational forecasts. It concluded that this should remain a three-year period as explained in the viability statement on page 93. The Committee received detailed financial analysis based on the Group's latest budgets with a severe but plausible scenario applied over the three-year period and determined that there was a reasonable expectation that the Company and Group will be able to continue in operation, meet its liabilities as they fall due and maintain compliance with its banking covenants.	The Committee satisfied itself that, based on the financial modelling undertaken, the Company and Group have adequate resources to continue in operation for the foreseeable future and operate in compliance with their bank facilities. The Committee recommended statements to this effect to the Board to approve for inclusion in this Annual Report and Accounts.
Carrying value of investments (Company only)	The Committee reviewed the carrying value of the investment in subsidiaries during the year. Following a review of the carrying value of investments in the Parent Company, the Company's investment in the Legacy businesses was written down by £0.1m at 30 June 2022. This has no impact on the consolidated Group.	The Committee satisfied itself that the carrying value of investments held in the Parent Company remains appropriate with no other indicators of impairment.

Financial Reporting Council

During the year, the Committee monitored the Group's engagement with external stakeholders relevant to the Committee's areas of oversight, including the Financial Reporting Council (the "FRC"). In February 2022, the Group received a letter from the Corporate Reporting Review Team of the FRC in relation to the Group's 2021 Annual Report and Accounts as part of its regular review and assessment of the quality of corporate reporting in the UK. This letter did not raise any specific questions or queries that required a substantive response or explanation, but did note a number of matters where they believed that users of the accounts would benefit from improvements to the existing disclosures. All the proposed specific enhancements to the disclosures in the accounts have been taken into account in the preparation of this Annual Report and Accounts.

This review considered compliance with reporting requirements and does not provide any assurance over the disclosures that were reviewed. The FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.

Effectiveness of internal controls and risk management systems

The Committee is responsible for reviewing and monitoring the effectiveness of internal controls and risk management systems on behalf of the Board. The Group's system of internal control includes the following processes:

- The Board and management committees meet regularly to monitor performance against key performance indicators, which include cash management and financial and operational measures. A variety of financial and non-financial reports are produced to facilitate this review process.
- The Board has established defined lines of authority to ensure that significant decisions are taken at an appropriate level.
- The Group employs individuals of appropriate calibre and provides any training that is necessary to enable them to perform their role effectively. Key objectives and opportunities for improvement are identified through annual performance and development reviews.
- Each division has defined procedures and controls to identify and minimise business, operational and financial risks. These procedures include segregation of duties, provision of regular performance information and exception reports, approval procedures for key transactions and the maintenance of proper records. Compliance with these procedures and controls is certified annually by senior management to the Committee. The Group's programme of insurance covers the major risks to the Group's assets and business and is reviewed annually.
- Authorities are in place that require divisional management to refer all significant decisions that exceed prescribed limits to either the Executive Directors or the Board for approval.

Regular reviews are undertaken in order to identify any changes in procedure or controls that may be required in the light of changing circumstances.

The effectiveness of the overall internal control framework and risk management process is monitored by both the Audit Committee and the Board. As part of this, the Committee reviews the annual compliance returns completed by senior management, which confirm that key financial controls have been in operation throughout the year and that an effective control environment has been maintained.

Each divisional management team also completes an annual risk assessment. The results of this are reviewed by the Committee and changes identified are incorporated into the Group risk register. The Risk Management section on pages 34 to 39 sets out details of the principal risks that the business faces and how it mitigates them.

The Committee has satisfied itself that an appropriate system of internal controls and risk management processes has been maintained throughout the year to safeguard shareholder interests as well as the Group's assets in accordance with the requirements of the Code.

Whistleblowing arrangements

The Group has in place a formal whistleblowing policy, internal whistleblowing mailbox monitored by the Head of Legal and Company Secretary, and an independent external whistleblowing helpline. These enable all employees to confidentially report any malpractice or matters of concern they have regarding the actions of employees, management or Directors, or any unlawful behaviour or breaches of the Group's policies or practices, without fear of recrimination. The policy includes a process for proportionate and independent investigation of any reports received. This may involve an informal review, an internal inquiry, or a more formal investigation. Whenever possible, feedback is given to the whistleblower on the outcome of any investigation.

The Head of Legal and Company Secretary maintains a register of reports received through both internal and external processes, which is reviewed by the Committee at least every six months.

During the year, employee awareness was enhanced on the Group's whistleblowing policy through the induction process, newsletters, posters and reminders that "If you see something, say something". Employees also undertake a mandatory online course which is designed to raise awareness of reportable issues or incidents.

Anti-bribery and corruption policy

The Group values its long-standing reputation for ethical behaviour and integrity. Conducting its business with the highest ethical standards and a zero-tolerance approach to all forms of corruption is central to these values, the Group's image and reputation.

The Group policy sets out the standards expected of all Group employees in relation to anti-bribery and corruption. The Board has overall responsibility for ensuring this policy complies with the Group's legal and ethical obligations and that everyone in the organisation complies with it. This policy is also relevant for third parties who supply goods or perform services for or on behalf of the Group. We require those parties to adhere to this policy or have in place equivalent policies and procedures to combat bribery and corruption.

Employees also undertake a mandatory online course, which is designed to raise awareness of bribery and corruption offences and penalties for both individuals and the Group.

The Committee reviews a report on the registers of gifts and hospitality given or received by Directors and employees of the Group at least every six months. No incidents of bribery or corruption involving the Group or its employees were reported to the Committee during the year.

Human rights and modern slavery

During the year, the Group established new processes to enhance modern slavery checks and safeguards within the business, enhanced the on-boarding process for its supply chain and undertook regular audits of its development sites. All employees undertake mandatory online training on spotting the potential signs of slavery within the workplace and are actively encouraged to raise concerns through the whistleblowing lines. The modern slavery focus group established in the prior year is led by the Chief Financial Officer and comprises members of senior management and the Head of Legal and Company Secretary.

Internal audit

The Committee is responsible for reviewing and approving the annual internal audit plan. This continues to cover a broad scope of activities across the Group, focused on areas of risk and management judgement.

During the year, the Committee received six reports from the internal auditor on the findings of internal audits conducted throughout the business, together with proposed recommendations to rectify any issues identified. The findings of these reports were actively discussed by the Committee with the internal auditor and with management. The Committee monitored the follow-up on actions identified.

The Committee reviewed the effectiveness of the internal audit function and concluded that it has operated effectively and provided a suitable level of independent scrutiny across the operations of the Group.

External audit

PricewaterhouseCoopers LLP were first appointed as independent auditors to the Group in December 2016 following a competitive audit tender, and were most recently reappointed following approval by shareholders at the AGM on 15 November 2021.

In February 2022, the auditors presented their Group audit plan to the Committee, identifying their assessment of key risks in the Group's financial reporting. For the 2022 financial year, as in prior years, the key audit matters identified were in relation to the carrying value of land and work in progress in Gleeson Homes and Gleeson Land and the carrying value of investments in subsidiaries in relation to the Company only. Subsequently, the valuation of building safety provisioning was added as a key audit matter for the year to 30 June 2022.

The Committee formulates and oversees the Group's policy on monitoring the external auditors' objectivity and independence in relation to non-audit services and is responsible for the approval of all audit and non-audit fees for services provided by the Company's auditors. As a result of the EU Audit Reforms Regulations (as amended 11 June 2016), and the FRC's revised ethical standard (as revised December 2019), the auditors are excluded from undertaking a range of work on behalf of the Group to ensure that the nature of non-audit services performed or fee income earned relative to the audit fees does not compromise, and is not seen to compromise, the auditors' independence, objectivity or integrity.

For the year to 30 June 2022, there were no non-audit fees paid to the external auditors. Details of the audit fees incurred are disclosed in note 4 to the financial statements.

The Committee assesses the performance and effectiveness of the external auditors on an annual basis. When making its assessment, the Committee considers feedback from the Chief Financial Officer and other senior finance management, the auditors' fulfilment of the agreed audit plan, and the auditors' objectivity and independence during the process. The Committee also holds private meetings with the auditors on an annual basis. Matters discussed include the auditors' assessment of business risks and management activity thereon, the transparency and openness of interactions with management and confirmation that there has been no restriction in scope placed on them by management.

The Committee concluded that the audit process had been conducted robustly and PricewaterhouseCoopers LLP's performance as independent auditors to the Group was considered to be satisfactory. As the auditors have indicated their willingness to continue in office, a resolution that they be reappointed will be proposed at the next AGM of the Company on 18 November 2022.

Under current regulations the Group is not required to re-tender its audit until 2026, however, the Committee will continue to monitor the performance of the external auditors during this time and make recommendations accordingly.

The Company has complied throughout the reporting year with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Fiona Goldsmith
Chair of the Audit Committee

14 September 2022

Sustainability Committee Report

“The Sustainability Committee supports the Board in ensuring the business operates in a responsible manner, adding value to society, improving communities, enhancing people’s lives and reducing our impact on the environment.”

Elaine Bailey
Chair of the Sustainability Committee

Key achievements for 2022

- Review of Group sustainability risks and mitigating actions.
- Review of progress against 2022 sustainability targets and setting of 2023 targets, including reducing carbon emissions.
- Review of progress on scope 3 carbon emissions data validation.
- Review of Group reporting and disclosures, in particular climate risk scenario modelling for TCFD.

Areas of focus for 2023

- Monitoring progress against 2023 sustainability targets.
- Developing the Group’s long-term carbon emissions reduction pathway.
- Developing the Group’s water and biodiversity strategies.
- Enhancing the Group’s climate-related reporting disclosures and communications.

Committee members

- Elaine Bailey (Chair)
- James Thomson
- Stefan Allanson

Dear shareholder,

I am pleased to introduce our second Sustainability Committee Report, for the Committee’s first full year in operation after it was formed in December 2020.

Operation of the Committee

The Committee is comprised of the Chair, the Chief Executive Officer and the Chief Financial Officer. Other members of the Board, senior management or external advisers are invited to attend for all or part of any meeting as and when required.

Committee meetings

The Committee is required, in accordance with its terms of reference, to meet at least twice a year, and the Committee met twice during the year. The terms of reference were amended during the year to increase the number of scheduled meetings to three times a year as the Committee recognises the importance of its role in continuing to monitor and integrate sustainability practices and targets across the business.

Jack,
Briar Lea Park,
Longtown,
Cumbria

Activities during the year

During the year, the Committee dealt with the following key matters:

- Reviewing progress against 2022 sustainability targets and actions.
- Agreeing new sustainability targets and actions for 2023.
- Reviewing the Group's sustainability risk register.
- Recruitment of the Group Sustainability Manager.
- Agreeing further steps for the Group in respect of:
  - "near miss" accident reporting;
  - enhancing employee engagement;
  - enhancing the customer experience;
  - reducing the Group's scope 1 and 2 carbon emissions;
  - scope 3 emissions data and a carbon reduction pathway;
  - water and biodiversity strategies; and
  - developing climate-related disclosures in accordance with the Task Force on Climate-related Financial Disclosures ("TCFD") and the Sustainability Accounting Standards Board ("SASB").

Our aims

We are currently developing our long-term carbon-reduction strategy. As we set out last year, the starting point for this carbon reduction plan is a complete and in-depth analysis of the scope 1, 2 and 3 emissions in our build processes and supply chain in order to model a pathway that is both robust and implementable.

Whilst we have made significant progress in understanding our scope 3 emissions this year and validating these to Environmental Product Declarations (the details of which can be found on page 60) we have further to go before we establish a robust and realistic medium and long-term strategy.

In the short-to-medium term, our aim is to set sustainability targets and actions that can be quantified and that are, ideally, within the tenure of those who are measured against them. This enables environmental, social and governance targets to be linked to performance and remuneration effectively, and drives purposeful outcomes which ultimately drive the business towards achieving its long-term sustainable business strategy.

We are all aware of the potential impacts of climate change and the risks not only to our business but the communities in which we build. We are already seeing some effects in the form of emerging environmental issues, including phosphate and nitrate mitigation, nutrient neutrality, flooding and water stress, that are impacting the sector in terms of the planning process and land availability. Our aim is to continue to adapt and stay one step ahead in our approach to land buying, materials, technology and processes in order to manage and mitigate the effects of these on our business.

Our aim is also to provide clarity and leadership in our reporting on sustainability, sharing the Group's targets and performance, including where we have not achieved targets and the areas for improvement. We believe that stakeholders value this honesty in our reporting.

Sustainability Committee activities in 2022

Activity	Work carried out	Outcome
Carbon emissions	The Committee has continued to review the progress made on our carbon emissions reduction and the impact that regulatory change will have. This has been included in our climate risk scenario planning that forms part of our TCFD reporting on pages 66 to 69. The continuation of our scope 3 emissions evaluation for embodied and in-use carbon has significantly improved the accuracy of our carbon data and understanding.	Our TCFD reporting has been updated to reflect climate risk scenario planning. Our detailed validation of scope 3 emissions will enable us to develop our medium and long-term carbon reduction pathway.
Sustainability targets	The Committee received updates on progress against the 2022 sustainability targets that were published in last year's Annual Report and Accounts. The Committee challenged where progress was falling short of the targets set and the corrective actions being taken. Progress against our published 2022 targets can be found on pages 62 and 63. The Committee reviewed and approved the targets and actions for 2023. These can be found on page 65.	The Committee was satisfied with progress against the 2022 targets. The Committee approved the targets and actions proposed for 2023.
Sustainability risk register	The Committee reviewed the sustainability risk register. This assesses both the inherent and mitigated risks of the material sustainability issues relevant to the Group. Group-level risks, including those related to climate change and sustainability, informed by the sustainability risk register, are monitored by the Audit Committee and the Board as set out in Risk Management on pages 34 to 39.	The Committee and the Board fully understand and manage the balance of risks in the business.
Climate-related disclosures	The Committee reviewed the draft and final disclosures for inclusion in this Annual Report and Accounts. This includes the disclosures based on the recommendations of the TCFD, which can be found on pages 66 to 69, and the relevant SASB Industry Standards, which can be found on pages 70 to 73.	The Committee approved the disclosures for inclusion in this Annual Report and Accounts.

Elaine Bailey
Chair of the Sustainability Committee

14 September 2022

Canal Walk, Burnley, Lancashire

Remuneration Committee Report

> I am pleased to present the Annual Report on Remuneration and the proposed Directors' Remuneration Policy."

Elaine Bailey
Interim Chair of the Remuneration Committee

Key achievements for 2022

- Reviewing and proposing the new Directors' Remuneration Policy for 2023 and subsequent years.
- Reviewing and assessing the fairness of 2022 bonus and LTIP outcomes.
- Agreeing performance targets for Executive Director remuneration for 2023.
- Reviewing and approving proposals for staff pay and bonuses.

Areas of focus for 2023

- Setting targets for Executive remuneration that align to the Group's business strategy.
- Reviewing wider workforce remuneration and related policies.

Committee members

- Elaine Bailey (Interim Chair)
- Fiona Goldsmith

Dear shareholder,

I am pleased to present the Directors' Remuneration Report for 2022.

The report is split into three sections:

1. This statement, which provides an overview of the key decisions made on Directors' remuneration during the year;
2. The Annual Report on Remuneration, which provides details of the remuneration earned by Directors during 2022, and how we intend to apply the Directors' Remuneration Policy during 2023; and
3. The proposed Directors' Remuneration Policy for which we will be seeking shareholder approval at the 2022 AGM.

Our new Directors' Remuneration Policy

Our current Remuneration Policy was approved by shareholders at the 2019 AGM (with 98.2% of votes cast in favour) and is approaching the end of its three-year term. A new Directors' Remuneration Policy ("Remuneration Policy") will therefore be put to shareholders for approval at the 2022 AGM.

The Committee has undertaken a comprehensive review of the Executive remuneration framework and concluded that it continues to support the delivery of business strategy and the creation of shareholder value. Therefore, no changes are proposed to the overall framework. Minor refinements have been proposed to the Remuneration Policy to provide greater alignment with best practice corporate governance principles and to reflect "good housekeeping". As part of the review, the Committee wrote to major shareholders to advise of the proposed refinements and invite any feedback.

The proposed refinements are as follows:

- **Post-employment shareholding guideline**
  Guidelines were introduced in 2019 which required Executive Directors to hold shares equivalent to 200% of salary for the first 12 months following departure and 100% of salary for the subsequent 12 months (or their actual shareholding at the point of departure if lower). The guidelines have been updated with effect from 1 July 2022 to reflect best practice and guidance from the Investment Association. Executive Directors are now required to hold shares equivalent to 200% of salary for two years following departure (or their actual shareholding at the point of departure if lower).
- **Leaver provisions for deferred bonus awards**
  The leaver provisions have been updated to reflect that, if an Executive Director departs for any reason, unvested deferred bonus awards will ordinarily continue to vest at the normal vesting date. The exception being that unvested awards will lapse immediately if an Executive Director is summarily dismissed. This is so that the policy fully aligns with the approach adopted by the Committee in practice, which the Committee considers to be in line with market practice.

Executive Director changes

As announced on 27 April 2022, James Thomson will step down as Chief Executive Officer on 31 December 2022. He will remain on the Board as a Non-Executive Director. Graham Prothero will succeed James Thomson as Chief Executive Officer with effect from 1 January 2023.

The treatment of James Thomson's remuneration is set out on page 116. The Committee has agreed the following remuneration arrangements for Graham Prothero:

- An annual salary of £540,000 which is positioned within the market competitive range compared to FTSE SmallCap companies and is competitively positioned against housebuilder peers.
- A one-off relocation allowance of £25,000.
- A pension opportunity equal to 6.5% of salary, which is in line with the level available to the majority of the wider workforce.
- An annual bonus opportunity of 150% of salary, which is in line with the maximum limit included in the Remuneration Policy. For the year ended 30 June 2023, the bonus opportunity will be prorated to reflect the period of his service as Chief Executive Officer during the year.
- A maximum LTIP opportunity of 250% of salary for the year ending 30 June 2023. This is a one-off exceptional award level which the Committee considers to be appropriate in the context of recruiting Graham Prothero and to ensure that he is appropriately incentivised over the longer term. The award opportunity has been determined based on the exceptional LTIP limit included within the Remuneration Policy (200% of salary), which may be used to recruit an Executive Director, with an additional 50% of salary to buy out LTIP awards that were forfeit by Graham Prothero on leaving his previous employer. The Committee notes that the additional 50% of salary serves as a performance-based buy-out award, which has a significantly lower face value and longer time horizons compared to the awards forfeit. The LTIP award will be subject to the same performance metrics as the award to be granted to Stefan Allanson (see page 112). The maximum LTIP opportunity for subsequent years will be 150% of salary.

Pay and performance outcomes for 2022

Results for the year

Gleeson Homes delivered its medium-term strategic objective of doubling home sales within five years by completing the sale of 2,000 new homes during the year, an increase of 10.4% on the prior year. It opened 23 new sites and closed the year with 87 build sites, of which 61 were actively selling.

The average selling price increased by 14.7% to £167,300, which offset significant material and labour cost increases experienced across the sector. As a result, Gleeson Homes delivered an operating profit of £51.2m pre-exceptional items (2021: £37.4m).

Gleeson Land sold six sites during the year with the potential to deliver 1,443 plots for housing development and delivered operating profit of £11.1m (2021: £11.1m). It ended the year with a portfolio of 71 sites (2021: 71 sites) with the potential to deliver 20,241 plots.

As a result of the strong performance in both divisions, Group profit before tax (pre-exceptional items) was £55.5m (2021: £41.7m), which was significantly ahead of market expectations.

The Group also set a number of sustainability targets for 2022. The performance against these targets is set out on pages 62 and 63.

Annual bonus

The Executive Directors were each awarded an annual bonus opportunity equal to 125% of salary based on Group profit before tax (as regards 80% of the potential award) and strategic and personal performance (as regards 20% of the potential award). James Thomson's strategic and personal objectives were based on customer satisfaction, site openings, forward order book, sustainability targets and Gleeson Land's maturity of portfolio. Stefan Allanson's strategic and personal objectives were based on site openings, forward order book, sustainability targets and Gleeson Land's maturity of portfolio.

James Thomson and Stefan Allanson each earned a bonus equal to 89% and 86.25% of maximum respectively (equivalent to 111.3% and 107.8% of salary) based on the outcome of the performance targets. See pages 114 and 115.

The Committee considered the bonus outcome for the profit element and the strategic and personal performance element alongside broader perspectives, including underlying business performance and affordability and the experience of employees and other stakeholders. The Committee considered the outcome to be appropriate and no discretion was applied to the bonus outcome.

Long Term Incentive Plan ("LTIP")
James Thomson and Stefan Allanson were each granted an LTIP award in 2019 equal to 150% of salary. The awards were subject to performance targets based on Earnings per Share ("EPS") (as regards two-thirds of the award) and relative Total Shareholder Return ("TSR") (as regards one-third of the award). 27.4% of the awards will vest, taking into account performance against the EPS and relative TSR targets. See page 115.

The Committee considers the vesting outcome to be appropriate, recognising that the Group has continued to perform strongly, both financially and strategically, in a volatile economic environment over the last three years. No discretion to the vesting outcome has therefore been applied.

Vested awards will be subject to a two-year holding period.

Remuneration in 2023

Salary
A 4% salary increase has been awarded to Stefan Allanson with effect from 1 July 2022. This compares to an average of 5.6% for the wider workforce. No salary increase has been awarded to James Thomson on account of him stepping down as Chief Executive Officer on 31 December 2022.

Pension
James Thomson and Stefan Allanson will each receive a pension opportunity equal to 6.5% of salary, which is in line with the level available to the majority of the wider workforce.

Annual bonus
The maximum bonus opportunity for James Thomson and Stefan Allanson will be 125% of salary. James Thomson's bonus opportunity will be prorated to reflect the period of his service as Chief Executive Officer during the year.

In line with the previous year, 80% of the award will be based on financial performance and 20% will be based on strategic and personal performance. Details of the profit target and the strategic and personal performance targets will be fully disclosed in the Annual Report on Remuneration for the year ending 30 June 2023. The Committee has discretion to amend the bonus outcome where it considers that it is not a fair reflection of business performance.

The Executive Directors will be required to defer one-third of any bonuses earned into shares for a two-year period.

LTIP
The maximum LTIP opportunity for Stefan Allanson will be 150% of salary. James Thomson will not be granted an LTIP award.

In line with the previous year, 50% of the award will be based on EPS performance and 50% will be based on relative TSR performance measured over a period of three financial years to 30 June 2025. The Committee has discretion to amend the vesting outcome where it considers that it is not a fair reflection of business performance. Any shares that vest will be subject to a two-year holding period. See page 121 for details of the performance targets.

Chairman and Non-Executive Directors fees
The Committee agreed that the Chairman's fee for 2023 will remain at £128,000, and this includes a fee of £10,500 for chairing the Nomination Committee, which also remains unchanged.

The fees for the Non-Executive Directors increased 4% from £48,500 to £50,500 plus an additional, unchanged, fee of £10,500 for chairing a Board Committee. This compares to an average increase of 5.6% for the wider workforce. The Senior Independent Director will receive an additional fee of £10,000.

Gender pay gap
The Group's median gender pay gap is 3%, versus the 2021 national median of 8% in favour of men. Women occupy 20% of the highest paid jobs and 35% of the lowest paid jobs.

The Group is continuing to develop and encourage more women into roles that have traditionally been male occupied. This includes better provisions on sites for female employees and subcontractors. In respect of pay, the Group does not discriminate on the grounds of gender and operates an equal pay policy.

Further details are set out in the Group's Gender Pay Review, which can be found at mjgleesonplc.com.

Real Living Wage
The Group was the first major housebuilder to be accredited by the Living Wage Foundation. Other housebuilders have now followed our lead and the Group believes that all employees in all sectors should be paid the real Living Wage or higher. The only exception to this is for apprentices, where the Group pays above the government's guidelines.

The Committee looks closely at market data when it comes to approving employee pay and rewards to ensure that these remain competitive and enable the Group to attract, motivate and retain high-quality staff.

Conclusion
I trust the information presented in this report enables our shareholders to understand how we have operated our Remuneration Policy over the year and the rationale for our decision making. We believe that the Remuneration Policy operated as intended and we consider that the remuneration received by the Executive Directors during the year was appropriate taking into account Group and personal performance, and the experience of shareholders and employees.

I will be available at the AGM to respond to any questions and discuss any aspects of the proposed Remuneration Policy, Annual Report on Remuneration or the Committee's activities.

Elaine Bailey
Interim Chair of the Remuneration Committee

14 September 2022

Annual Report on Remuneration

The Remuneration Committee's Annual Report on Remuneration for the year ended 30 June 2022 is set out below, including remuneration for the year ended 30 June 2022 and the implementation of the new Remuneration Policy for 2023.

The auditors are required to report on the following information up to and including the table on Directors' shareholdings and share interests on page 117.

Single total figure of remuneration for each Director for the years ended 30 June 2022 and 30 June 2021

	2022								2021							
	Fixed pay				**Variable pay**				Fixed pay				Variable pay			
	Salary & fees £000	**Benefits £000**	**Pension £000**	**Subtotal £000**	**Annual bonus £000**	**Value of LTIP awards £000**	**Subtotal £000**	**Total £000**	Salary & fees £000	Benefits £000	Pension £000	Subtotal £000	Annual bonus £000	Value of LTIP awards £000	Subtotal £000	Total £000
Chairman																
Dermot Gleeson	**128**	**1**	**–**	**129**	**–**	**–**	**–**	**129**	125	1	–	126	–	–	–	126
Executive Directors																
James Thomson	**513**	**23**	**33**	**569**	**570**	**153**	**723**	**1,292**	500	21	33	554	619	–	619	1,173
Stefan Allanson	**323**	**18**	**29**	**370**	**348**	**97**	**445**	**815**	315	17	38	370	380	454	834	1,204
Non-Executive Directors																
Elaine Bailey[1]	**62**	**–**	**–**	**62**	**–**	**–**	**–**	**62**	19	–	–	19	–	–	–	19
Andrew Coppel[2]	**42**	**–**	**–**	**42**	**–**	**–**	**–**	**42**	58	–	–	58	–	–	–	58
Fiona Goldsmith	**59**	**–**	**–**	**59**	**–**	**–**	**–**	**59**	58	–	–	58	–	–	–	58
Christopher Mills	**49**	**–**	**–**	**49**	**–**	**–**	**–**	**49**	47	–	–	47	–	–	–	47
Total	**1,176**	**42**	**62**	**1,280**	**918**	**250**	**1,168**	**2,448**	1,122	39	71	1,232	999	454	1,453	2,685

1 Elaine Bailey was appointed to the Board on 1 March 2021.

2 Andrew Coppel resigned from the Board on 16 March 2022.

Notes to the single total figure of remuneration

Salary and fees

Details of annual salaries for Executive Directors for the years ended 30 June 2022 and 30 June 2021 are set out below.

	Salary from 1 July 2021 £	Salary from 1 July 2020 £
James Thomson	**512,500**	500,000
Stefan Allanson	**322,875**	315,000

Details of fees for Non-Executive Directors for the years ended 30 June 2022 and 30 June 2021 are set out below.

	Fees from 1 July 2021 £	Fees from 1 July 2020 £
Chairman[1]	**128,000**	125,000
Non-Executive Director fee	**48,500**	47,250
Fee for chairing a Committee	**10,500**	10,500

1 Includes a fee of £10,500 for chairing the Nomination Committee.

Annual Report on Remuneration

CONTINUED

Taxable benefits provided to Executive Directors

The main benefits available to the Executive Directors during the year ended 30 June 2022 (and their associated values) were: car allowance of £13,000 for James Thomson and £13,000 for Stefan Allanson; car fuel of £8,000 for James Thomson and £3,000 for Stefan Allanson; private medical insurance of £1,000 for James Thomson and £1,000 for Stefan Allanson; and matching shares granted under the HMRC tax-qualifying all-employee scheme of £1,000 for James Thomson and £1,000 for Stefan Allanson.

Pension

The Executive Directors are eligible to participate in the MJ Gleeson Group Pension Plan, a defined contribution arrangement. During the year ended 30 June 2022, James Thomson received cash in lieu of pension contributions of 6.5% of salary (2021: 6.5% of salary) and Stefan Allanson received cash in lieu of pension contributions of 9% of salary (2021: 12% of salary).

Determination of annual bonus

The Executive Directors were each awarded a maximum bonus opportunity of 125% of salary based on Group profit before tax (as regards 80% of the potential award) and strategic and personal performance (as regards 20% of the potential award).

Profit performance

The Group achieved profit before tax (pre-exceptional items) of £55.5m for the year ended 30 June 2022. This was above the maximum and therefore 100% of the profit-related element of the bonus award was earned.

Target	Profit measure £m	Bonus achievable as percentage of maximum[1]
Threshold	48.8	20%
Target	51.4	50%
Maximum	53.9	100%

1 Straight-line vesting between threshold and maximum.

Strategic and personal performance

Performance against strategic and personal objectives for the year ended 30 June 2022 is detailed below.

James Thomson

Objective	Performance	Weighting	Outcome
Customer satisfaction Gleeson Homes to maintain a 5-star rating throughout 2022, meaning customer recommendation scores as polled by an independent survey company to average at least 90% for the year.	Gleeson Homes maintained a 5-star rating as the average customer recommendation score for the year was 90.7%.	4%	4%
Site openings Target range of 23 to 26 build site openings by 30 June 2022.	23 build sites were opened during the year.	4%	1%
Forward order book Gleeson Homes to commence 2023 with an order book of at least 940 forward orders.	The forward order book at 30 June 2022 was 618. The target was abandoned to optimise revenue and improve the customer journey.	4%	0%
Sustainability targets Achieve the 2022 sustainability targets published in the 2021 Sustainability Report: • Health and safety incident rate (AIIR) to be reduced to the industry standard or lower in 2022. • Employee engagement will be maintained in the upper quartile of companies surveyed during 2022. • Gleeson Homes to maintain a 5-star rating throughout 2022. • Carbon emissions will reduce to 1.75 tonnes of CO_2e by 2023.	• The health and safety incident rate (AIIR) was 55, significantly below the industry average of 239. • Employee engagement score was 90%, maintaining our position in the upper quartile. • Gleeson Homes maintained a 5-star rating as the average customer recommendation score for the year was 90.7%. • Carbon emissions were 1.86 tonnes, a reduction of 9% from the prior year and on track to meet the 2023 target.	4%	4%
Gleeson Land – maturity of portfolio Improve the maturity of the Gleeson Land portfolio by increasing the number of sites with planning consent or resolution to grant to more than six.	At 30 June 2022 there were three sites with planning consent or resolution to grant.	4%	0%
		20%	9%

Stefan Allanson

Objective	Performance	Weighting	Outcome
Site openings Target range of 23 to 26 build site openings by 30 June 2022.	23 build sites were opened during the year.	5%	1.25%
Forward order book Gleeson Homes to commence 2023 with an order book of at least 940 forward orders.	The forward order book at 30 June 2022 was 618. The target was abandoned to optimise revenue and improve the customer journey.	5%	0%
Sustainability targets Achieve the 2022 sustainability targets published in the 2021 Sustainability Report: • Health and safety incident rate (AIIR) to be reduced to the industry standard or lower in 2022. • Employee engagement will be maintained in the upper quartile of companies surveyed during 2022. • Gleeson Homes to maintain a 5-star rating throughout 2022. • Carbon emissions will reduce to 1.75 tonnes of CO_2e by 2023.	• The health and safety incident rate (AIIR) was 55, significantly below the industry average of 239. • Employee engagement score was 90%, maintaining our position in the upper quartile. • Gleeson Homes maintained a 5-star rating as the average customer recommendation score for the year was 90.7%. • Carbon emissions were 1.86 tonnes, a reduction of 9% from the prior year and on track to meet the 2023 target.	5%	5%
Gleeson Land – maturity of portfolio Improve the maturity of the Gleeson Land portfolio by increasing the number of sites with planning consent or resolution to grant to more than six.	At 30 June 2022 there were three sites with planning consent or resolution to grant.	5%	0%
		20%	6.25%

The Committee considered the bonus outcome for the profit and strategic and personal performance elements alongside broader perspectives, including underlying business performance and affordability and the experience of employees and other stakeholders. The Committee considered the outcome to be appropriate and no discretion was applied to the bonus outcome.

Bonus outcome

The total bonus outcome for each Executive Director is therefore:

	Bonus payable % of maximum	Bonus payable £000
James Thomson	89.0%	570
Stefan Allanson	86.25%	348

In accordance with the Remuneration Policy, one-third of the bonus payable is deferred into shares for two years.

2019 LTIP

The 2019 LTIP awards were subject to performance targets based on EPS (as regards two-thirds of the award) and relative TSR (as regards one-third of the award).

Details of the performance targets and performance outcome are set out in the table below:

	3-year performance period ended 30 June 2022		
	EPS for the year ended 30 June 2022	Relative TSR[1]	Total
Threshold – 20% vesting	74.6 pence	Median	
Maximum – 100% vesting	87.9 pence	Upper quartile	
Actual performance	**78.12 pence**	**Below median**	
Vesting outcome	**41.2% vesting**	**0% vesting**	**27.4% vesting**

1 Compared against a group of listed housebuilders comprising Barratt Developments, Bellway, Berkeley, Countryside Partnerships, Crest Nicholson, Galliford Try, Persimmon, Redrow, Taylor Wimpey and Vistry Group.

	Number of shares granted	Number of shares vesting based on performance	Dividend equivalents[1,2] £000	Total value of award on vesting[2] £000	Amount of award attributable to share price appreciation since grant
James Thomson	93,750	25,733	4	153	0%
Stefan Allanson	59,063	16,211	3	97	0%

1 The 2019 LTIP included dividend equivalent terms such that additional shares are awarded based on the value of dividends payable on the number of vested plan shares between the award date and release date. The value of the dividend equivalents has been calculated based on the period between the award date and 30 June 2022.

2 Calculated based on the three-month average share price to 30 June 2022 (£5.78). The total value of the award on vesting includes the dividend equivalents. The exact value of the dividend equivalents and resulting number of shares will be calculated following the release date.

The Committee considers the vesting outcome to be appropriate, recognising that the Group has continued to perform strongly, both financially and strategically, in a volatile economic environment over the last three years. No discretion to the vesting outcome has therefore been applied.

Vested awards will be subject to a two-year holding period.

LTIP awards granted in the year ended 30 June 2022

LTIP awards equal to 150% of salary were granted to James Thomson and Stefan Allanson on 27 September 2021. The awards are based on the achievement of EPS performance (as regards 50% of the awards) and relative TSR performance (as regards 50% of the awards) measured over a period of three financial years ending 30 June 2024.

Following the end of the performance period, the Committee will determine whether the performance targets have been satisfied. Eligible awards will vest following a two-year holding period after the end of the performance period.

The Committee has discretion to amend the vesting outcome where it considers that it is not a fair reflection of business performance. In particular, the Committee will consider whether there has been any "windfall gains" when determining the vesting outcome, taking into account a number of factors, including:

- share price performance over the performance period on an absolute basis and relative basis against peer companies;
- underlying financial performance of the Group during the performance period; and
- the impact of any significant events during the performance period on the Group's share price or market as a whole.

Details of the awards are as follows:

Director	Number of shares granted	Face value at grant £000[1]
James Thomson	94,441	769
Stefan Allanson	59,498	484

1 Calculated based on the mid-market closing share price as at the date preceding the date of grant (24 September 2021: £8.14).

	Threshold (20%) of award vests	Maximum (100%) of award vests[2]
EPS for the year ending 30 June 2024	82p	93p
Relative TSR[1]	Median	Upper quartile

1 To be compared against a group of listed housebuilders comprising Barratt Developments, Bellway, Berkeley, Countryside Partnerships, Crest Nicholson, Galliford Try, Persimmon, Redrow, Taylor Wimpey and Vistry Group.

2 Straight-line vesting between threshold and maximum performance.

Payment made to former Directors and payments for loss of office

No payments were made to former Directors.

James Thomson will step down as Chief Executive Officer on 31 December 2022. He will remain on the Board as a Non-Executive Director. The table below discloses how this will impact on his remuneration.

Element	Agreed treatment
Base salary, benefits and pension	Will continue to receive his salary, benefits and pension until he steps down as Chief Executive Officer.
Annual bonus	Will be eligible to receive a bonus for the year ending 30 June 2023, with a maximum opportunity equal to 125% of salary prorated for time served as Chief Executive Officer during the year. Any bonus earned will be paid at the usual time. One-third of any amount earned will be deferred into shares which will vest after two years.
Deferred bonus awards	Unvested deferred bonus awards will continue to vest in accordance with their normal vesting timetable.
LTIP awards	Unvested LTIP awards will: • continue to vest in accordance with their normal vesting timetable, subject to the achievement of the relevant performance metrics; and • be prorated for time served as Chief Executive Officer during the relevant vesting periods. Any shares that vest will be subject to a two-year post-vesting holding period. No LTIP award will be granted in respect of the year ending 30 June 2023.

James Thomson will be required to comply with the post-employment shareholding guidelines (as detailed on page 117).

Directors' shareholdings and share interests

Shareholding guideline

The Group operates within-employment and post-employment shareholding guidelines for the Executive Directors. The within-employment shareholding guideline requires Executive Directors to build up and retain a holding in shares equivalent to 200% of salary. As at 30 June 2022, James Thomson and Stefan Allanson held shares equivalent to 45% of salary and 249% of salary respectively (calculated using the mid-market closing share price on 30 June 2022, £5.14).

Share interests

The interests of the Directors serving during the year and of their connected persons in the ordinary share capital of the Company as at 30 June 2022 (or the date that they stepped down from the Board, if earlier) are as shown below:

Director	Scheme	Owned outright	Unvested and subject to performance	Unvested and not subject to performance	Vested and exercised	Total as at 30 June 2022
Chairman						
Dermot Gleeson	Shares	1,088,493	–	–	–	1,088,493
Executive Directors						
James Thomson	Shares	31,201	–	242[1]	–	31,443
	LTIP 2019[3]	–	93,750	–	–	93,750
	LTIP 2020	–	121,753	–	–	121,753
	LTIP 2021	–	94,441	–	–	94,441
	Deferred bonus share award 2021	–	–	24,094	–	24,094
Stefan Allanson	Shares	147,756	–	242[1]	–	147,998
	LTIP 2018[2]	–	–	–	50,549	50,549
	LTIP 2019[3]	–	59,063	–	–	59.063
	LTIP 2020	–	76,704	–	–	76,704
	LTIP 2021	–	59,498	–	–	59,498
	Deferred bonus share award 2021	–	–	14,796	–	14,796
Non-Executive Directors						
Elaine Bailey	Shares	–	–	–	–	–
Andrew Coppel[4]	Shares	6,500	–	–	–	6,500
Fiona Goldsmith	Shares	10,000	–	–	–	10,000
Christopher Mills[5]	Shares	6,055,000	–	–	–	6,055,000

1 Matching shares granted under the HMRC tax-qualifying all-employee scheme that have not yet vested.

2 69% of the 2018 LTIP awards vested on 6 July 2021 following Committee approval of the outcome of the performance targets. Stefan Allanson exercised 50,549 shares (including 3,974 shares from dividend equivalents) under the 2018 LTIP on 20 July 2021. Stefan Allanson sold 23,829 shares to cover taxes and retained the remaining 26,720 shares.

3 27.4% of the 2019 LTIP awards will vest based on the outcome of the performance targets.

4 Andrew Coppel resigned from the Board on 16 March 2022.

5 Shares are held by funds managed by Harwood Capital LLP of which Christopher Mills is a Member/Director.

As at 31 August 2022, the total interests held by James Thomson were 41,277, Stefan Allanson were 147,832 and Christopher Mills were 6,555,000. The Company has not been advised of any other changes to the interests of Directors and their connected persons to those set out in the table above.

LTIP awards

Additional details of the outstanding LTIP awards held by Executive Directors serving during the year are set out below.

Executive Director	Scheme	30 June 2021	Granted during year	Vested and exercised during year	Lapsed during year	Share price at grant date	Total interests outstanding at 30 June 2022	End of performance period
James Thomson	LTIP 2019[2]	93,750	–	–	–	£8.00	93,750	30/06/22
	LTIP 2020	121,753	–	–	–	£6.16	121,753	30/06/23
	LTIP 2021	–	94,441	–	–	£8.14	94,441	30/06/24
Stefan Allanson	LTIP 2018[1]	67,500	–	50,549	20,925	£7.04	–	30/06/21
	LTIP 2019[2]	59,063	–	–	–	£8.00	59,063	30/06/22
	LTIP 2020	76,704	–	–	–	£6.16	76,704	30/06/23
	LTIP 2021	–	59,498	–	–	£8.14	59,498	30/06/24

1 69% of the 2018 LTIP awards vested on 6 July 2021 following Committee approval of the outcome of the performance targets. Stefan Allanson exercised 50,549 shares (including 3,974 shares from dividend equivalents) under the 2018 LTIP on 20 July 2021.

2 27.4% of the 2019 LTIP awards will vest based on the outcome of the performance targets.

TSR performance

We have compared the Company's TSR performance over the last 10 years with the TSR for the FTSE SmallCap Index, of which the Company is a member, and a comparator index of listed housebuilders. The peer group consists of a group of listed housebuilders comprising Barratt Developments, Bellway, Berkeley, Countryside Partnerships, Crest Nicholson, Persimmon, Redrow, Taylor Wimpey and Vistry Group.

MJ Gleeson plc TSR comparison to index and peer group 1 July 2012 to 30 June 2022:

Chief Executive Officer's remuneration 2013 to 2022

Year	Chief Executive Officer	Single figure of total remuneration £000	Annual bonus paid against maximum opportunity	LTIP awards vesting against maximum opportunity
2022	James Thomson	1,292	89%	27%
2021	James Thomson	1,173	99%	n/a
2020	James Thomson	769	45%	n/a
2019	James Thomson (appointed 10 June 2019)	31	–	n/a
2019	Jolyon Harrison (departed 10 June 2019)	2,482	–	100%
2018	Jolyon Harrison	3,056	100%	100%
2017	Jolyon Harrison	2,816	100%	100%
2016	Jolyon Harrison	873	100%	n/a
2015	Jolyon Harrison	2,917	100%	100%
2014	Jolyon Harrison	793	100%	n/a
2013	Jolyon Harrison (appointed 1 July 2012)	1,615	81%	100%

Annual percentage change in remuneration of Directors and employees

The table below sets out the annual percentage change in each of the Directors' remuneration compared to the average employee remuneration.

	2021 to 2022			2020 to 2021			2019 to 2020		
% change	**Salary & fees**	**Benefits**	**Bonus**	Salary & fees[1]	Benefits	Bonus	Salary & fees[1]	Benefits	Bonus
Chairman									
Dermot Gleeson	**2.4%**	**–**	**–**	7.6%	(9.1%)	–	(7.1%)	–	–
Executive Directors									
James Thomson[2]	**2.5%**	**9.5%**	**(7.9%)**	9.1%	(11.5%)	142.6%	n/a	n/a	n/a
Stefan Allanson[3]	**2.5%**	**5.9%**	**(8.4%)**	7.6%	(4.9%)	n/a	(7.1%)	1.7%	–
Non-Executive Directors									
Elaine Bailey[4]	**n/a**	**–**	**–**	n/a	–	–	n/a	–	–
Andrew Coppel[5]	**n/a**	**–**	**–**	n/a	–	–	n/a	–	–
Fiona Goldsmith[6]	**2.2%**	**–**	**–**	n/a	–	–	n/a	–	–
Christopher Mills	**2.6%**	**–**	**–**	7.6%	–	–	(7.1%)	–	–
Average employee[7]	**4.1%**	**12.2%**	**0.2%**	2.2%	9.3%	49.9%	4.4%	8.2%	(8.1%)

1 The Board agreed to a 30% reduction in salary and fees for the period 6 April 2020 to 30 June 2020 in response to the Covid-19 pandemic. As such, the table above shows a reduction in salaries and fees between years ended 30 June 2019 and 30 June 2020, and an increase in salaries and fees between years ended 30 June 2020 and 30 June 2021. With the exception of James Thomson, there were no increases to salaries or fees during the years ended 30 June 2020 and 30 June 2021.

2 Appointed to the Board on 10 June 2019, therefore the percentage change in remuneration for 2019 to 2020 is not applicable.

3 Stefan Allanson did not receive a bonus in respect of the year ended 30 June 2020.

4 Appointed to the Board on 1 March 2021, therefore the percentage change in remuneration is not applicable.

5 Appointed to the Board on 1 October 2019 and resigned on 16 March 2022, therefore the percentage change in remuneration is not applicable.

6 Appointed to the Board on 1 October 2019, therefore the annual percentage change in remuneration for 2019 to 2020 and 2020 to 2021 is not applicable. For 2021 to 2022, the base fee increased by 2.5% but the additional fee for chairing the Audit Committee remained unchanged.

7 The annual percentage change of the average remuneration of the Group's salaried employees, calculated on a full-time equivalent basis.

Chief Executive Officer pay ratio

The table below sets out the Chief Executive Officer's total remuneration as a ratio against the full-time equivalent remuneration of the 25th, 50th (median) and 75th percentile employees.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option B	44:1	37:1	20:1
2021	Option B	64:1	40:1	17:1
2020	Option B	28:1	20:1	12:1

Under Option B, using the hourly rate from our 2022 gender pay gap data, three employees have been identified as the best equivalents of our 25th, 50th, and 75th percentile.

Option B methodology was selected on the basis that it is an efficient and robust approach. The remuneration figures for the employee at each quartile were determined as at the final day of the relevant financial year. Sensitivity analysis has been performed around the 25th, 50th and 75th percentile employees to ensure that they are reasonably representative, including reviewing the employees either side of the identified individuals to ensure their full year's remuneration is reasonable. No assumptions or estimates were used and no adjustments to pay were made.

A substantial proportion of the Chief Executive Officer's total remuneration is performance-related and delivered in shares. The ratios will therefore depend significantly on the Chief Executive Officer's annual bonus and LTIP outcomes, and may fluctuate year-to-year. Additionally, the Chief Executive Officer's total remuneration was lower in 2020 as his salary was temporarily reduced by 30% and he received a 45% bonus in response to Covid-19.

The median pay ratio has fallen slightly this year primarily due to the increase in the Chief Executive Officer's total remuneration including the value of LTIP awards in the year, as described above.

The Board believes that the median pay ratio is consistent with the Group's wider policies on employee pay, reward and progression. The Committee has reviewed the remuneration policies and practices for the wider workforce in conjunction with considering how the Remuneration Policy should be implemented. The Committee is satisfied that there is a good level of alignment in relation to pay policies throughout the Group and that the median pay ratio is consistent with the Group's wider policies on employee pay, reward and progression.

Total pay and benefits used to calculate the ratios

The table below shows the employee percentile pay and benefits used to determine the above pay ratios and the salary component for each figure.

£000	Chief Executive Officer[1]	25th percentile	Median	75th percentile
2022				
Total pay and benefits[2]	**1,292**	**29**	**35**	**65**
Salary component	**513**	**25**	**33**	**50**
2021				
Total pay and benefits[2]	1,173	18	30	68
Salary component	500	18	25	60
2020				
Total pay and benefits[2]	769[3]	28	39	62
Salary component	458[3]	26	35	53

1 The Chief Executive Officer's remuneration is the total single figure remuneration for the relevant financial year as disclosed on page 119.

2 The employee pay and benefits has been calculated based on the amount paid or receivable for the financial year. The calculations are on the same basis as required for the Chief Executive Officer's remuneration for total single figure purposes.

3 The Board agreed to a 30% reduction in salary and fees for the period 6 April 2020 to 30 June 2020 in response to the Covid-19 pandemic.

Relative importance of spend on pay

Set out below is the amount spent on remuneration for all employees of the Group (including the Executive Directors) and the total amounts paid in distributions to shareholders over the year.

	2022 £m	2021 £m	Difference in spend £m	Difference as percentage
Remuneration for all employees	**47.2**	39.8	7.4	18.6%
Total distributions paid	**9.3**	2.9	6.4	220.7%

Implementation of the new policy for the year ending 30 June 2023

Executive Directors

Salary

A 4% salary increase has been awarded to Stefan Allanson with effect from 1 July 2022. This compares to an average of 5.6% for the wider workforce. No salary increase has been awarded to James Thomson on account of him stepping down as Chief Executive Officer on 31 December 2022.

	Salary from 1 July 2022 £	Salary as at 30 June 2022 £
James Thomson	**512,500**	512,500
Stefan Allanson	**335,790**	322,875

Pension

The Executive Directors will receive a pension opportunity equal to 6.5% of salary, which is in line with the level available to the majority of the wider workforce.

Annual bonus

The maximum bonus opportunity for James Thomson and Stefan Allanson will be 125% of salary. James Thomson's bonus opportunity will be prorated to reflect the period of his service as Chief Executive Officer during the year.

80% of the award will be based on financial performance and 20% will be based on strategic and personal performance. Details of the profit target and the strategic and personal performance targets will be fully disclosed in the Annual Report on Remuneration for the year ending 30 June 2023. The Committee has discretion to amend the bonus outcome where it considers that it is not a fair reflection of business performance.

The Executive Directors will be required to defer one-third of any bonuses earned into shares for a two-year period.

LTIP

The maximum LTIP opportunity for Stefan Allanson will be 150% of salary. James Thomson will not be granted an LTIP award.

50% of the award will be based on EPS performance and 50% will be based on relative TSR performance measured over a period of three financial years ending 30 June 2025. The Committee has discretion to amend the vesting outcome where it considers that it is not a fair reflection of business performance. Any shares that vest will be subject to a two-year holding period.

The Committee will consider whether there has been any "windfall gains" when determining the vesting outcome, taking into account the factors set out on page 116.

Details of the EPS and relative TSR performance targets are set out below.

	Threshold (20%) of award vests	Maximum (100%) of award vests[2]
EPS for the year ending 30 June 2025	90p	103p
Relative TSR[1]	Median	Upper quartile

1 To be compared against a group of listed housebuilders comprising Barratt Developments, Bellway, Berkeley, Countryside Partnerships, Crest Nicholson, Persimmon, Redrow, Taylor Wimpey and Vistry Group.

2 Straight-line vesting between threshold and maximum performance.

Chairman and Non-Executive Directors fees

The Committee agreed that the Chairman's fee for 2023 will remain at £128,000, and this includes a fee of £10,500 for chairing the Nomination Committee, which also remains unchanged.

The fees for the Non-Executive Directors increased 4% from £48,500 to £50,500 plus an additional, unchanged, fee of £10,500 for chairing a Board Committee. This compares to an average increase of 5.6% for the wider workforce. The Senior Independent Director will receive an additional fee of £10,000.

The Remuneration Committee

The Committee was chaired by Andrew Coppel until his resignation on 16 March 2022. Elaine Bailey was appointed as Interim Chair of the Remuneration Committee from 24 March 2022. The other Committee member was Fiona Goldsmith.

Each of the Non-Executive Directors are independent and have no potential conflicts of interest arising from cross directorships and no day-to-day involvement in running the business.

Biographical details of the members of the Committee are shown on pages 86 and 87, and details of their attendance at the meetings of the Committee during the year ended 30 June 2022 are shown on page 89.

Role and responsibilities of the Remuneration Committee

The Committee's primary purpose is to make recommendations to the Board on the Group's framework for Executive Directors and senior management remuneration. The Board has also delegated responsibility to the Committee for determining the remuneration, benefits and contractual arrangements of the Chairman and the Executive Directors. No individual is involved in deciding their own remuneration.

The Committee has written terms of reference available on the Company's website, mjgleesonplc.com, and its responsibilities include:

- recommending to the Board the policy for Executive Directors and senior management remuneration;
- agreeing the remuneration of the Chairman of the Board;
- agreeing the terms and conditions of employment for Executive Directors, including their annual remuneration and pension arrangements, and reviewing such provisions for senior management;
- agreeing the measures and targets for any performance-related bonus and share schemes;
- ensuring that, on termination, contractual terms and payments made are fair both to the Company and the individual so that failure is not rewarded;
- engaging with shareholders on Executive Directors and senior management remuneration;
- reviewing wider workforce remuneration and related policies; and
- agreeing the terms of reference of any remuneration consultants that it appoints.

Activities during the year

The Committee met on 10 occasions during the year, three of which were scheduled meetings. Papers were circulated in advance of each meeting for all matters considered. The main activities undertaken by the Committee during the year included:

- agreeing the remuneration arrangements for James Thomson in connection with him stepping down from his role as Chief Executive Officer;
- agreeing the remuneration arrangements for Graham Prothero in connection with his future appointment as Chief Executive Officer;
- reviewing and approving the proposed Remuneration Policy that will be put to shareholders for approval at the 2022 AGM;
- reviewing and approving the annual bonus and LTIP outcomes of the Executive Directors and senior management for the year ended 30 June 2021 and assessing the fairness of these outcomes;
- agreeing performance targets for annual bonus and LTIP awards for the Executive Directors and senior management for the year ended 30 June 2022;
- reviewing potential performance metrics and targets for annual bonus and LTIP awards for the Executive Directors and senior management to be granted in respect of the year ending 30 June 2023;
- reviewing proposals for staff pay and bonuses, including examining benchmarking data and market information from third-party advisers; and
- reviewing the terms of reference of the Committee such that these remain appropriate.

Remuneration Committee – support and advice

The Committee is supported by the Human Resources Director and the Head of Legal and Company Secretary.

The Company took advice from Deloitte LLP, who were appointed as remuneration advisers by the Committee in July 2019 following a tender process. Deloitte LLP is a founder member of the Remuneration Consultants Group and, as such, voluntarily operates under its Code of Conduct in relation to executive remuneration in the UK. The Committee is satisfied that the appointment of Deloitte LLP is in accordance with the Company's policy on the provision of non-audit services to the Group and that the external advice received is objective and independent. The fees paid to Deloitte LLP for their services to the Committee during the year, based on time and expenses, amounted to £43,000. Deloitte LLP also provided advice to the Company during the year in relation to share plans.

The Company also took advice from its legal advisers, Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden"), under its annual retainer. Skadden were appointed in November 2020. The Committee is satisfied that the advice received from Skadden is objective and independent.

Statement of voting at the Annual General Meeting

The following table sets out actual voting in respect of the resolutions to approve the Remuneration Policy and Annual Report on Remuneration at the Company's AGM.

	Votes in favour		Votes against			
	No.	%	No.	%	Total votes cast	Votes withheld
2021 AGM: Approval of the Annual Report on Remuneration	45,638,381	98.9	510,150	1.1	46,148,531	1,900
2019 AGM: Approval of the Directors' Remuneration Policy	38,188,152	98.2	681,785	1.8	38,869,937	2,801

Approved by the Board and signed on its behalf by:

Elaine Bailey
Interim Chair of the Remuneration Committee

14 September 2022

Remuneration Policy Report

This part of the report sets out the Directors' Remuneration Policy for the Group and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

General reward principles

Our Directors' Remuneration Policy (the "Remuneration Policy") is designed to support an effective pay-for-performance culture, which enables the Group to attract, retain and motivate Executive Directors who have the necessary experience and expertise to deliver the Group's objectives and strategy. In setting the Remuneration Policy, the Committee considers the following general reward principles, taking into account Provision 40 of the 2018 UK Corporate Governance Code:

- **Clarity and simplicity** – ensure that the remuneration packages are simple and transparent and take into account remuneration and related policies for the wider workforce. Performance targets are set in line with Group budgets and plans are reviewed and tested by the Committee.
- **Risk** – to promote long-term sustainable performance through sufficiently stretching performance targets, whilst ensuring that the incentive framework does not encourage Executive Directors to take inappropriate business risks (including environmental, financial, social, health, safety and governance risks).
- **Predictability** – detailed information on the potential values that may be earned through the remuneration arrangements are set out on page 129.
- **Proportionality** – to ensure that total remuneration delivered is fair and reflects Group and individual performance. The Committee has discretion to override formulaic outturns where it believes the outcome is not truly reflective of underlying performance during the performance period and to ensure fairness to both shareholders and participants.
- **Alignment to culture** – when determining the Remuneration Policy, the Committee was clear to make decisions to drive the appropriate behaviours and ensure alignment with the Group's culture and long-term strategy.

Changes to the remuneration policy

During the year to 30 June 2022, the Committee conducted a review of the Remuneration Policy and concluded that it continues to align with the general reward principles set out above and supports the delivery of business strategy and the creation of shareholder value. Therefore, no significant changes are proposed to the Remuneration Policy. The proposed refinements (as noted on page 111) provide greater alignment with best practice corporate governance principles and to reflect "good housekeeping".

In determining the Remuneration Policy the Committee followed a robust process which included discussions on the content of the policy at Committee meetings. The Committee considered input from management and its independent advisers and consulted with major shareholders, representing circa 45% of the Company's issued share capital.

Components of Executive Directors' remuneration

The key elements of the remuneration package for each Executive Director are set out in the table below:

Element	Base salary
Purpose and link to strategy	Provide a competitive base level of remuneration to support the recruitment and retention of Executive Directors with the experience and expertise necessary to deliver the Group's strategy.
Operation	Salaries are normally reviewed annually taking into account a number of factors, such as, but not limited to: • personal performance; • Company and Group performance; • inflation and earnings forecasts; • state of the marketplace generally; and • pay and conditions elsewhere in the Group.
Maximum opportunity	Whilst there is no prescribed maximum salary, increases will normally be in line with increases awarded to the wider workforce. Salary increases above this level may be awarded to take account of individual circumstances such as, but not limited to: • an increase in responsibilities or scope of the role; • an Executive Director's development or performance in role (e.g. to align a newly appointed Executive Director's salary with the market over time); • where there has been a change in market practice; or • where there has been a change in the size and/or complexity of the Group. Increases may be implemented over such time as the Committee deems appropriate.
Performance targets	N/A

Element	Benefits
Purpose and link to strategy	Provide a competitive benefits package to support the recruitment and retention of Executive Directors with the experience and expertise necessary to deliver the Group's strategy.
Operation	The Company provides cash benefits and benefits in kind to Executive Directors. These include, but are not limited to: • company car or cash equivalent; • private fuel; • private medical insurance – family cover; • life insurance; • permanent health insurance; • annual health check; • holiday and sick pay; • professional subscriptions; and • reimbursement of expenses incurred on Group matters.
Maximum opportunity	Other benefits may be offered based on individual circumstances (e.g. relocation allowances on recruitment). Whilst there is no prescribed maximum, the value of benefits is based on the underlying cost to the Group, individual circumstances and market practice.
Performance targets	N/A

Element	Pension
Purpose and link to strategy	To provide an appropriate level of retirement benefits to Executive Directors.
Operation	The Company will contribute to the Group's defined contribution pension scheme or to personal pension arrangements at the request of the Executive Director. The Company may also consider a cash alternative (e.g. where an Executive Director has reached the HMRC's lifetime or annual allowance limit). Base salary is the only element of the Executive Directors' remuneration that is pensionable.
Maximum opportunity	The maximum Company contribution or pension allowance is aligned with the level available to the majority of the wider workforce (currently 6.5% of salary).
Performance targets	N/A

Element	Annual bonus
Purpose and link to strategy	To incentivise the achievement of key financial and strategic targets for the forthcoming year without encouraging excessive risk taking.
Operation	Awards are based on performance metrics set by the Committee (typically measured over a financial year) against financial and non-financial targets. The Committee will determine the bonus to be delivered following the end of the relevant financial year based on performance against these targets. The Committee has the discretion to override the formulaic outturn of the bonus to determine the appropriate level of bonus payable where it believes the outcome is not truly reflective of underlying performance during the performance period and to ensure fairness to both shareholders and participants. Executive Directors are required to defer one-third of any bonus earned into shares for a two-year period. The Committee may, however, decide to pay such bonuses in cash where the amount to be deferred would, in the opinion of the Committee, be so small as to make the operation of deferral burdensome. Amounts equivalent to any dividends or shareholder distributions may be made in respect of deferred bonus awards at vesting, if the Committee so determines. Such amounts will normally be paid in shares. Malus and clawback provisions will apply. Further details are set out on page 127.
Maximum opportunity	Maximum opportunity of up to 150% of salary in respect of a financial year. Up to 20% of maximum is earned for threshold performance and up to 50% of maximum is earned for target performance. There will be broadly straight-line vesting between threshold, target and maximum.
Performance targets	Performance metrics are determined annually reflecting the Group's strategy and key performance indicators. A minimum of 50% of the bonus shall be based on financial performance metrics.

Element	Long term incentive plan ("LTIP")
Purpose and link to strategy	To incentivise and reward Executive Directors for delivering long-term performance and achievement of Group strategy, and provide alignment with shareholder interests.
Operation	Awards may be granted annually to Executive Directors in the form of a conditional share award, nil cost option or such form as has the same economic effect. Vesting of awards will be dependent on the achievement of performance metrics set by the Committee, normally over at least a three-year performance period. The Committee has the discretion to override the formulaic vesting outturn of the LTIP to determine the appropriate level of vesting where it believes the outcome is not truly reflective of underlying performance during the performance period and to ensure fairness to both shareholders and participants. Awards will be subject to a two-year holding period following the end of the performance period, and shares will not typically be released until the end of the holding period. Alternatively, awards may be granted on the basis that shares can be acquired following the end of the performance period but that, other than to cover income tax, national insurance and health and social care levy and any exercise price, shares may not be disposed of or otherwise dealt with until the end of the holding period. Amounts equivalent to any dividends or shareholder distributions may be made in respect of awards at vesting, if the Committee so determines. Such amounts will normally be paid in shares. Malus and clawback provisions will apply. Further details are set out on page 127.
Maximum opportunity	The normal maximum award is 150% of salary in respect of a financial year. A maximum award of up to 200% of salary in respect of a financial year may be granted in exceptional circumstances (e.g. on recruitment). Awards will vest between 20% and 100% for performance between threshold and maximum, with broadly straight-line vesting between these points.
Performance targets	Performance metrics are determined annually reflecting the Group's strategy and key performance indicators.

Element	HMRC tax-qualifying all-employee scheme
Purpose and link to strategy	The HMRC tax-qualifying all-employee scheme has been designed to encourage all employees to become shareholders in the Company and thereby align their interests with shareholders.
Operation	The Company operates an all-employee scheme in which the Executive Directors are eligible to participate (which is in line with HMRC legislation and is open to all eligible staff).
Maximum opportunity	The maximum set by legislation from time to time.
Performance targets	N/A

Remuneration policy for Non-Executive Directors

Element	Fees for Non-Executive Directors
Purpose and link to strategy	To support the recruitment and retention of Non-Executive Directors and a Chairman with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.
Operation	Fees for Non-Executive Directors are determined by the Chairman and the Executive Directors. Fees for the Chairman are determined by the Remuneration Committee. Fees may include a basic fee and additional fees for further responsibilities (e.g. chairing Board Committees or acting as Senior Independent Director). Fees are set at levels with reference to sector and similar-sized UK listed companies. Time commitment and responsibilities are also taken into account. The Chairman is part of the Group private health scheme. Non-Executive Directors may be eligible to receive benefits linked to the performance of their duties, such as, but not limited to, the use of secretarial support and travel costs.
Maximum opportunity	Fee increases will normally be in line with increases awarded to the wider workforce. Fee increases above this level may be awarded to take account of individual circumstances such as, but not limited to: • an increase in responsibilities, scope or time commitment of the role; • where there has been a change in market practice; or • where there has been a change in the size and/or complexity of the Group. Overall fees paid to Non-Executive Directors will remain within the limits set by the Company's Articles of Association.
Performance targets	N/A

Application of malus and clawback

Malus and clawback apply to annual bonus, deferred bonus and LTIP awards as follows:

	Malus	Clawback
Annual bonus	To such time as payment is made	Up to two years following payment
Deferred bonus	To such time as the award vests	N/A
LTIP	To such time as the award vests	Up to two years following vesting

Malus and clawback may apply in the following circumstances:

- material misstatement of the Group's audited accounts;
- an error in the information on which the award was granted or vests including an error in assessing any applicable performance metrics;
- fraud or serious misconduct on the part of the participant;
- censure or reputational damage to the Group that is a result of the participant's behaviour or actions; or
- a material corporate failure.

Selection of performance metrics and target setting

In the selection of performance metrics the Committee takes into account the Group's strategic objectives and short and long-term business priorities. The performance metrics selected reward the delivery of stretching financial performance and the creation of shareholder value.

The performance targets chosen are set in accordance with the Group's operating plan and are reviewed annually to ensure they are sufficiently stretching. In selecting the targets the Committee also takes into account analysts' forecasts, economic conditions and the Committee's expectation of performance over the relevant period.

The Committee retains discretion to vary or substitute performance metrics and/or targets if events occur (e.g. a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions) which cause the Committee to determine that the performance metrics and/or targets are no longer appropriate and that amendment is required so that they achieve their original purpose.

Share awards may be adjusted in the event of a variation of share capital or a demerger, dealing, special dividend or other event that may affect the Company's share price.

Shareholding guidelines

The Committee operates formal within-employment and post-employment shareholding guidelines for Executive Directors.

- **Within-employment** – Executive Directors are required to build up and retain a holding in shares equal to 200% of salary. Until the shareholding guideline is met, 50% of any shares vesting under the Deferred Bonus Plan or LTIP (post payment of income tax, national insurance and health and social care levy) must be retained.
- **Post-employment** – Executive Directors are required to retain a holding in "relevant shares" equal to 200% of salary (or their actual shareholding at the point of departure if lower) for two years following departure.

"Relevant shares" do not include shares which the Executive Director has purchased or which have been acquired pursuant to LTIP awards granted before 1 July 2019. Unless the Committee determines otherwise, an Executive Director or former Executive Director shall be deemed to have disposed of shares which are not "relevant shares" before "relevant shares".

Remuneration policy for the broader employee population

The Executive remuneration framework set out in this report follows similar principles as that applied to the Group's management team to ensure that management is rewarded on a consistent basis. Any differences that exist arise either because of the Committee's assessment of business need or commercial necessity.

The principles that underpin our Executive remuneration philosophy also cascade throughout the organisation, although quantum will vary by level and the provision of certain components of remuneration (such as benefits, allowances and long-term incentives) will vary by seniority.

The Committee looks closely at market data when it comes to approving employee pay and rewards to ensure that these remain competitive and enable the Group to attract, motivate and retain high-quality staff. The Group operates an HMRC tax-qualifying all-employee scheme in order to encourage share ownership across the wider workforce.

Legacy arrangements

The Committee retains discretion to make any remuneration payment outside of policy:

- where the terms of the payment were agreed before the policy came into effect;
- where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company, and in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company; or
- to satisfy contractual arrangements under legacy remuneration arrangements.

Illustration of the application of remuneration policy

The following charts illustrate the future remuneration packages of the Chief Executive Officer and Chief Financial Officer under the policy set for the year to June 2023 for various indicative levels of performance.

James Thomson will step down as Chief Executive Officer on 31 December 2022. Graham Prothero will succeed James Thomson as Chief Executive Officer with effect from 1 January 2023.

A chart has been prepared based on the remuneration package for James Thomson for 1 July to 31 December 2022 (see page 116 for further details). This includes:

- salary and benefits for the period 1 July to 31 December 2022; and
- annual bonus opportunity prorated for the period 1 July to 31 December 2022.

No LTIP award will be granted to James Thomson in respect of the year ending 30 June 2023.

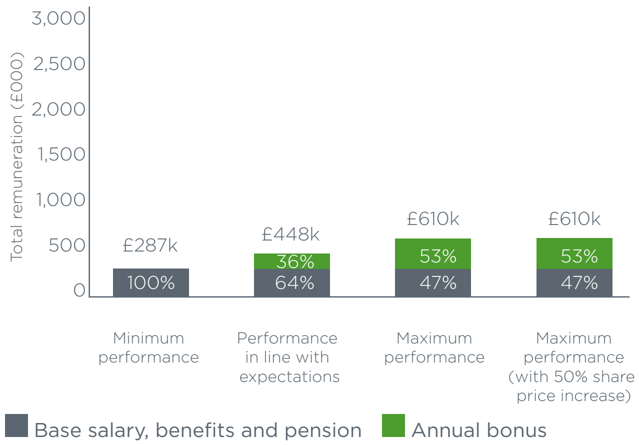
A chart has been prepared based on the remuneration package for Graham Prothero for 1 January to 30 June 2023 (see page 111 for further details). This includes:

- salary and benefits for the period 1 January to 30 June 2023;
- annual bonus opportunity prorated for the period 1 January to 30 June 2023; and
- LTIP award to be granted following appointment.

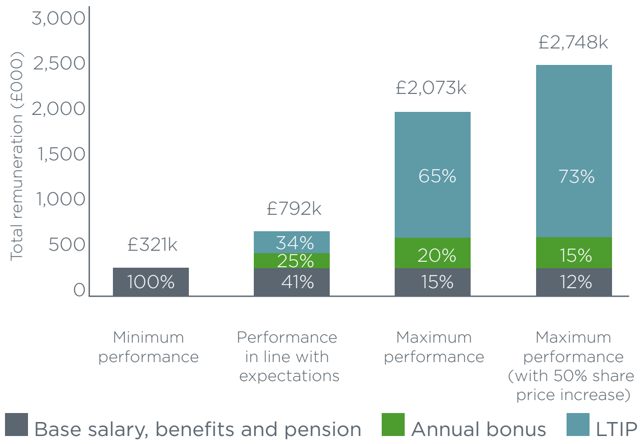
Illustration of the application of remuneration policy

CONTINUED

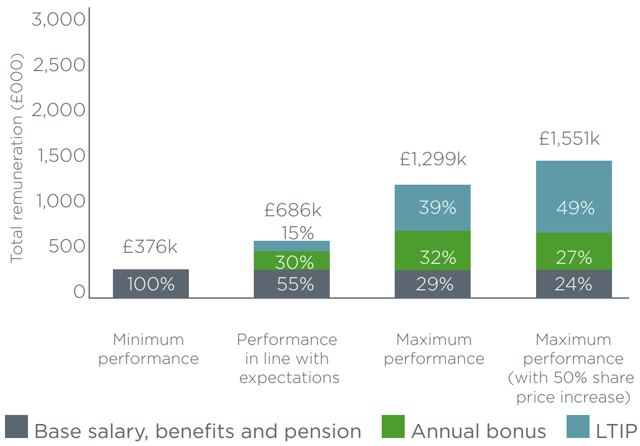
James Thomson – Chief Executive Officer



Graham Prothero – Chief Executive Officer designate



Stefan Allanson – Chief Financial Officer



For the purpose of this analysis, the following assumptions have been made:

- fixed elements comprise base salary, pension and other benefits;
- base salary levels applying on 1 July 2022 (or 1 January 2023 in the case of Graham Prothero);
- benefit levels are assumed to be the same as for the year to June 2022 (Graham Prothero's assumed to be the same as James Thomson's plus an additional relocation benefit);
- minimum performance reflects fixed remuneration as above, and assumes no award under the annual bonus and no vesting is achieved under the LTIP;
- performance in line with expectations reflects fixed remuneration as above, and assumes 50% of annual bonus is earned and 20% of the LTIP vests;
- maximum performance reflects fixed remuneration as above, and assumes full bonus payout and full vesting under the LTIP; and
- the final illustration is based on the same assumptions as the maximum performance illustration, but also assumes, for the purposes of the LTIP, that share price increases by 50% over the performance period.

Service agreements and policy in respect of loss of office

The Chief Executive Officer's service agreement is on a rolling basis and requires 12 months' notice of termination on either side.

The Chief Financial Officer's service agreement is on a rolling basis and requires six months' notice of termination from the Chief Financial Officer and 12 months' notice of termination from the Company.

The dates of the Executive Directors' service agreements are:

Executive Director	Date of service agreement
James Thomson	2 December 2019
Stefan Allanson	29 June 2015

Payment in lieu of notice

The Company has discretion to make a payment in lieu of notice. Such payment may include salary and compensation for benefits and pension contributions for the unexpired period of notice.

Annual bonus

The payment of a bonus will be at the discretion of the Committee on an individual basis and will be dependent on a number of factors, including the circumstances of the individual's departure and contribution to the business during the financial year.

Any bonus will normally be prorated for time in service during the performance period and will normally, subject to performance, be paid at the usual time. In exceptional circumstances the Committee may decide that an Executive Director's bonus will be paid early at the time of cessation of employment.

Any bonus earned for the year of departure and, if relevant, for the prior year, may be paid wholly in cash at the discretion of the Committee. There will be no bonus payment in the event of gross misconduct or wilful neglect.

Deferred bonus plan

Awards under the deferred bonus plan will be determined by the Plan rules.

If a participant leaves for any reason (other than summary dismissal) during the deferral period, their award will ordinarily continue to vest at the normal vesting date. In exceptional circumstances, the Committee may decide that the participant's award will vest at the date of cessation of employment.

LTIP

Awards under the LTIP will be determined by the Plan rules.

Unvested awards will normally lapse on cessation of employment. However, if a participant departs under good leaver provisions (i.e. participants who leave early on account of injury, disability, death, a sale of their employer or business in which they were employed, statutory redundancy, retirement or any other reason at the discretion of the Committee), then unvested awards will remain capable of vesting at the normal vesting date. To the extent that awards vest, a two-year holding period would then apply. In exceptional circumstances, the Committee may decide that the participant's awards will vest and be released early at the date of cessation of employment or some other time (e.g. at the end of the performance period). In either case, vesting depends on the extent to which the performance metrics have been satisfied and a pro rata reduction of the awards will be applied by reference to the time of cessation (although the Committee has discretion to disapply time prorating if the circumstances warrant it).

If a participant leaves for any reason (other than summary dismissal) after an award has vested but before it has been released (i.e. during a holding period), their award will ordinarily continue to be released at the normal release date. In exceptional circumstances, the Committee may decide that the participant's award will be released early.

Change of control

Awards under the deferred bonus plan will vest early in the event of change of control or substantial exit. The level of vesting will be determined taking into account such factors that the Committee considers relevant, including, but not limited to, the time served from the grant date to the date of the relevant event.

Awards under the LTIP will vest early in the event of a change of control or substantial exit. The level of vesting will be determined taking into account the extent to which performance metrics are satisfied at the date of the relevant event and, unless the Committee determines otherwise, awards will be prorated for time served from the grant date to the date of the relevant event.

Other payments

In appropriate circumstances, payments may also be made in respect of accrued holiday, relocation and legal fees.

Awards under the HMRC tax-qualifying all-employee scheme may vest and, where relevant, be exercised in the event of cessation of employment or change of control in accordance with the Plan rules. The terms applying to any buy-out awards on cessation of employment or change of control would be determined when the award is granted.

The Committee reserves the right to make any other payments in connection with an Executive Director's cessation of employment where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of employment.

Chairman and other Non-Executive Directors' terms of engagement

The Chairman and the Non-Executive Directors are engaged under letters of appointment which set out their duties and responsibilities. The dates of each Non-Executive Director's original appointment are as follows:

Non-Executive Director	Date of original appointment	Expiry of current term (subject to re-election at the 2022 AGM)
Dermot Gleeson	27/11/1975	30/09/2022
Christopher Mills	01/01/2009	30/09/2022
Fiona Goldsmith	01/10/2019	30/09/2022
Elaine Bailey	01/03/2021	29/02/2024

All Non-Executive Directors have specific terms of engagement, being an initial period of three years which thereafter may be extended on an annual basis, subject to re-election at each AGM. The appointment of the Chairman may be terminated on either side on six months' notice and the appointment of the other Non-Executive Directors may be terminated on either side on one month's notice.

There is no entitlement to compensation in the event of Non-Executive Directors' fixed term agreements not being renewed or the agreement terminating earlier.

Recruitment policy

The remuneration of a new Executive Director will normally include salary, benefits, pension and participation in the annual bonus and LTIP schemes in accordance with the policy for Executive Directors' remuneration. The Committee may include other elements of remuneration which it considers appropriate, subject to the principles and limits referred to below.

Salary will be set to reflect the skills and experience of the Executive Director being appointed and the market rate for the role.

If it is considered appropriate to appoint a new Executive Director on a below-market salary (for example, to allow them to gain experience in the role) their salary may be increased to a market level by way of a series of above-inflation increases over two to three years.

Although it is not the Company's policy to provide buy-out awards as a matter of course, the Committee may offer additional cash payments and/or share-based awards, on a one-time basis or ongoing, where it considers these to be in the best interests of the Group and shareholders. Such payments or awards will be based solely on remuneration forfeited when leaving the former employer and will reflect the delivery mechanism, time horizons and performance requirement attaching to that remuneration. Such payments or awards are limited to the expected value of the remuneration forfeited. Where considered appropriate, such payments or awards will be subject to forfeiture or malus and clawback provisions on early departure.

The Committee will not offer non-performance related variable remuneration. The maximum level of variable remuneration which may be granted (excluding buy-out awards) is 350% of salary.

Other elements may be included in the following circumstances:

- An interim appointment being made to fill an Executive Director role on a short-term basis.
- If exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis.
- If an Executive Director is recruited at a time in the year when it would be inappropriate to provide an annual bonus or LTIP award for that year. Subject to the limit on variable remuneration set out above, the quantum in respect of the period employed during the year may be transferred to the subsequent year.
- If the Executive Director is required to relocate, reasonable relocation, travel and subsistence payments may be provided.

Any share awards referred to in this section will be granted as far as possible under the Company's share plans. To the extent that this is not possible, share awards may be granted outside of these plans as permitted under the Listing Rules.

In the case of an internal appointment, any ongoing remuneration obligations or variable pay element awarded in respect of the prior role shall be allowed to continue according to its original terms, adjusted as relevant to take into account the appointment.

Fees payable to a newly appointed Chairman or Non-Executive Director will be in line with the fee policy in place at the time of appointment.

Statement of consideration of employment conditions elsewhere in the Group

The Non-Executive Workforce Representative engages directly with employees on a range of topics of interest to them, including Directors' remuneration. Workforce engagement activities include site and office visits, reviewing the results of the Group's employee engagement survey and discussions with senior management and staff on business performance and matters of concern.

The Committee regularly reviews the remuneration of the wider workforce to ensure it is attuned to general pay and conditions when considering Directors' remuneration (e.g. in determining salary increases for Executive Directors the Committee reviews salary increases across the Group).

Statement of consideration of shareholder views

The Committee consults with major shareholders and their representative bodies on remuneration matters, particularly if any material changes are proposed to the remuneration policy. In these instances the Committee seeks feedback from shareholders and develops and considers its proposals in light of this feedback.

Directors' Report

Statutory, regulatory and other information

The Board of Directors present their Annual Report and audited financial statements of the Group for the financial year ended 30 June 2022. This section contains the remaining matters on which the Directors are required to report each year that do not appear elsewhere in the Annual Report and Accounts.

Strategic Report

We present a review of the business during the year to 30 June 2022 and of the position of the Group at the end of the financial year together with a description of the principal risks and uncertainties faced by the Group in the Strategic Report on pages 2 to 79.

Business review

The review of the development and performance of the business during the year, any significant events up to the date of this Report, and the future outlook of the Group are set out in the Chairman's Statement on pages 8 and 9, the Chief Executive's Statement on pages 24 to 27 and the Business Reviews on pages 28 to 31.

The Group's business strategy is set out in the Strategic Report on pages 16 to 19. The key performance indicators are set out in the Strategic Report on pages 20 and 21.

The Group's policy in respect of financial risk management and financial instruments, details of credit risk, capital risk management, liquidity risk and interest rate risk are given in note 15 to the financial statements.

Dividends

The Company may, by ordinary resolution, declare a dividend to be paid to shareholders but no dividend shall exceed the amount recommended by the Board. The Board may also agree to pay interim dividends when the financial position of the Company, in the opinion of the Board, justifies it.

During the year, the Company paid a final dividend of 10.0p (approved by shareholders at the Annual General Meeting on 15 November 2021) for financial year 2021 and an interim dividend in respect of financial year 2022 to shareholders of 6.0p per share.

The Board proposes to pay, subject to shareholder approval at the 2022 AGM, a final dividend of 12.0p per share on 25 November 2022, to shareholders on the register at the close of business on 28 October 2022. The total dividend for the year to 30 June 2022 will be 18.0p.

Qualifying third-party indemnity

Directors risk personal liability under civil and criminal law for many aspects of the Company's main business decisions. As a consequence, the Directors could face a range of penalties, including fines and/or imprisonment. In keeping with normal market practice, the Company believes that it is prudent, and in the best interests of the Company, to protect the individuals concerned from the consequences of innocent error or omission.

The Company obtains Directors' and Officers' liability insurance in order to indemnify Directors and other senior officers of the Company and its subsidiaries. This insurance policy does not provide cover where the Director or officer has acted fraudulently or dishonestly.

In addition, subject to the provisions of and to the extent permitted by relevant statutes, under the Articles, the Directors and other officers throughout the year, and at the date of approval of these financial statements, were indemnified out of the assets of the Company against liabilities incurred by them in the course of carrying out their duties or the exercise of their powers. A deed of indemnity was approved by the Board in November 2020.

Substantial shareholdings

At 31 August 2022, the shareholdings noted below, representing 3% or more of the issued share capital, had been notified to the Company.

Name of shareholder	Number of shares	Proportion of total
Funds managed by Harwood Capital	6,555,000	11.24%
Schroder Investment Management	4,737,454	8.13%
Sanford DeLand Asset Management	4,000,000	6.86%
Polar Capital	2,303,453	3.95%
Mrs J C Cooper & spouse[1]	2,257,465	3.87%
Royal London Asset Management	2,163,139	3.71%
Canaccord Genuity Wealth Management	2,147,500	3.68%
Amati Global Investors	2,059,140	3.53%
Highclere International Investors	2,054,403	3.52%

1 Of which 538,150 shares are held in trusts of which Mrs J C Cooper is a Trustee.

Governance statement

The Disclosure Guidance and Transparency Rules require certain information to be included in a governance statement in the Directors' Report. Information that fulfils these requirements, including how the Group has complied with the UK Corporate Governance Code and our internal control and risk management systems, can be found in the Corporate Governance section on pages 82 to 135.

Political donations

The Company made no political donations in the year or in the previous year.

Directors and Directors' interests

The Directors of the Company as of the date of this Report and during the year and their biographical details are shown on pages 86 and 87.

Details of any related party transactions with Directors of the Company are shown in note 27 to the financial statements.

The beneficial interests of the Directors and their connected persons in the shares of the Company at 30 June 2022 are disclosed in the Annual Report on Remuneration on page 117. Details of the interests of the Executive Directors in share options and awards of shares can be found on page 118 within the same Report.

Employees diversity and inclusion

We are committed to ensuring that all employees, potential recruits and other stakeholders are treated fairly and equitably. The principles of equality and diversity are important to us and advancement is based upon individual skills and aptitude irrespective of race, ethnicity, gender identity, sexual orientation, disability, age, religion or beliefs.

Our policy for selection and promotion is based on an assessment of an individual's ability and experiences; we consider all applicants on their merits and have processes and procedures in place to ensure that individuals with disabilities are given fair consideration.

Every effort is made to retain and support employees who become disabled whilst in the employment of the Group.

We are committed to developing our employees so they can maximise their career potential, and our aim is to provide rewarding career opportunities in an environment where equality of opportunity is paramount. We seek to improve employee retention by providing benefits that employees value, including a Group stakeholder pension (including life assurance arrangements), private medical insurance and income replacement arrangements.

Employee share scheme

Employee share ownership continues to be encouraged through participation in the Group Share Purchase Plan under which the Company contributes one share for every three shares purchased. During the year, the Group extended invitations to join the Group Share Purchase Plan to all employees who had completed their probationary employment period.

Employee involvement

Our people are at the heart of our business and are involved in decision making across the business in a variety of ways. More details on employee engagement can be found in the People section on pages 48 to 51 and in the Section 172 Statement on pages 74 to 77.

Stakeholder engagement

Details regarding our stakeholder engagement including suppliers, customers, local authorities and shareholders, and the effect on the principal decisions made in the year, can be found on pages 74 to 77.

Greenhouse gas emissions

All disclosures concerning the Group's greenhouse gas emissions, as required to be disclosed under regulations introduced by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Streamlined Energy and Carbon Reporting ("SECR") requirements are contained in the Environment section of the Strategic Report on pages 59 and 60.

Disclosures required under Listing Rule 9.8.4

There are no disclosures required by LR9.8.4 that apply to the Company.

Shareholder additional information

The Company is required to disclose certain additional information where not covered elsewhere in this Annual Report and Accounts:

Share capital

The Company has one class of share in issue, being ordinary shares with a nominal value of 2 pence each, with no right to fixed income.

At 30 June 2022, the Company had issued share capital of 58,306,337 ordinary shares, with a nominal value of £1.2m. Further details are given in note 23 to the financial statements.

Rights and obligations attaching to shares

Subject to the Companies Act 2006 and other shareholders' rights, any share may be issued with such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board of the Company may decide. Subject to the Companies Act 2006, the Articles and any resolution of the Company, the Board may deal with any unissued shares as it may decide.

Amendment to the Articles of Association

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Voting

Under and subject to the provisions of the Articles and subject to any special rights or restrictions as to voting attached to any shares, on a show of hands, every shareholder present in person at a general meeting of shareholders shall have one vote and on a poll every shareholder who was present in person or by proxy shall have one vote for every share of which they are the holder. Under the Companies Act 2006, shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting.

Restrictions on voting

A shareholder shall not be entitled to vote at any general meeting or class meeting in respect of any shares held by them unless all calls and other sums presently payable by them in respect of that share have been paid.

Variation of rights

The Articles specify that the special rights attached to any class of shares may, either with the consent in writing of holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of such holders (but not otherwise), be modified or abrogated.

Transfer of shares

Under and subject to the restrictions in the Articles, any shareholder may transfer all or any of their shares in certificated form by transfer in writing in any usual form or in any other form which the Board may approve. The Board may, save in certain circumstances, refuse to register any transfer of a certificated share not fully paid up.

The Board may also refuse to register any transfer of certificated shares unless it is:

- in respect of only one class of shares;
- in favour of no more than four transferees;
- duly stamped or exempt from stamp duty;
- delivered to the office or at such other place as the Board may decide for registration; and
- accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to show the right of the intending transferor to transfer the shares.

Authority to purchase own shares

At the 2021 AGM, shareholders gave the Company authority to purchase up to the nominal value of ordinary shares of £116,612 of its own ordinary shares, representing approximately 10% of its issued ordinary share capital. No purchases have been made pursuant to this authority and a resolution will be put to shareholders at the 2022 AGM to renew the authority for a further period of one year.

Repurchase of shares

Subject to the provisions of the Companies Act and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its shares of any class, including any redeemable shares.

Appointment and replacement of Directors

The Directors shall not, unless otherwise determined by an ordinary resolution of the Company, be less than three or more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board.

A Director appointed by the Board shall retire from office at the next AGM of the Company but shall then be eligible for reappointment. The Board may appoint one or more Directors to hold any office or employment with the Company for such period (subject to the Companies Act requirements) and on such terms as it may decide and may revoke or terminate any such appointment. At each AGM, any Director who has been appointed by the Board since the previous AGM and any Director selected to retire by rotation shall retire from office. At each AGM, one-third of the Directors are required to retire by rotation or, if the number is not an integral multiple of three, the number nearest to one-third but not exceeding one-third. In addition, any Director who has been a Director at the preceding two AGMs is required to retire by rotation, provided that they were not appointed or reappointed at either such AGM or ceased to be a Director and been reappointed since either such AGM. Notwithstanding this, the Board has determined that all Directors will be subject to annual re-election by shareholders at each AGM.

The Company may, by ordinary resolution of which special notice has been given in accordance with the Companies Act, remove any Director before their period of office has expired notwithstanding anything in the Articles or in any agreement between that Director and the Company. A Director may also be removed from office by the service of a notice to that effect signed by or on behalf of all the other Directors, being not less than three in number.

Brittany and Maddie, Model Walk, Worksop, Nottinghamshire

Powers of the Directors

The business of the Company shall be managed by the Board, which may exercise all the powers of the Company, subject to the provisions of the Articles and any ordinary resolution of the Company. The Articles specify that the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertakings, property and assets and uncalled capital and to issue debentures and other securities, subject to the provisions of the Articles.

Takeovers and significant agreements

The Company is party to the following significant agreements that take effect, alter or terminate on a change of control of the Company following a takeover bid:

- the Company's share schemes and plans;
- the Company's payment guarantee bonds except with prior written consent from the bond provider; and
- the Group's revolving credit facility whereby upon a "change of control" all amounts become due and payable.

Information rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to enjoy information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares, rather than to the Company's registrars or to the Company directly.

Disclosure of information to auditors

In accordance with the Statement of Directors' Responsibilities in Respect of the Financial Statements on page 136, the Directors who held office at the date of approval of this Directors' Report have confirmed that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

As set out on page 105, the independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the next AGM on 18 November 2022.

Annual General Meeting

The Notice of the AGM to be held on 18 November 2022, together with details of the Resolutions to be considered, will be sent out in a separate circular. Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM will be set out in the Notice of the AGM.

By order of the Board

Leanne Johnson
Company Secretary

14 September 2022

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and Accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

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

Each of the Directors, whose names and functions are listed in the Governance Report, confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and Company, and of the profit of the Group; and
- the Strategic Report 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.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

By order of the Board

James Thomson
Director

14 September 2022

Stefan Allanson
Director

14 September 2022

Steven, Fork Lift Truck Driver, Hardwicke Place, Hartlepool, County Durham


WHEN RED
LIGHT SHOWS
WAIT HERE
131X LC

Financial Statements

Harris
and Lucy,
Calverley View,
Bradford,
West Yorkshire

Independent auditors' report to the members of MJ Gleeson plc

Report on the audit of the financial statements

Opinion

In our opinion, MJ Gleeson plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2022 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Statements of Financial Position as at 30 June 2022; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, Statement of Changes in Equity for the Group and Company, and the Statements of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The reporting units where we performed audit work accounted for 100% of the Group's profit before tax and 100% of the Group's total assets
- Enquiries have been made of management regarding their risk assessment and governance process in place to address climate risk impacts, with no significant risk of material misstatement identified in this respect

Key audit matters

- Carrying value of land and work in progress (group)
- Valuation of building safety provisioning (group)
- Carrying value of investments (parent)

Materiality

- Overall group materiality: £2,772,000 (2021: £2,086,000) based on 5% of profit before tax before exceptionals (2021: 5% of profit before tax).
- Overall company materiality: £1,625,000 (2021: £1,423,000) based on 1% of total assets.
- Performance materiality: £2,079,000 (2021: £1,564,500) (group) and £1,218,750 (2021: £1,067,500) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The building safety provisioning is a new key audit matter this year. The impact of Covid-19, which was a key audit matter last year, is no longer included because of the reduced risk the ongoing Covid-19 pandemic poses to the group. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Carrying value of land and work in progress (group) We focused upon this area because the value of the Group's land and work in progress represent a significant proportion of assets in the Group Statement of Financial Position. Further, determining the recoverable amount of land and work in progress requires a high degree of estimation. For work in progress in Gleeson Homes (the house building division), the key judgements include forecasting future costs to complete and selling prices which can be affected by market conditions and unexpected events. In Gleeson Land (the land promotion division), the valuation of work in progress requires judgement regarding the future viability of each project. Based upon this assessment, it may be necessary to record provisions to determine the final carrying value of work in progress for each site.	For land and work in progress in Gleeson Homes, we: • Assessed the adequacy of controls over the authorisation and recording of costs, including testing of controls over the allocation of costs to the correct sites. • Visited a sample of sites to confirm the existence and condition of the work in progress, and also to evaluate the reasonableness of the assessment of stage of completion. • Attended a sample of quarterly valuation meetings to evidence controls and procedures undertaken and judgements made as part of the valuation process. • Tested and agreed a sample of land and work in progress costs incurred during the year, including land additions and build costs, to supporting evidence as well as reviewing the proportion of that expenditure recognised as a cost of sale in the year in respect of units sold. • Assessed the historical accuracy of management's forecasting through investigation of any sites with unusual or unexpected margins, based on an auditors expected range. • Tested a sample of forecast costs to complete, including forecast preliminary costs, to supporting documentation for a sample of sites.

	• Performed an independent assessment of a sample of cost accruals and build contingency via enquiry and corroboration to supporting evidence. • Reviewed the disclosures in the annual accounts in respect of this critical accounting estimate. For work in progress in Gleeson Land, we: • Tested a sample of costs incurred during the year. • Tested the transfer from work in progress to cost of sales for all those sites sold during the year. • Discussed and challenged the status of a sample of projects with management and corroborated explanations received, as necessary. • Assessed the group's provisioning methodology. • Recalculated the provision made by management against year-end work in progress by applying the Group's provisioning methodology and challenged and corroborated as necessary. • Reviewed the disclosures in the annual accounts in respect of this critical accounting estimate. Based on the procedures performed we did not identify any material adjustments to the carrying value of the Group's land and work in progress at year end.
Valuation of building safety provisioning (group) In April 2022, MJ Gleeson plc signed the 'Department for Levelling Up, Housing and Communities' ("DLUHC") Pledge, which commits the Group to fund the remediation of life-critical fire safety issues on buildings over 11 metres, which over the last 30 years the Group was involved in developing. Management have included a provision representing the remediation cost for the 14 buildings identified as 'in scope' based on a programme of desktop assessments performed by an external firm of surveyors, and estimates made by inhouse qualified resource. The provision is identified as a source of estimation uncertainty as there are certain inherent factors that would change the level of provision required in future years. The key assumptions are the potential cost of investigation, the costs of replacement materials and works, the cost of disruption to residents, and the timing of forecast expenditure. Hence, we identified the valuation of building safety provisioning as a significant risk.	We have reviewed the detailed desktop reports prepared by the external surveyors and estimates made by inhouse resource and have engaged our own internal experts to assess the rigour and scepticism applied. In terms of audit procedures undertaken we: • Utilised auditors' experts. • Assessed the objectivity, competence and capability of the external experts engaged by management. • Challenged management on their assumptions in arriving at the monetary value of the provision. • Performed sensitivities over the key assumptions used by in-house resources. • Considered the impact of other relevant legislation (such as recoverability of VAT) and external factors (availability of subcontractors, impact of inflation on cash flows for remediation). • Assessed the completeness of the provisioning, considering whether all buildings have been captured and whether all aspects of costing have been captured, including consultation with our auditors' expert. • Challenged management on their accounting against the recognition criteria of IAS 37, and reviewed the relevant disclosure requirements of IAS 37. Based on the procedures performed we did not identify any material adjustments to the provision included in the group accounts. We are also satisfied that the recognition and disclosure of the provision is in line with IAS 37, and the disclosure of the estimates and sensitivities are in line with IAS 1.
Carrying value of investments (parent) We focused upon this area because of the size of the balance and the significant judgement required in determining the carrying value. The key judgement is the underlying cash generation and profitability of the Parent Company's subsidiaries which can be affected by market conditions as well as the new Building Safety Act extending the liability period for defective claims from 6 to 30 years.	We compared the carrying value of the investments as at 30 June 2022 to the subsidiaries' net assets and assessed the future cash flows of the subsidiaries. We have assessed the key assumptions underpinning these cash flows. We assessed the requirement for, and the value of, the impairment recorded in the year. We also assessed the market capitalisation of the Group as at 30 June 2022 and compared it to the net assets of the Group and Parent Company. Based on this work we are satisfied that the carrying value of the investments held by the company are supported.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is organised into two main operating divisions being Gleeson Homes and Gleeson Land, and each operating division represents a single reporting unit. The Group financial statements are a consolidation of these 2 reporting units and the Group's central entities which include a further 3 reporting units. Of the Group's 5 reporting units, we identified 4 which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. This, together with additional procedures performed on the Group's remaining centralised functions, gave us the evidence we needed for our opinion on the Group financial statements as a whole. All work was performed by the Group audit team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	**Financial statements - company**
Overall materiality	£2,772,000 (2021: £2,086,000).	£1,625,000 (2021: £1,423,000).
How we determined it	5% of profit before tax before exceptionals (2021: 5% of profit before tax)	1% of total assets
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark. Given the exceptional item is non-trading in nature and not representative of the underlying operations of the business, it was deemed appropriate to exclude this from our calculation of materiality.	We believe total assets is the primary measure used by shareholders in assessing the performance of the entity.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £40,500 and £2,663,400. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £2,079,000 (2021: £1,564,500) for the group financial statements and £1,218,750 (2021: £1,067,500) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £138,600 (group audit) (2021: £104,300) and £81,250 (company audit) (2021: £71,150) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained from management their latest assessments that support their conclusions with respect to the going concern basis of preparation of the financial statements and confirmed the mathematical accuracy of these assessments; and
- We evaluated the historical accuracy of the budgeting process to assess the reliability of the data; and
- We evaluated management's base case forecast and severe but plausible downside scenario and challenged the adequacy and appropriateness of the underlying assumptions; and
- Undertook further sensitivities over key assumptions in management severe but plausible downside assessment; and
- In conjunction with the above we have also reviewed management's analysis of both liquidity and covenant compliance to satisfy ourselves that no breaches are anticipated over the period of assessment; and
- We have reviewed management's disclosures in respect of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 June 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety legislation and building safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Listing Rules and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to deliberate manipulation of results via improper revenue recognition, management bias in key accounting estimates and posting of inappropriate journal entries to manipulate the group's result for the period. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- Reviewed the Group's board meeting minutes for the duration of the year and up to the date of signing; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the valuation of land and work in progress and the expected cash outflows in respect of the building safety provision; and
- Identifying and testing journal entries on a sample basis, in particular journal entries posted with unusual account combinations, posted by unexpected users, or which meet our fraud risk criteria. Specifically we tested journal entries with credits to revenue, duplicate journals, and journals transferring costs within work in progress.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Annual Report on Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 14 November 2016 to audit the financial statements for the year ended 30 June 2017 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 30 June 2017 to 30 June 2022.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
14 September 2022

Consolidated Income Statement

For the year ended 30 June 2022

	Note	2022 Pre-exceptional items £000	2022 Exceptional items (note 3) £000	2022 Total £000	2021 £000
Revenue	2	**373,409**	**–**	**373,409**	288,575
Cost of sales		**(262,753)**	**(12,867)**	**(275,620)**	(199,230)
Gross profit		**110,656**	**(12,867)**	**97,789**	89,345
Administrative expenses		**(54,543)**	**–**	**(54,543)**	(47,185)
Other operating income	5	**684**	**–**	**684**	923
Operating profit		**56,797**	**(12,867)**	**43,930**	43,083
Finance income	7	**172**	**–**	**172**	377
Finance expenses	7	**(1,482)**	**–**	**(1,482)**	(1,749)
Profit before tax		**55,487**	**(12,867)**	**42,620**	41,711
Tax	8	**(9,976)**	**2,445**	**(7,531)**	(7,839)
Profit for the year attributable to the equity holders of the parent		**45,511**	**(10,422)**	**35,089**	33,872
Earnings per share					
Basic	10	**78.12 p**		**60.23 p**	58.16 p
Diluted	10	**77.92 p**		**60.08 p**	58.07 p

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 Pre-exceptional items £000	2022 Exceptional items (note 3) £000	2022 Total £000	2021 £000
Profit for the year		**45,511**	**(10,422)**	**35,089**	33,872
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Change in value of shared equity receivables at fair value	15	**120**	**–**	**120**	33
Movement in tax on share-based payments taken directly to equity	8	**–**	**–**	**–**	302
Other comprehensive income for the year (net of tax)		**120**	**–**	**120**	335
Total comprehensive income for the year		**45,631**	**(10,422)**	**35,209**	34,207

The notes on pages 153 to 179 form part of these financial statements.

Statements of Financial Position
At 30 June 2022

	Note	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Non-current assets					
Property, plant and equipment	11	**8,112**	6,684	**–**	–
Investments in subsidiaries	12	**–**	–	**98,994**	99,067
Trade and other receivables	14	**5,051**	4,672	**–**	–
Deferred tax assets	20	**941**	1,233	**452**	567
		14,104	12,589	**99,446**	99,634
Current assets					
Inventories	13	**286,882**	239,961	**–**	–
Trade and other receivables	14	**29,243**	22,378	**77,196**	37,889
UK corporation tax		**3,565**	3,875	**3,565**	3,754
Cash and cash equivalents	21	**33,764**	34,331	**1,001**	1,023
		353,454	300,545	**81,762**	42,666
Total assets		**367,558**	313,134	**181,208**	142,300
Non-current liabilities					
Trade and other payables	16	**(9,703)**	(6,917)	**–**	–
Provisions	18	**(12,049)**	(236)	**–**	–
		(21,752)	(7,153)	**–**	–
Current liabilities					
Trade and other payables	16	**(72,291)**	(61,027)	**(122,265)**	(88,654)
Provisions	18	**(1,339)**	(23)	**–**	–
		(73,630)	(61,050)	**(122,265)**	(88,654)
Total liabilities		**(95,382)**	(68,203)	**(122,265)**	(88,654)
Net assets		**272,176**	244,931	**58,943**	53,646
Equity					
Share capital	23	**1,166**	1,165	**1,166**	1,165
Share premium		**15,843**	15,843	**15,843**	15,843
Own shares	23	**(471)**	–	**(471)**	–
Retained earnings		**255,638**	227,923	**42,405**	36,638
Total equity		**272,176**	244,931	**58,943**	53,646

Retained earnings of the Company

The profit of the Company in the financial year amounted to £13,252,000 (2021: loss of £8,250,000).

The financial statements on pages 148 to 179 were approved by the Board of Directors on 14 September 2022 and signed on its behalf by:

James Thomson
Director

Stefan Allanson
Director

Company registration number: 09268016

The notes on pages 153 to 179 form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2022

Group	Note	Share capital £000	Share premium £000	Own shares £000	Retained earnings £000	Total equity £000
At 1 July 2020		1,161	15,843	–	195,601	212,605
Profit for the year		–	–	–	33,872	33,872
Other comprehensive income		–	–	–	335	335
Total comprehensive income for the year		–	–	–	34,207	34,207
Share issue	23	4	–	–	–	4
Purchase of own shares		–	–	–	(61)	(61)
Share-based payments	24	–	–	–	1,089	1,089
Dividends	9	–	–	–	(2,913)	(2,913)
Transactions with owners, recorded directly in equity		4	–	–	(1,885)	(1,881)
At 30 June 2021		1,165	15,843	–	227,923	244,931
Profit for the year		**–**	**–**	**–**	**35,089**	**35,089**
Other comprehensive income		**–**	**–**	**–**	**120**	**120**
Total comprehensive income for the year		**–**	**–**	**–**	**35,209**	**35,209**
Share issue	23	**1**	**–**	**–**	**–**	**1**
Transfer of own shares	23	**–**	**–**	**(136)**	**136**	**–**
Purchase of own shares	23	**–**	**–**	**(403)**	**–**	**(403)**
Utilisation of own shares	23	**–**	**–**	**68**	**268**	**336**
Share-based payments	24	**–**	**–**	**–**	**1,568**	**1,568**
Movement in tax on share-based payments taken directly to equity	8	**–**	**–**	**–**	**(128)**	**(128)**
Dividends	9	**–**	**–**	**–**	**(9,338)**	**(9,338)**
Transactions with owners, recorded directly in equity		**1**	**–**	**(471)**	**(7,494)**	**(7,964)**
At 30 June 2022		**1,166**	**15,843**	**(471)**	**255,638**	**272,176**

Statement of Changes in Equity

For the year ended 30 June 2022

Company	Note	Share capital £000	Share premium £000	Own shares £000	Retained earnings £000	Total equity £000
At 1 July 2020		1,161	15,843	–	46,630	63,634
Loss for the year		–	–	–	(8,250)	(8,250)
Other comprehensive income		–	–	–	187	187
Total comprehensive expense for the year		–	–	–	(8,063)	(8,063)
Share issue	23	4	–	–	–	4
Purchase of own shares		–	–	–	(105)	(105)
Share-based payments	24	–	–	–	1,089	1,089
Dividends	9	–	–	–	(2,913)	(2,913)
Transactions with owners, recorded directly in equity		4	–	–	(1,929)	(1,925)
At 30 June 2021		1,165	15,843	–	36,638	53,646
Profit for the year		**–**	**–**	**–**	**13,252**	**13,252**
Total comprehensive income for the year		**–**	**–**	**–**	**13,252**	**13,252**
Share issue	23	**1**	**–**	**–**	**–**	**1**
Transfer of own shares	23	**–**	**–**	**(136)**	**136**	**–**
Purchase of own shares	23	**–**	**–**	**(403)**	**–**	**(403)**
Utilisation of own shares	23	**–**	**–**	**68**	**268**	**336**
Share-based payments	24	**–**	**–**	**–**	**1,568**	**1,568**
Movement in tax on share-based payments taken directly to equity	8	**–**	**–**	**–**	**(119)**	**(119)**
Dividends	9	**–**	**–**	**–**	**(9,338)**	**(9,338)**
Transactions with owners, recorded directly in equity		**1**	**–**	**(471)**	**(7,485)**	**(7,955)**
At 30 June 2022		**1,166**	**15,843**	**(471)**	**42,405**	**58,943**

Statements of Cash Flows

For the year ended 30 June 2022

	Note	Group		Company	
		2022 £000	2021 £000	**2022 £000**	2021 £000
Operating activities					
Profit/(loss) before tax		**42,620**	41,711	**13,248**	(8,300)
Adjustments for:					
Depreciation of property, plant and equipment	11	**3,124**	2,772	**–**	–
Share-based payments	24	**1,568**	1,089	**1,568**	1,089
Profit on redemption of shared equity receivables	15	**(375)**	(230)	**–**	–
Increase in provisions including exceptional items	18	**13,129**	–	**–**	–
Loss on disposal of property, plant and equipment	11	**403**	200	**–**	–
Impairment of investments in subsidiaries	12	**–**	–	**73**	1,733
Disposal of right-of-use assets		**–**	50	**–**	–
Finance income	7	**(172)**	(377)	**(20,014)**	–
Finance expenses	7	**1,482**	1,749	**1,336**	1,490
Operating cash flows before movements in working capital		**61,779**	46,964	**(3,789)**	(3,988)
Increase in inventories		**(46,921)**	(23,626)	**–**	–
(Increase)/decrease in receivables		**(8,165)**	(6,709)	**280**	341
Increase in payables		**13,244**	19,706	**265**	1,227
(Increase)/decrease in amounts due from subsidiary undertakings		**–**	–	**(34,310)**	42,532
Increase in amounts due to subsidiary undertakings		**–**	–	**35,382**	20,655
Cash generated/(used) in operating activities		**19,937**	36,335	**(2,172)**	60,767
Tax paid		**(7,059)**	(10,216)	**(7,178)**	(10,216)
Finance costs paid		**(1,043)**	(1,934)	**(946)**	(1,827)
Net cash flow surplus/(deficit) from operating activities		**11,835**	24,185	**(10,296)**	48,724
Investing activities					
Proceeds from disposal of shared equity receivables		**1,566**	858	**–**	–
Proceeds from disposal of property, plant and equipment		**–**	7	**–**	–
Interest received		**20**	6	**14**	–
Dividends from subsidiaries		**–**	–	**20,000**	–
Purchase of property, plant and equipment	11	**(3,684)**	(3,839)	**–**	–
Net cash flow (deficit)/surplus from investing activities		**(2,098)**	(2,968)	**20,014**	–
Financing activities					
Repayment of loans and borrowings		**–**	(60,000)	**–**	(60,000)
Net proceeds from issue of shares	23	**1**	4	**1**	4
Purchase of own shares		**(403)**	(61)	**(403)**	(105)
Dividends paid	9	**(9,338)**	(2,913)	**(9,338)**	(2,913)
Principal element of lease payments	17	**(564)**	(723)	**–**	–
Net cash flow deficit from financing activities		**(10,304)**	(63,693)	**(9,740)**	(63,014)
Net decrease in cash and cash equivalents		**(567)**	(42,476)	**(22)**	(14,290)
Cash and cash equivalents at beginning of period		**34,331**	76,807	**1,023**	15,313
Cash and cash equivalents at end of period	21	**33,764**	34,331	**1,001**	1,023

Notes to the Financial Statements

For the year ended 30 June 2022

1 Accounting policies

MJ Gleeson plc ("the Company") is a public limited company that is listed on the London Stock Exchange and is incorporated and domiciled in England, United Kingdom. The address of the registered office is 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE.

Basis of preparation

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group and Company transitioned to UK-adopted International Accounting Standards in its consolidated Group and Company financial statements on 1 July 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

Both the Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated Group and Company financial statements have been prepared on a going concern basis and under the historical cost convention, except as otherwise stated below.

The principal accounting policies set out below have been applied consistently to all periods presented in the Group and Company financial statements.

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently a statement of comprehensive income of the Company is not presented as part of these financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiary undertakings (together referred to as "the Group").

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Going concern

The Group's business activities are set out in the Strategic Report on pages 2 to 79. The principal risks identified are reported under Risk Management on pages 34 to 39.

In the prior year to 30 June 2021, the Group negotiated a committed club facility with Lloyds Bank plc and Santander UK plc. The facility has a limit of £105m (previously £70m with Lloyds Bank plc), which expires in October 2024 and provides the Group with additional liquidity and investment funding.

The Group has maintained its strong financial position and ended the year with cash and cash equivalents of £33.8m (30 June 2021: £34.3m).

Current forecasts are based on the latest three-year budget approved by the Board in May 2022. This reflected a cautious view on the trading outlook based on the current market and the degree of macro-economic risk.

These forecasts were then subject to a range of sensitivities including a severe but plausible scenario together with the likely effectiveness of mitigating actions. The assessment considered the combined impact of a number of realistically possible, but severe and prolonged changes to principal assumptions from a downturn in the housing and land markets including:

- reduction in Gleeson Homes volumes of approximately 20%;
- reduction in Gleeson Homes selling prices by 5% recovering over a medium term of five years;
- material build cost increases of 10% over and above the levels forecast; and
- a delay on the timing of Gleeson Land transactions and land selling values.

Under these sensitivities, after taking certain mitigating actions, the Group continues to have a sufficient level of liquidity, operate within its financial covenants and meet its liabilities as they fall due.

Based on the results of the analysis undertaken, the Directors have a reasonable expectation that the Company and the Group have adequate resources available to continue in operation for the foreseeable future and operate in compliance with the Group's bank facilities and financial covenants. As such, the financial statements for the Company and the Group have been prepared on a going concern basis.

1 Accounting policies CONTINUED

Revenue recognition

Revenue represents the fair value of the consideration received or receivable in respect of the sale, or sale and leaseback, of homes and land, net of value added tax and discounts, which is based on an underlying signed legal agreement. Revenue is recognised when control transfers to a customer as follows:

- Revenue from the sale, or sale and leaseback, of homes and sales extras is a single performance obligation that is satisfied when control is transferred to the customer, which is deemed to be on legal completion when title of the property passes to the customer. Where deposit and exchange funds are received in advance, no revenue is recognised until legal completion occurs and the remaining funds are received.
- Revenue from land sales, including land sold under option agreements, freehold land sales, or fixed-price land sales, is typically a single performance obligation that is satisfied at the earlier of when unconditional contracts to sell are exchanged and control has passed to the customer or when contracts to sell are completed and title has passed. Revenue from planning promotion agreements is recognised at the point at which the Group is unconditionally entitled to a share of the disposal proceeds under the terms of the promotion agreement contract. Payment terms vary on each land sale; where deferred receipts exceed one year from completion, the transaction price is adjusted to reflect the time value of money. Variable consideration such as an overage is not recognised until the point at which it is considered highly probable that there will not be a significant future reversal, which typically occurs when the amount is agreed by all parties.

The Group has adopted the practical expedient allowed under IFRS 15 “Revenue from contracts with customers” that states an entity need not adjust the amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group’s other components, and for which discrete financial information is available. All segmental operating results are reviewed regularly by the Executive Directors to make decisions about resources to be allocated to the segment and to assess its performance. Segmental results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Segmental capital additions is the total cost incurred during the period to acquire property, plant and equipment.

Exceptional items

Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material or unusual in nature or of such significance that they require separate disclosure on the face of the income statement in accordance with IAS 1 “Presentation of financial statements”. Should these items be reversed, disclosure of this would also be as exceptional items.

Finance income and expenses

Finance income comprises interest income on bank deposits and the unwinding of discounts on deferred receivables. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest and fees on bank facilities, leases and the unwinding of discounts on deferred payables. Also included is the amortisation of fees associated with the arrangement of financing. Interest expense is recognised in the income statement using the effective interest method.

Government grants

Grants are credited to the income statement over the period of time in which the conditions are satisfied. Grants are deducted from the related expense within cost of sales or administrative expenses in the income statement.

1 Accounting policies CONTINUED

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses an incremental borrowing rate that is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability, plus any initial direct costs and an estimate of asset retirement obligations, less any lease incentives. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

For a modification that decreases the scope of the lease, the lease liability is remeasured at the effective date of the modification using a revised discount rate representative of the remainder of the lease term. Where this is not readily determined, the incremental cost of borrowing will be used. The carrying amount of the right-of-use asset will decrease to reflect the partial or full termination of the lease. Any gain or loss relating to the lease modification is recognised in the income statement.

Non-financial assets

1. Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following basis:

- Property: over the term of the lease for right-of-use assets
- Plant and equipment: between three and six years

Depreciation of these assets is charged to the income statement.

2. Investments
Investments are stated at cost less impairment.

3. Inventories
Inventories are valued at the lower of cost and net realisable value and are subject to regular impairment reviews. Inventories comprise all direct costs incurred in bringing the individual inventories to their present condition at the reporting date, including direct materials, direct labour costs and related overheads, and the costs incurred in promoting land, less the value of any impairment losses. Inventories are recognised in cost of sales as an allocation of the latest forecast gross margin expected to be generated over the remaining life of that site, which is an output of the site valuation process. These valuations, which are carried out at regular intervals throughout the year, use actual and forecast selling prices, land costs and build costs. Land purchased with deferred consideration terms is included in inventories at its net present value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. In Gleeson Homes, the key assumptions underpinning the assessment of net realisable value are forecast costs to complete, site margins, contingencies and selling prices. In Gleeson Land, expected land value, planning outcome, the remaining duration of the promotion or option agreement and forecast costs to complete are used to determine net realisable value.

1 Accounting policies CONTINUED

Impairment of non-financial assets
The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Financial assets

1. Shared equity receivables
Shared equity receivables are loans that were offered to certain customers to assist in the purchase of their home. Shared equity receivables are recorded at fair value through other comprehensive income ("OCI"), representing the amount receivable discounted to present day values. 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. The Group holds a second charge over property sold under shared equity schemes. Changes in the fair value of shared equity receivables are recognised in other comprehensive income. Interest calculated using the effective interest method and impairment losses on shared equity receivables are recognised in the income statement.

2. Trade and other receivables
Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Deferred land receivables are discounted to present values when repayment is due in more than one year after initial recognition.

3. Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits and cash held in solicitors' client accounts on the Group's behalf and are subject to an insignificant risk of changes in value.

Impairment of financial assets
An assessment of expected credit losses associated with financial assets carried at amortised cost is undertaken on a forward-looking basis. For trade receivables, the simplified approach as permitted by IFRS 9 "Financial instruments" is applied, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Non-financial liabilities

1. Provisions
Provisions are recognised when there is a present legal or constructive obligation arising from past events and it is probable there will be an outflow of resources required to settle the obligation. Provisions are measured at the best estimate of the Directors and discounted to present value where the effect is material.

2. Contingent liabilities
Where there is a possible obligation arising from past events that will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events then, unless the possibility of such an outflow of resources in settlement is remote, a contingent liability is disclosed.

1 Accounting policies CONTINUED

Financial liabilities

1. Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Deferred land payables are discounted to present values when repayment is due in more than one year after initial recognition.

2. Loans and borrowings

Interest bearing bank loans are initially measured at fair value (being proceeds received, net of direct issue costs) and are subsequently measured at amortised cost. Capitalised finance costs are held in other receivables and amortised over the period of the facility, less any provision for impairment.

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the values used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Employee benefits

1. Defined contribution pension plans

Obligations for contributions to defined contribution pension schemes are charged to the income statement in the period to which the contributions relate.

2. Share-based payments

Equity-settled share-based payments ("share options") include awards granted under the Group's Long Term Incentive Plan ("LTIP"), which are measured at fair value at the date of grant. Fair value is measured using generally accepted option pricing models, taking into account the terms and conditions upon which the options were granted. The fair value of options granted is recognised as an employee expense with a corresponding credit to equity, spread on a straight-line basis over the vesting period. Where non-market vesting conditions apply, the expense is based on the estimate of shares that will eventually vest. These awards are granted by the Company and the cost of the share-based award relating to each subsidiary is calculated, based on an appropriate apportionment, at the date of grant and recharged through intercompany.

Own shares held by Employee Benefit Trusts

The Employee Benefit Trusts ("EBT") holds shares in the Company for the purpose of settling employee share purchase plan awards, deferred bonus awards for the Executive Directors, and employee share options through shares purchased from the market. The cost of the Company's purchase of its own shares is shown as a reduction in shareholders' equity through the "own shares" reserve until such time as they are vested to employees.

Dividends

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

1 Accounting policies CONTINUED

Critical accounting judgements and key sources of estimation uncertainty

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

The key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year at the balance sheet date are listed below. Due to the reduced carrying value of shared equity receivables, the Group has determined that the valuation of shared equity is no longer a key source of estimation uncertainty. Margin recognition and building safety provisions have been added as new key sources of estimation uncertainty in the year.

1. Margin recognition

Cost of sales is recognised for completed home sales as an allocation of the latest forecast gross margin expected to be generated over the remaining life of that site, which is an output of the site valuation process. These valuations, which are updated at regular intervals throughout the year, use actual and forecast selling prices, land costs and build costs and are sensitive to future movements in both the estimated costs to complete and expected selling prices. These estimates are reflected in the margin recognised on sites in relation to sales recognised in the current and future years. There is a degree of inherent uncertainty in making such estimates. The Group has established internal controls that are designed to ensure an effective assessment of estimates is made for the costs to complete developments. If gross margin on homes sold decreased by 100 basis points, profit before tax in the year would have been £3.3m lower (2021: £2.7m lower).

2. Carrying value of inventories (land and work in progress)

Inventories are stated at the lower of cost and net realisable value. For Gleeson Homes, the assessment of net realisable value is performed on a site-by-site basis, taking into account an estimation of costs to complete and remaining revenue. If forecast gross margins reduced by 5%, there would be no material impact on profit before tax or the carrying value of inventory.

For Gleeson Land, the assessment of net realisable value is performed on a site-by-site basis. Net realisable value is largely dependent on the prospect of obtaining successful planning consent. Given this, there is some uncertainty over the net realisable value of each site. These assessments include a degree of inherent uncertainty when estimating the profitability of a site and in assessing any impairment provisions that may be required. If a single site in the portfolio failed to obtain planning permission before expiration of the agreement, the carrying value would decrease by £0.4m (2021: £0.4m), based on an average site. The single largest WIP balance in the portfolio is £2.4m (2021: £2.0m).

3. Building safety

As set out in note 18, the Group is undertaking a review of all buildings over 11 metres in which the Group had, over the last 30 years, some involvement in developing. The Group has identified 14 buildings where it acted as developer and has confirmed its commitment for performing or funding mitigation works to address life-critical fire-safety issues by signing the Department for Levelling Up, Housing and Communities ("DLUHC") pledge. The Group originally notified DLUHC of 15 buildings in total, but one building has subsequently been identified as being developed by another housebuilder.

The Group has recorded a building safety provision which represents the best estimate of the life-critical fire-safety remediation costs for these 14 buildings. The building safety provision requires a number of key estimates and judgements in its calculation. If it is deemed that the costs are probable and can be reliably measured then, as per IAS 37 "Provisions, contingent liabilities and contingent assets", a provision is recorded. If costs are considered possible or cannot be reliably estimated then they are recorded as contingent liabilities. The key judgements include, but are not limited to, the identification of these properties, the time period to consider and which properties should then be included. Judgement is also required in respect of the underlying nature of the building and materials used where intrusive surveys have not yet been carried out. The key estimates applied to these properties include the potential costs of investigation, the costs of replacement materials and works, the costs of disruption to residents of these buildings and the timing of forecast expenditure.

If forecast remediation costs on these buildings were 20% higher, the exceptional charge in the consolidated income statement would be £2.6m higher. See note 18 for further details.

1 Accounting policies CONTINUED

4. Climate change and environmental risk

Significant judgement is required to assess the impact of climate change on the operations of the business and the carrying value of its assets, including land held in inventory. Climate change has the potential to significantly impact our business strategy through restricting land availability, disrupted build programmes, material and labour shortages and increased costs. No provisions or impairment of assets have been recognised in these financial statements. Scenario analysis is presented in the TCFD section on pages 66 to 69.

5. Carrying value of investments (Company only)

Investments are stated at cost less impairment. Significant judgement is required to determine if an impairment trigger has taken place, and in calculating an impairment, judgement is required to determine the value in use or net realisable value. It was identified that Gleeson Construction Services Limited incurred a loss during the year, which is an indicator that an impairment loss may have occurred – see note 12 for further details. For the investment held in MJ Gleeson Group Limited, an increase in the loss of MJ Gleeson Group Limited or its subsidiary, Gleeson Construction Services Limited, of 10% would lead to an increase in the impairment of £15,000.

Adoption of new and revised standards

For the year ended 30 June 2022, the Group and Company have applied the following new and revised standards that were mandatorily effective for an accounting period beginning on or after 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest rate benchmark reform – phase 2" (effective 1 January 2021)

The adoption of these standards and amendments has not had any material impact on the disclosures or amounts reported in these financial statements.

Standards not yet applied

There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not been adopted by the Group and Company in preparing the financial statements for the year ended 30 June 2022:

- Amendments to IFRS 3 "Business combinations", IAS 16 "Property, plant and equipment", IAS 37 "Provisions, contingent liabilities and contingent assets" (effective 1 January 2022)
- IAS 1 "Classification of liabilities" (effective 1 January 2023)
- Amendments to IAS 8 "Accounting policies, changes in accounting estimates and errors" (effective 1 January 2023)
- Amendments to IAS 12 "Taxation" (effective 1 January 2023)
- Amendments to IAS 1 "Presentation of financial statements" (deferred until not earlier than 1 January 2024)

The application of the standards and interpretations not yet applied is not expected to have a material impact on the Group and Company's financial performance or position, or give rise to additional disclosures in the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2022

CONTINUED

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 Land

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

	2022 Pre-exceptional items £000	2022 Exceptional items (note 3) £000	2022 Total £000	2021 £000
Revenue				
Gleeson Homes	**334,571**	**–**	**334,571**	265,770
Gleeson Land	**38,838**	**–**	**38,838**	22,805
Total revenue	**373,409**	**–**	**373,409**	288,575
Divisional operating profit				
Gleeson Homes	**51,227**	**(12,867)**	**38,360**	37,437
Gleeson Land	**11,061**	**–**	**11,061**	11,080
	62,288	**(12,867)**	**49,421**	48,517
Group administrative expenses	**(5,491)**	**–**	**(5,491)**	(5,434)
Finance income	**172**	**–**	**172**	377
Finance expenses	**(1,482)**	**–**	**(1,482)**	(1,749)
Profit before tax	**55,487**	**(12,867)**	**42,620**	41,711
Tax	**(9,976)**	**2,445**	**(7,531)**	(7,839)
Profit for the year	**45,511**	**(10,422)**	**35,089**	33,872

The revenue in the Gleeson Homes segment primarily relates to the sale of residential properties. In addition, within revenue for Gleeson Homes is £nil relating to land sales (2021: £1,521,000). All revenue for the Gleeson Land segment is in relation to the sale of land interests. There is no revenue relating to Group activities.

No single customer accounts for more than 10% of revenue (2021: no single customer).

Balance sheet analysis of business segments:

	2022			2021		
	Assets £000	**Liabilities £000**	**Net assets/ (liabilities) £000**	Assets £000	Liabilities £000	Net assets £000
Gleeson Homes	**280,481**	**(85,170)**	**195,311**	223,328	(54,892)	168,436
Gleeson Land	**49,230**	**(5,869)**	**43,361**	50,487	(9,106)	41,381
Group activities	**4,083**	**(4,343)**	**(260)**	4,988	(4,205)	783
Cash and cash equivalents	**33,764**	**–**	**33,764**	34,331	–	34,331
	367,558	**(95,382)**	**272,176**	313,134	(68,203)	244,931

Other information:

	2022		2021	
	Capital additions £000	**Depreciation £000**	Capital additions £000	Depreciation £000
Gleeson Homes	**3,684**	**3,022**	3,833	2,664
Gleeson Land	**–**	**102**	6	107
Group activities	**–**	**–**	–	1
	3,684	**3,124**	3,839	2,772

3 Exceptional items

In April 2022, MJ Gleeson plc signed the Department for Levelling Up, Housing and Communities' ("DLUHC") pledge, which confirms that the Group takes responsibility for performing or funding mitigation works to address life-critical fire-safety issues on buildings over 11 metres in which the Group had, over the last 30 years, some involvement in developing and to secure withdrawal of those buildings from the Building Safety Fund and ACM Funds.

The Group was involved in the development of 14 buildings over 11 metres, none of which were over 18 metres. The Group originally notified DLUHC of 15 buildings in total, but one building has subsequently been identified as having not been developed by Gleeson. The remaining buildings were developed before the Group exited from its legacy businesses and dedicated itself to low-cost house building and land promotion.

As a result of the work carried out to date, which is set out in note 18, the Group has recognised a provision of £12,867,000 (2021: £nil) for life-critical fire-safety remedial works in relation to these buildings. The cost of the building safety provision has been recognised as an exceptional item within cost of sales.

Exceptional items for the year relate solely to building safety.

	2022 £000	2021 £000
Cost of sales	**12,867**	–

4 Expenses and auditors' remuneration

Profit for the year is stated after charging/(crediting):

	Note	**2022 £000**	2021 £000
Staff costs	6	**47,220**	39,814
Depreciation of property, plant and equipment	11	**3,124**	2,772
Profit on redemption of shared equity receivables	15	**(375)**	(230)
Loss on disposal of property, plant and equipment	11	**403**	200
Auditors' remuneration:			
Audit of these financial statements		**254**	203
Audit of financial statements of subsidiaries pursuant to legislation		**66**	57
Non-audit services		**–**	–

5 Other operating income

	Note	**2022 £000**	2021 £000
Profit on redemption of shared equity receivables	15	**375**	230
Other operating income		**309**	693
		684	923

6 Staff costs

		Group		**Company**	
	Note	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Wages and salaries		**39,023**	33,427	**2,071**	2,394
Share-based payments	24	**1,568**	1,089	**921**	758
Social security costs		**5,235**	4,109	**588**	586
Other pension costs	19	**1,394**	1,189	**70**	78
		47,220	39,814	**3,650**	3,816

In the prior year, the Group repaid all furlough grants claimed under the government's Coronavirus Job Retention Scheme. This is reflected as an additional £1,381,000 of staff costs in 2021 to reverse the furlough grant income recognised in 2020.

6 Staff costs CONTINUED

The monthly average number of employees, excluding Non-Executive Directors, during the year was:

	Group	
	2022 No.	2021 No.
Gleeson Homes	**730**	625
Gleeson Land	**14**	16
Group activities	**4**	4
	748	645

The monthly average number of Company employees and Non-Executive Directors during the year was nine (2021: eight).

Key management remuneration

Key management personnel, as defined under IAS 24 "Related party disclosures", have been identified as the Board of Directors, the Managing Directors of Gleeson Homes and Gleeson Land, and the Divisional Managing Directors of Gleeson Homes. A summary of key management remuneration is as follows:

	Group		Company	
	2022 £000	2021 £000	**2022 £000**	2021 £000
Short-term employee benefits	**3,990**	3,943	**2,248**	2,234
Post-employment benefits	**134**	139	**62**	71
Share-based payments[1]	**1,302**	948	**921**	758
	5,426	5,030	**3,231**	3,063

1 Share-based payments reflects the IFRS 2 "Share-based payment" charge through the income statement.

7 Finance income and expenses

	2022 £000	2021 £000
Finance income		
Interest on bank deposits	**2**	–
Unwinding of discount on long-term receivables	**152**	370
Other interest income	**18**	7
	172	377
Finance expenses		
Interest on bank overdrafts and loans	**(820)**	(818)
Bank facility charges	**(516)**	(672)
Unwinding of discount on long-term payables	**(49)**	(185)
Unwinding of discount on lease liabilities	**(97)**	(72)
Other external interest	**–**	(2)
	(1,482)	(1,749)
Net finance expenses	**(1,310)**	(1,372)

8 Tax

	Note	2022 £000	2021 £000
Current tax			
Current year expense		**7,571**	7,261
Adjustment in respect of prior years		**(165)**	(533)
Current tax expense for the year		**7,406**	6,728
Deferred tax			
Current year expense	20	**253**	674
Adjustment in respect of prior years	20	**(165)**	589
Impact of rate change	20	**37**	(152)
Deferred tax expense for the year		**125**	1,111
Total tax charge		**7,531**	7,839

Corporation tax has been calculated at 17.7% of assessable profit for the year (2021: 18.8%). The applicable UK corporation tax rate is 19%, which has been effective from 1 April 2017.

Total tax charge reconciliation

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

		2022		2021	
Total tax charge	Note	**£000**	**%**	£000	%
Profit before tax		**42,620**		41,711	
Tax at current corporation tax rate		**8,098**	**19.0**	7,925	19.0
Expenses not deductible for tax purposes		**13**	**–**	3	0.0
Non-qualifying depreciation		**82**	**0.2**	64	0.2
Relief for share-based payments		**84**	**0.2**	(6)	0.0
Capital allowances super deduction		**(161)**	**(0.4)**	(51)	(0.1)
Land remediation relief		**(412)**	**(0.9)**	–	–
Impact of rate differences		**37**	**0.1**	(152)	(0.4)
Adjustments in respect of prior years – current tax		**(165)**	**(0.4)**	(533)	(1.3)
Adjustments in respect of prior years – deferred tax	20	**(165)**	**(0.4)**	589	1.4
Residential property developers tax		**120**	**0.3**	–	–
Total tax charge and effective tax rate for the year		**7,531**	**17.7**	7,839	18.8

The difference between the headline rate of 19% and the effective tax rate of 17.7% is primarily driven by land remediation relief, residential property developers tax and the adjustments in respect of prior years when the tax computations were finalised. See further explanations following the current tax reconciliation.

8 Tax CONTINUED

Current tax charge reconciliation

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

		2022		2021	
Current tax charge	Note	**£000**	**%**	£000	%
Profit before tax		**42,620**		41,711	
Tax at current corporation tax rate		**8,098**	**19.0**	7,925	19.0
Expenses not deductible for tax purposes		**13**	**–**	122	0.3
Non-qualifying depreciation		**82**	**0.2**	64	0.2
Relief for share-based payments		**263**	**0.6**	86	0.2
Capital allowances super deduction		**(161)**	**(0.4)**	(51)	(0.1)
Land remediation relief		**(412)**	**(0.9)**	–	–
Impact of capital allowances in excess of depreciation		**(292)**	**(0.6)**	(200)	(0.5)
Utilisation of losses		**–**	**–**	(634)	(1.5)
Adjustments in respect of prior years – current tax		**(165)**	**(0.4)**	(533)	(1.3)
Residential property developers tax		**141**	**0.3**	–	–
Short-term timing differences	20	**(161)**	**(0.4)**	(51)	(0.1)
Current tax charge and effective tax rate for the year		**7,406**	**17.4**	6,728	16.1

The most significant factor impacting the Group's current tax charge is land remediation relief, whereby tax relief is granted on an additional 50% of qualifying land remediation expenditure. This is for costs incurred on remediating contaminated land and bringing it to a safe and usable condition for the purposes of development. Many of our sites are on brownfield land and require significant remediation prior to use. The government provides this benefit as an incentive to remediate contaminated land. No deferred tax is recognised on this permanent benefit.

The impact of capital allowances in excess of depreciation arises where assets qualify for capital allowances in a different period than they are depreciated for accounting purposes. A temporary timing difference is created and deferred tax is recognised on the difference between the carrying amount of the asset and the amount deductible for tax purposes in future years.

The anticipated tax relief for share-based payments is lower than the IFRS 2 "Share-based payment" charge recognised in the accounts for the year, with current and deferred tax being recognised to reflect this difference. The actual corporation tax relief will be based on the future share price at the point which awards vest. As the future vesting price of these awards is not yet known, then the closing share price at the end of the year is used to calculate whether the tax deduction is higher or lower than the charge recognised in the accounts. Current and deferred tax is recognised to reflect this timing difference.

From 1 April 2022, residential property developers tax ("RPDT") is charged at 4% on certain profits from residential development activities. No deferred tax is recognised in relation to this permanent difference. The additional 4% RPDT is recognised as part of the tax expenses and creates a permanent difference in excess of the headline rate of corporation tax at 19%.

Short-term timing differences comprise items other than depreciation of property, plant and equipment where the amount is included in the tax computation in a different period from when it is recognised in the income statement. Deferred tax is provided on these items.

Prior period adjustments relate to estimates and judgements included in the prior year accounts and subsequently adjusted when the tax computations were finalised and submitted to HMRC. This primarily relates to the land remediation relief claim, which was calculated after the accounts were signed.

Non-deductible expenditure is a permanent difference and comprises business expenses, such as entertaining costs, recognised in the income statement but not allowable as a deduction against taxable income.

8 Tax CONTINUED

Tax recognised on equity-settled share-based payments

		Group		Company	
	Note	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Current tax related to equity-settled share-based payments		**(39)**	(134)	**(39)**	(55)
Deferred tax related to equity-settled share-based payments	20	**167**	(168)	**158**	(132)
Total tax recognised on equity-settled share-based payments		**128**	(302)	**119**	(187)

In accordance with IAS 12 "Income taxes", the tax relating to items recognised directly in equity should also be recognised directly in equity. In the prior year, the tax relating to equity-settled share-based payments was recognised in other comprehensive income.

9 Dividends

Amounts recognised as distributions to equity holders:

	2022 £000	2021 £000
Interim dividend for the year ended 30 June 2022 of 6.0p (2021: 5.0p) per share	**3,507**	2,913
Final dividend for the year ended 30 June 2021 of 10.0p (2020: £nil) per share	**5,831**	–
	9,338	2,913

A final dividend of 12.0p per share has been proposed for the year ended 30 June 2022, equating to £6,999,000 (2021: £5,831,000). This is subject to approval by shareholders at the AGM on 18 November 2022 and has not been recognised in these financial statements.

10 Earnings per share

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

	Note	**2022 £000**	2021 £000
Profit for the year		**35,089**	33,872
Exceptional items	3	**12,867**	–
Tax on exceptional items		**(2,445)**	–
Profit for the year – pre-exceptional items		**45,511**	33,872

	2022 No. 000	2021 No. 000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**58,259**	58,235
Effect of dilutive potential ordinary shares:		
– Share-based payments	**145**	97
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**58,404**	58,332

	2022 p	2021 p
Basic earnings per share	**60.23**	58.16
Diluted earnings per share	**60.08**	58.07
Basic earnings per share – pre-exceptional items	**78.12**	58.16
Diluted earnings per share – pre-exceptional items	**77.92**	58.07

11 Property, plant and equipment

	Group			Company
	Property £000	Plant and equipment £000	Total £000	Plant and equipment £000
Cost or valuation				
At 1 July 2020	3,059	7,693	10,752	1
Additions	–	3,839	3,839	–
New leases entered in the year	650	82	732	–
Leases exited in the year	(982)	–	(982)	–
Disposals	–	(1,226)	(1,226)	–
At 30 June 2021	2,727	10,388	13,115	1
Additions	**–**	**3,684**	**3,684**	**–**
New leases entered in the year	**1,133**	**206**	**1,339**	**–**
Leases exited in the year	**(68)**	**(34)**	**(102)**	**–**
Disposals	**–**	**(1,701)**	**(1,701)**	**–**
At 30 June 2022	**3,792**	**12,543**	**16,335**	**1**
Accumulated depreciation				
At 1 July 2020	475	4,364	4,839	1
Charge for the year	476	2,296	2,772	–
Leases exited in the year	(161)	–	(161)	–
Disposals	–	(1,019)	(1,019)	–
At 30 June 2021	790	5,641	6,431	1
Charge for the year	**467**	**2,657**	**3,124**	**–**
Leases exited in the year	**(6)**	**(28)**	**(34)**	**–**
Disposals	**–**	**(1,298)**	**(1,298)**	**–**
At 30 June 2022	**1,251**	**6,972**	**8,223**	**1**
Net book value				
At 1 July 2020	2,584	3,329	5,913	–
At 30 June 2021	1,937	4,747	6,684	–
At 30 June 2022	**2,541**	**5,571**	**8,112**	**–**

The Group has recorded a depreciation charge of £3,124,000 (2021: £2,772,000), of which £609,000 (2021: £544,000) has been charged in cost of sales and £2,515,000 (2021: £2,228,000) in administrative expenses.

At 30 June 2022, the net book value of right-of-use assets was £2,773,000 (2021: £2,108,000), of which £2,541,000 (2021: £1,940,000) is within property and £232,000 (2021: £168,000) is within plant and equipment. The depreciation charge recorded for right-of-use assets was £602,000 (2021: £749,000). Refer to note 17 for further details.

The Company recorded a depreciation charge of £nil (2021: £nil).

12 Investments in subsidiaries

	Company £000
Cost	
At 1 July 2020	100,800
Impairment	(1,733)
At 30 June 2021	99,067
Impairment	**(73)**
At 30 June 2022	**98,994**

The investments in subsidiaries are assessed annually to determine if there is any indication that any of the investments might be impaired. Gleeson Construction Services Limited incurred a loss during the year, which is an indicator that an impairment loss may have occurred and, therefore, the recoverable amount of the investment was calculated.

MJ Gleeson Group Limited is the intermediate holding company of Gleeson Construction Services Limited and does not generate revenue or incur any significant costs of its own. Gleeson Construction Services Limited manages the unwind of historic construction and employment liability claims and does not generate any revenue, but it incurs losses each year which reduce the net asset value.

The recoverable amount of MJ Gleeson Group Limited and its subsidiary, Gleeson Construction Services Limited, was determined based on a value-in-use calculation incorporating cash flow projections. Given the timing of claims settlements is not fully known, the related cash flows are assumed to be incurred within one year of the balance sheet date and are not discounted.

The carrying value of the investment in MJ Gleeson Group Limited was £6,067,000 and the recoverable amount was calculated as £5,994,000, resulting in an impairment loss of £73,000.

Subsidiary undertakings

The following are the principal subsidiary undertakings of MJ Gleeson plc. MJ Gleeson plc owns 100% of the ordinary share capital of the subsidiaries, all of which are incorporated in England and Wales and operate in the United Kingdom. The registered address for all subsidiary undertakings of MJ Gleeson plc is 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE.

Company name	Principal activity
Gleeson Developments Limited	House building
Gleeson Regeneration Limited	House building
Gleeson Developments (North East) Limited	House building
Gleeson Land Limited (formerly Gleeson Strategic Land Limited)	Land promotion and sale
Gleeson Land (Fleet) Limited[1] (formerly Gleeson Strategic Land (Fleet) Limited)	Land promotion and sale

1 Shares held by Gleeson Land Limited.

12 Investments in subsidiaries CONTINUED

The following are the other subsidiary companies of MJ Gleeson plc:

Company name	Principal activity
MJ Gleeson Group Limited	Intermediate holding company
Gleeson Construction Services Limited[2]	Legacy construction services
Colroy Limited[3]	Dormant[4]
Haredon Developments Limited[3]	Dormant[4]
Gleeson Capital Solutions Limited	Dormant[4]
Gleeson Classic Homes Limited[1]	Dormant[4]
Gleeson Homes Southern Limited[1]	Dormant[4]
Gleeson Housing Developments Limited[1]	Dormant[4]
Gleeson PFI Investments Limited	Dormant[4]
Gleeson Properties Limited	Dormant[4]
Gleeson Properties (Kingley) Limited[3]	Dormant[4]
Gleeson Properties (Petersfield) Limited[3]	Dormant[4]
Gleeson Services Limited	Dormant[4]
KW Cannock Properties Limited	Dormant[4]
MJ Gleeson (International) Limited	Dormant[4]
MJG (Management) Limited	Dormant[4]
Oakmill Properties Limited[3]	Dormant[4]
Sindale Properties Limited[1]	Dormant[4]

1 Shares held by Gleeson Developments Limited.

2 Shares held by MJ Gleeson Group Limited.

3 Shares held by Gleeson Properties Limited.

4 Exempt from audit by virtue of s479A of the Companies Act 2006.

13 Inventories

	2022 £000	2021 £000
Land held for development	**113,745**	97,550
Work in progress	**173,137**	142,411
	286,882	239,961

Net realisable value provisions held against inventories at 30 June 2022 were £5,933,000 (2021: £5,470,000). The amount of inventory write-down recognised as an expense in the period was £3,341,000 (2021: £1,216,000) and the amount of reversal of previously recognised inventory write-down was £2,211,000 (2021: £859,000). The cost of inventories recognised as an expense in cost of sales was £261,293,000 (2021: £197,533,000).

Company

The Company held no inventories at 30 June 2022 (2021: £nil).

14 Trade and other receivables

	Group		Company	
Current receivables	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Trade receivables	**20,423**	17,825	**–**	–
VAT recoverable	**6,615**	3,403	**86**	28
Prepayments and accrued income	**978**	1,150	**19**	357
Shared equity receivables	**1,227**	–	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**77,091**	37,504
	29,243	22,378	**77,196**	37,889
Non-current receivables				
Trade receivables	**4,793**	2,150	**–**	–
Shared equity receivables	**258**	2,522	**–**	–
	5,051	4,672	**–**	–

The Directors consider that the carrying amount of trade and other receivables approximates their fair value and includes an allowance for impairment of trade receivables.

See note 15 for reference to credit risk associated with trade receivables and further disclosures in respect of shared equity receivables.

Amounts due from subsidiary undertakings are unsecured, repayable on demand, and interest free. Expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. No allowance for expected credit losses is deemed necessary in respect of amounts owed by Group undertakings.

15 Financial instruments

The Group and Company's finance assets and liabilities are as follows:

Group

	Book value		Carrying value	
Financial assets	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Cash and cash equivalents	**33,764**	34,331	**33,764**	34,331
Trade and other receivables	**25,216**	19,975	**25,216**	19,975
Shared equity receivables	**1,844**	3,002	**1,485**	2,522
	60,824	57,308	**60,465**	56,828

	Book value		Carrying value	
Financial liabilities	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Land payables	**(14,622)**	(11,373)	**(14,622)**	(11,373)
Trade and other payables	**(64,363)**	(54,249)	**(64,363)**	(54,249)
Lease liabilities	**(3,009)**	(2,322)	**(3,009)**	(2,322)
	(81,994)	(67,944)	**(81,994)**	(67,944)

Company

	Book value		Carrying value	
Financial assets	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Cash and cash equivalents	**1,001**	1,023	**1,001**	1,023

	Book value		Carrying value	
Financial liabilities	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Trade and other payables	**(2,807)**	(2,489)	**(2,807)**	(2,489)

15 Financial instruments CONTINUED

Risk exposure

The Company operates a central treasury function providing services to the Group. The treasury function arranges loans and funding, invests any surplus liquidity and manages financial risk. The treasury function is not a profit centre and no speculative trades are permitted or executed. It operates within specific policies, agreed by the Board, to control and monitor financial risk within the Group.

Cash and cash equivalents

Cash and cash equivalents comprises cash, demand deposits and cash held in solicitors' client accounts on the Group's behalf. The carrying amount of these assets equals their fair value.

Credit risk

The Group's and Company's credit risk is primarily attributable to its trade and other receivables. The Group applies a simplified approach in calculating expected credit losses. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The expected credit loss is based on the risk of default estimated by the Group's management based on prior experience, forward-looking assessments of the economic environment and relative counter-party risk. For this purpose, a default is determined to have occurred if the Group becomes aware of evidence that it will not receive all contractual cash flows that are due. The Directors consider that the carrying value of trade and other receivables approximates to their fair value and no expected credit loss is recognised as it is wholly immaterial.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

At 30 June 2022, the Group's most significant credit risk was with a housebuilder and amounted to £7,539,000 (2021: £7,569,000) of the trade and other receivables carrying amount, with the deferred receivables secured by way of first legal charge over the land. The fair value of any land held as security is considered by the Board to be sufficient in relation to the carrying amount of the receivable to which it relates.

The Group's remaining credit risk is spread over a number of counterparties and customers.

The ageing of gross trade receivables at the reporting date was:

	Group		Company	
	2022 £000	2021 £000	**2022 £000**	2021 £000
Not past due	**25,413**	19,965	**–**	–
Past due 0–30 days	**–**	–	**–**	–
Past due 31–120 days	**71**	8	**–**	–
Past due 121–365 days	**203**	12	**–**	–
Past due more than one year	**29**	129	**–**	–
	25,716	20,114	**–**	–

All trade receivables are from UK customers. The amounts due are included at expected realisable value.

Included in trade receivables not past due are £4,793,000 (2021: £2,150,000) receivables due in more than one year.

In addition to the above, the Company has intercompany receivables which are repayable on demand.

The movement in the allowance for impairment of trade receivables during the year was as follows:

	Group		Company	
	2022 £000	2021 £000	**2022 £000**	2021 £000
Balance at 1 July	**139**	96	**–**	–
Impairment loss recognised	**217**	43	**–**	–
Release of impairment allowance	**(96)**	–	**–**	–
Balance at 30 June	**260**	139	**–**	–

Trade and other receivables deemed to have no reasonable expectation of recovery following unsuccessful attempts to pursue the debt are written off in the financial statements, but are still subject to enforcement activity. Subsequent recoveries of amounts previously written off are credited to the income statement.

Market risk

The Group has no significant exposure to foreign currency risk or equity risk.

15 Financial instruments CONTINUED

Interest rate risk

The Group closely monitors its exposure to variations in interest rates but has limited exposure. At 30 June 2022 the Group had no material interest-bearing financial liabilities.

	2022 Weighted average interest rate		2021 Weighted average interest rate	
	%	**£000**	%	£000
Bank borrowings	**2.95**	**–**	2.13	–
Bank overdraft	**–**	**–**	–	–

Based on average net cash balances during the year, a 1.5% change in interest rates, which the Directors consider to be a reasonably possible change, would affect profit before tax by £71,000–£200,000 (2021: £65,000–£86,000 impact based on 0.5% change).

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by monitoring forecast and actual cash flows and matching the expected cash flow timings of financial assets and liabilities with the use of cash and cash equivalents and loans and borrowings. At the balance sheet date, the total unused committed amount was £105,000,000 (2021: £105,000,000) and cash and cash equivalents were £33,764,000 (2021: £34,331,000).

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Non-derivative financial liabilities

Group

30 June 2022	**Carrying amount £000**	**Undiscounted contractual cash flows £000**	**On demand or within 6 months £000**	**6–12 months £000**	**1–2 years £000**	**2–5 years £000**	**More than 5 years £000**
Trade and other payables	**78,985**	**79,182**	**70,172**	**1,634**	**6,426**	**950**	**–**
Lease liabilities	**3,009**	**3,369**	**369**	**342**	**628**	**1,257**	**773**
	81,994	**82,551**	**70,541**	**1,976**	**7,054**	**2,207**	**773**

30 June 2021	Carrying amount £000	Undiscounted contractual cash flows £000	On demand or within 6 months £000	6–12 months £000	1–2 years £000	2–5 years £000	More than 5 years £000
Trade and other payables	65,622	65,666	55,423	5,035	5,208	–	–
Lease liabilities	2,322	3,501	320	247	441	1,033	1,460
	67,944	69,167	55,743	5,282	5,649	1,033	1,460

Company

The non-derivative financial liabilities of the Company in the current and prior year are predominantly intercompany balances that are payable on demand. The external balances are payable within six months.

Fair values

The fair values of the Group's financial assets and liabilities are not materially different from the carrying values. Shared equity receivables are measured at fair value through other comprehensive income ("FVOCI"). The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

15 Financial instruments CONTINUED

Shared equity receivables measured at FVOCI

	Group	
	2022 £000	2021 £000
Balance at 1 July	**2,522**	3,668
Redemptions	**(1,071)**	(594)
Shared equity provision	**–**	(600)
Unwind of discount (finance income)	**35**	49
Fair value movement recognised in other comprehensive income	**(1)**	(1)
Balance at 30 June	**1,485**	2,522

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 £1,071,000 (2021: £594,000) generated a profit on redemption of £375,000 (2021: £230,000), 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 £120,000 (2021: £33,000) has been recognised in other comprehensive income. This is made up as follows:

	Group	
	2022 £000	2021 £000
Fair value movement recognised in other comprehensive income	**(1)**	(1)
Fair value recycled through profit and loss	**121**	34
Total movement recognised in other comprehensive income	**120**	33

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 that 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%
- Average period to redemption: 5 years
- Discount rate: 8%

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	**2022 Increase/ (decrease) in fair value £000**	2021 Increase/ (decrease) in fair value £000
Forecast regional house price inflation – increase by 1%	**107**	156
Average period to redemption – increase by 1 year	**(116)**	(173)
Discount rate – decrease by 1%	**102**	149

15 Financial instruments CONTINUED

Capital risk management

In line with the disclosure requirements of IAS 1 "Presentation of financial statements", the Group regards its capital as being the equity as shown in the statement of changes in equity.

Note 23 to the financial statements provides details regarding the Company's share capital movements in the year.

The primary objective of the Group's capital management is to ensure that it maintains investor, creditor and market confidence and to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and issue or return capital to shareholders.

Neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements.

16 Trade and other payables

	Group		Company	
	2022 £000	2021 £000	**2022 £000**	2021 £000
Current payables				
Trade payables	**29,171**	29,272	**6**	109
Lease liabilities	**667**	566	**–**	–
Other taxation and social security	**2,385**	1,891	**77**	68
Contract liabilities	**2,212**	2,294	**–**	–
Accruals and deferred income	**37,856**	27,004	**2,724**	2,312
Amounts due to subsidiary undertakings	**–**	–	**119,458**	86,165
	72,291	61,027	**122,265**	88,654
Non-current payables				
Trade payables	**7,361**	5,161	**–**	–
Lease liabilities	**2,342**	1,756	**–**	–
	9,703	6,917	**–**	–

Amounts due to subsidiary undertakings are unsecured, repayable on demand, and interest free.

Contract liabilities relate to customer deposits and exchange monies that have not yet met the performance obligations to be classified as revenue. Of the prior year balance, £2,294,000 (2021: £1,836,000) has been recognised in revenue in the current year as the performance obligations were met.

17 Leases

The Group's lease portfolio includes office properties, company cars and a small number of show homes.

Right-of-use assets

	2022			2021		
	Property £000	**Plant and equipment £000**	**Total £000**	Property £000	Plant and equipment £000	Total £000
Cost	**3,604**	**898**	**4,502**	2,634	726	3,360
Accumulated depreciation	**(1,063)**	**(666)**	**(1,729)**	(697)	(555)	(1,252)
Net book value	**2,541**	**232**	**2,773**	1,937	171	2,108

Lease liabilities

	2022 £000	2021 £000
Current liabilities	**667**	566
Non-current liabilities	**2,342**	1,756
Total lease liabilities	**3,009**	2,322

17 Leases CONTINUED

Amounts recognised in the consolidated income statement

	2022 £000	2021 £000
Depreciation on right-of-use property assets	**467**	476
Depreciation on right-of-use plant and equipment assets	**135**	273
Interest on lease liabilities	**97**	72
Total	**699**	821

Amounts recognised in the statement of cash flows

	2022 £000	2021 £000
Principal element of lease payments	**564**	723
Interest element of lease payments	**97**	72
Total cash outflow	**661**	795

18 Provisions

Group	Dilapidations £000	Building safety £000	Total £000
As at 1 July 2020	215	–	215
Provisions made during the year	44	–	44
As at 30 June 2021	259	–	259
Provisions made during the year	**262**	**12,867**	**13,129**
As at 30 June 2022	**521**	**12,867**	**13,388**

	2022 £000	2021 £000
Current provisions	**1,339**	23
Non-current provisions	**12,049**	236
	13,388	259

Dilapidations

The dilapidations provision covers the Group's leased property estate. The expected provision needed at the end of each lease is recognised on a straight-line basis over the term of the lease. There is no material uncertainty in either the timing or amount.

Building safety

The building safety provision includes estimated costs to remediate life-critical fire-safety issues on buildings over 11 metres in which the Group had some involvement in developing over the last 30 years. By signing the Department for Levelling Up, Housing and Communities' ("DLUHC") pledge, the Group has committed to put right life-critical fire-safety issues in relation to these buildings.

The Group was involved in the development of 14 buildings over 11 metres, none of which were over 18 metres. The Group originally notified DLUHC of 15 buildings in total, but one building has subsequently been identified as having not been developed by Gleeson. The Group retains no freehold ownership of these or any other buildings. All of the buildings, including any external wall systems or cladding, were signed off by approved inspectors as compliant with the relevant building regulations at the time of their completion.

During the year, the Group completed an extensive exercise to locate the records of all buildings affected in which, over the last 30 years, the Group had some involvement in developing. A third-party firm of surveyors was then engaged to examine the 14 buildings covered under the DLUHC pledge and desktop surveys were undertaken. A programme of intrusive inspections and fire risk assessments has commenced, where permitted by the building owners.

As a result of the work performed, a provision of £12,867,000 has been recognised which represents the Board's best estimate of the life-critical fire-safety remediation costs for these 14 buildings, which may change as the programme of intrusive inspections progresses. The Group has provided for the cost of remediation where there is a liability, where build issues have been identified or it is considered that such build issues are likely to exist.

The Group will review the building safety provision at each reporting date and, where necessary, adjust it to reflect the current best estimate of these costs.

Company

At 30 June 2022, the Company did not have any provisions (2021: £nil).

19 Employee benefits

Defined contribution pension plan

The Group operates a defined contribution pension plan. The assets of the pension plan are held separately from those of the Group in funds under the control of the trustees.

Group

The total pension cost charged to the consolidated income statement of £1,394,000 (2021: £1,190,000) represents contributions payable to the defined contribution pension plan by the Group at rates specified in the plan rules. At 30 June 2022, contributions of £254,000 (2021: £176,000) due in respect of the current reporting period had not been paid over to the pension plan. Since the year end, this amount has been paid.

Company

The total pension cost charged to the income statement of £70,000 (2021: £78,000) represents contributions payable to the defined contribution pension plan by the Company at rates specified in the plan rules. At 30 June 2022, contributions of £2,000 (2021: £2,000) due in respect of the current reporting period had not been paid over to the pension plan. Since the year end, this amount has been paid.

20 Deferred tax assets

Group

	Plant and equipment £000	Losses £000	Short-term timing differences £000	Share-based payments £000	Total £000
At 1 July 2020	718	728	399	331	2,176
Adjustment in respect of prior year	(344)	(94)	(151)	–	(589)
(Charge)/credit to income	(200)	(634)	67	93	(674)
Credit to equity	–	–	–	168	168
Impact of rate change	54	–	30	68	152
At 30 June 2021	228	–	345	660	1,233
Adjustment in respect of prior year	**165**	**–**	**–**	**–**	**165**
(Charge)/credit to income	**(310)**	**–**	**(153)**	**210**	**(253)**
Charge to equity	**–**	**–**	**–**	**(167)**	**(167)**
Impact of rate change	**(93)**	**–**	**(15)**	**71**	**(37)**
At 30 June 2022	**(10)**	**–**	**177**	**774**	**941**

At the balance sheet date, the Group has unrecognised tax losses of £8,876,000 (2021: £8,876,000) available for offset against future profits. Losses may be carried forward indefinitely against future taxable trading profits. These losses have not been recognised as a deferred tax asset as it is not considered probable that there will be suitable profits or gains available in future periods against which they may be offset. All tax losses previously recognised as a deferred tax asset have now been utilised (2021: £nil).

Of the total deferred tax asset, £216,000 (2021: £331,000) is expected to be recovered within 12 months of the balance sheet date.

Company

	Plant and equipment £000	Losses £000	Short-term timing differences £000	Share-based payments £000	Total £000
At 1 July 2020	2	85	56	188	331
Adjustment in respect of prior year	–	(12)	(14)	–	(26)
(Charge)/credit to income	–	(73)	29	103	59
Credit to equity	–	–	–	132	132
Impact of rate change	–	–	17	54	71
At 30 June 2021	2	–	88	477	567
(Charge)/credit to income	**–**	**–**	**(72)**	**88**	**16**
Charge to equity	**–**	**–**	**–**	**(158)**	**(158)**
Impact of rate change	**–**	**–**	**(16)**	**43**	**27**
At 30 June 2022	**2**	**–**	**–**	**450**	**452**

21 Net cash/(debt)

	Group		Company	
	2022 £000	2021 £000	**2022 £000**	2021 £000
Cash and cash equivalents	**33,764**	34,331	**1,001**	1,023
Lease liabilities	**(3,009)**	(2,322)	**–**	–
Net cash/(debt)	**30,755**	32,009	**1,001**	1,023

At 30 June 2022, monies held by solicitors on behalf of the Group and included within cash and cash equivalents were £15,417,000 (2021: £4,870,000).

No monies were held by solicitors on behalf of the Company at the balance sheet date (2021: £nil).

	Cash and cash equivalents £000	Borrowings £000	Cash net of borrowings £000	Lease liabilities £000	Total £000
Net cash/(debt) at 1 July 2020	76,807	(60,000)	16,807	(3,083)	13,724
Cash flows	(42,476)	60,000	17,524	723	18,247
New leases	–	–	–	(732)	(732)
Leases exited in the year	–	–	–	842	842
Finance expenses	–	–	–	(72)	(72)
Net cash/(debt) at 30 June 2021	34,331	–	34,331	(2,322)	32,009
Cash flows	**(567)**	**–**	**(567)**	**661**	**94**
New leases	**–**	**–**	**–**	**(1,339)**	**(1,339)**
Leases exited in the year	**–**	**–**	**–**	**88**	**88**
Finance expenses	**–**	**–**	**–**	**(97)**	**(97)**
Net cash/(debt) at 30 June 2022	**33,764**	**–**	**33,764**	**(3,009)**	**30,755**

22 Bonds and securities

At 30 June 2022, the Group had bonds and securities of £44,149,000 (2021: £37,828,000) provided by financial institutions in support of ongoing contracts.

The Directors have determined that the Group and Company require no specific provision for bonds, securities or guarantees for subsidiary companies.

23 Share capital

Issued and fully paid 2p ordinary shares:	**Number**	**£000**
At 1 July 2020	58,067,535	1,161
Shares issued during year	188,253	4
At 30 June 2021	58,255,788	1,165
Shares issued during year	**50,549**	**1**
At 30 June 2022	**58,306,337**	**1,166**

Ordinary shares

The Company has one class of ordinary share that carries no rights to fixed income. All issued shares are fully paid.

During the year, the Group issued 50,549 ordinary shares (2021: 188,253 ordinary shares) at the nominal value of 2 pence per share in settlement of share-based payments as set out in note 24.

Own shares reserve

The own shares reserve was established in the year and represents the cost of shares in MJ Gleeson plc purchased in the market or issued by the Company and held by the Employee Benefit Trusts ("EBT") on behalf of the Company in order to satisfy deferred bonus shares, share-based payments and other share awards that have been granted by the Company.

The EBT has agreed to waive the right to dividends on shares held within the EBT, and these shares do not count in the calculation of the weighted average number of shares used to calculate earnings per share until such time as they vest to the relevant employee.

	2022		2021	
	Number	**£000**	Number	£000
Own shares held by the EBT	**60,769**	**471**	–	–

24 Share-based payments

The Group operates a number of share-based payment schemes, a summary of which is shown below. The share purchase plans encourage employee share ownership whereby the Company contributes one share for every three shares purchased and is available to employees after the completion of their probationary period. The long term incentive plans ("LTIP") are part of remuneration for the Executive Directors and senior management. Additional information regarding the share-based payment arrangements for the Executive Directors is set out in the Annual Report on Remuneration on pages 113 to 122. All schemes are equity-settled.

	Share purchase plans						
Date of grant	**MJ Gleeson Group plan No. of shares**	**MJ Gleeson Group 2014 plan No. of shares**	**LTIP 26/09/17 No. of shares**	**LTIP 09/10/18 No. of shares**	**LTIP 10/12/19 No. of shares**	**LTIP 24/09/20 No. of shares**	**LTIP 27/09/21 No. of shares**
Outstanding at 1 July 2020	17,893	25,179	168,524	67,500	212,721	–	–
Granted in the year	–	8,538	–	–	–	394,153	–
Forfeited	–	(8)	–	(20,925)	–	–	–
Exercised	(1,815)	(4,484)	(168,524)	–	–	–	–
Cancelled	–	–	–	–	(19,969)	–	–
Outstanding at 30 June 2021	16,078	29,225	–	46,575	192,752	394,153	–
Granted in the year	**–**	**9,404**	**–**	**–**	**–**	**–**	**363,532**
Forfeited	**–**	**(19)**	**–**	**–**	**–**	**(18,179)**	**(7,805)**
Exercised	**(1,444)**	**(7,083)**	**–**	**(46,575)**	**–**	**–**	**–**
Outstanding at 30 June 2022	**14,634**	**31,527**	**–**	**–**	**192,752**	**375,974**	**355,727**
Remaining contractual life	Rolling scheme	Rolling scheme	nil	nil	nil	12 months	24 months
Weighted average exercise price	–	–	–	–	–	–	–
Weighted average share price at date of exercise – current year	£7.35	£7.33	n/a	n/a	n/a	n/a	n/a
Weighted average share price at date of exercise – prior year	£8.48	£8.15	n/a	n/a	n/a	n/a	n/a

Fair value is used to measure the value of the outstanding options. The weighted average life for all schemes outstanding at the end of the year was 14 months (2021: 19 months).

Share purchase plans

The fair value of each share granted in the share purchase plan is equal to the share price at the date of the grant. Shares are granted on a monthly basis.

24 Share-based payments CONTINUED

Long Term Incentive Plan ("LTIP")

The fair value of options granted is calculated using either a modified Monte Carlo model or Black-Scholes model. The inputs into the model at each grant date and the estimated fair value were as follows:

Date of grant	LTIP 09/10/18	LTIP 10/12/19	LTIP 24/09/20	LTIP 27/09/21
The model inputs were:				
Share price at grant date	£7.04	£8.00	£6.16	£8.14
Total shareholder return target	£10.00	n/a[3]	n/a[3]	n/a[3]
Exercise price	£0.00	£0.00	£0.00	£0.00
Expected volatility[1]	35%	27%	33%	34%
Expected dividends[2]	n/a	n/a	n/a	n/a
Expected life	33 months	31 months	33 months	33 months
Risk-free interest rate	0.98%	0.57%	0.10%	0.5%[4]
Fair value of one option	£3.41	£3.64	£4.64[5]	£5.35[5]

1 Expected volatility was determined by calculating the historical volatility of the Company's share price; volatility was measured over the previous three years.

2 Awards made under the LTIP allow, on vesting, for an additional award of shares to be made to the option holder equivalent to the dividends paid over the vesting period on the underlying shares.

3 The 2019, 2020 and 2021 LTIP grants include EPS and relative TSR targets for the Executive Directors as set out on page 118 together with non-market, profit-related targets for other participants. Non-market conditions are not factored into the fair value but are instead captured by adjusting the number of shares expected to vest.

4 Risk-free interest rate varies based on the type of target set; the weighted average is shown.

5 Volatility rates and fair value of options vary based on the type of target set; the weighted average is shown.

The total share-based payment cost charged to the consolidated income statement was £1,568,000 (2021: £1,089,000).

25 Contingent liabilities

As set out in note 18, the Group is undertaking a review of all of its historic building contracts for buildings over 11 metres in which, over the last 30 years, the Group had some involvement in developing. All of these buildings, including any external wall systems or cladding, were signed off by approved inspectors as compliant with the relevant building regulations at the time of their completion.

These financial statements have been prepared based on currently available information and the current best estimate of the extent and future costs of work required, based on the reviews and physical inspections undertaken to date. However, these estimates may be updated as further inspections are completed, as work progresses or if government legislation and regulations change.

26 Capital commitments

At 30 June 2022, the Group had no material capital commitments (2021: £nil). The Company had no capital commitments (2021: £nil).

27 Related party transactions

Identity of related parties

The Group has a related party relationship with key management personnel.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Transactions with key management personnel

The Group's key management personnel are the Executive and Non-Executive Directors, as identified on pages 86 and 87, the Managing Directors of Gleeson Homes and Gleeson Land, and the Divisional Managing Directors of Gleeson Homes.

During the previous year, the Group exchanged contracts on a conditional agreement to purchase an area of land from Hampton Investment Properties Ltd ("HIPL") for £1,050,000. HIPL is a company in which North Atlantic Smaller Companies Investment Trust plc ("NASCIT"), a substantial holder in the company, holds a majority investment. 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. Approval of this purchase was granted by the majority of shareholders at the AGM in December 2019.

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

Identity of related parties with which the Company has transacted

The Company receives charges from various suppliers in respect of services for the whole Group. The Company allocates and consequently invoices these charges to subsidiaries.

	Administrative expenses		Receivables outstanding		Payables outstanding	
	2022 £000	2021 £000	**2022 £000**	2021 £000	**2022 £000**	2021 £000
Subsidiaries	**3,470**	2,943	**77,091**	37,504	**(119,458)**	(86,165)

Financial Statements

Other Information

Saphron,
Dane Park,
Hull,
East Yorkshire

Five Year Review

	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Revenue	**373,409**	288,575	147,181	249,899	196,741
Operating profit pre-exceptional items	**56,797**	43,083	5,929	40,999	36,854
Exceptional items	**(12,867)**	–	–	–	–
Operating profit	**43,930**	43,083	5,929	40,999	36,854
Net finance (expense)/income	**(1,310)**	(1,372)	(363)	213	165
Profit before tax	**42,620**	41,711	5,566	41,212	37,019
Tax charge	**(7,531)**	(7,839)	(758)	(7,648)	(6,526)
Profit after tax	**35,089**	33,872	4,808	33,564	30,493
Discontinued operations[1]	**–**	–	(289)	(297)	(257)
Profit for the year	**35,089**	33,872	4,519	33,267	30,236
Total assets	**367,558**	313,134	322,051	281,240	242,785
Total liabilities	**(95,382)**	(68,203)	(109,446)	(77,344)	(54,686)
Net assets	**272,176**	244,931	212,605	203,896	188,099
	pence	pence	pence	pence	pence
Total dividend per share for the year	**18.0**	15.0	–	34.5	32.0
Earnings per share	**60.2**	58.2	8.7	61.5	56.0
Earnings per share – pre-exceptional items	**78.1**	58.2	8.7	61.5	56.0
Net assets per share	**467**	420	366	374	345

1 All results classified as continuing from 2021.

Further Information

Corporate directory

Registered office

MJ Gleeson plc
6 Europa Court
Sheffield Business Park
Sheffield S9 1XE

Registered number
09268016
Incorporated in
England and Wales

Company Secretary

Leanne Johnson

Independent auditors

PricewaterhouseCoopers LLP
Central Square
29 Wellington Street
Leeds LS1 4DL

Bankers

Lloyds Bank plc
10 Gresham Street
London EC2V 7AE

Santander UK plc
2 Triton Square
Regent's Place
London NW1 3AN

Solicitors

Skadden, Arps, Slate, Meagher & Flom (UK) LLP
40 Bank Street
Canary Wharf
London E14 5DS

Stockbrokers

Singer Capital Markets
One Bartholomew Lane
London EC2N 2AX

Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London EC2Y 9LY

Registrars and transfer office

Equiniti
Aspect House
Spencer Road
Lancing BN99 6DA

Our website

For more information on our homes, investor relations and career opportunities please visit www.mjgleesonplc.com.

Shareholder information

Shareholder enquiries

Any shareholder with enquiries should, in the first instance, contact our registrars using the address provided in the Corporate Directory.

Share price information

London Stock Exchange
Symbol: GLE

Investor relations

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Financial calendar

Financial year end	30 June 2022
Full year results announced	15 September 2022
Annual General Meeting	18 November 2022

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