gleeson

BUILDING HOMES CHANGING LIVES

MJ GLEESON PLC ANNUAL REPORT AND ACCOUNTS 2019

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

MacDonald Park, Farnworth, Greater Manchester

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FINANCIAL HIGHLIGHTS

REVENUE
+27.0%

2019: £249.9m, **2018:** £196.7m

CASH & CASH EQUIVALENTS
£30.3m

2018: £41.3m

PROFIT BEFORE TAX
+11.4%

2019: £41.2m, **2018:** £37.0m

DIVIDEND FOR THE YEAR
+7.8%

2019: 34.5p, **2018:** 32.0p

EARNINGS PER SHARE
+9.7%

2019: 61.0p, **2018:** 55.6p

RETURN ON CAPITAL EMPLOYED
25.9%

2018: 26.6%

Cover: Ammie and Harper, Woodthorpe Park, Chesterfield, Derbyshire

BUILDING HOMES CHANGING LIVES

We employ people with outstanding skills which we bring together to build new homes and communities for the benefit of our customers, our shareholders and society at large.

WE SOURCE LOW-COST SITES

We acquire land often in areas where no one else wants to build and that helps to keep our land costs low. This is an important first step in keeping our homes affordable. We are increasing the number of sites in our existing areas and expanding into neighbouring regions such as Lincolnshire and the West Midlands.

NUMBER OF PLOTS IN THE PIPELINE

13,575

2018: 12,852

Photo: Canal Walk, Burnley, Lancashire

WE DEVELOP UNUSED LAND

Our developments are located in areas where there is often a need for social and economic regeneration; typically brownfield sites that would otherwise remain derelict or unused. Last year we invested approximately £150m in our development sites, creating attractive and well planned new homes for sale.

NUMBER OF ACTIVE SITES

69

2018: 65

Photo: Keats Court, Worksop, Nottinghamshire

WE BUILD
AFFORDABLE HOMES

The cost of buying a Gleeson home is less than renting for many buyers and can be as low as £56 per week for one of our average 2 bed semi-detached homes. More than 4 out of 5 of our customers are first-time buyers and their mortgage commitments remain sensibly low at less than 2.9 times household income versus the market average of 3.3 times.

AVERAGE SELLING PRICE

£128,900

2018: £125,200

Photo: The Black family, Cradock Court, Sheffield

WE CREATE
COMMUNITIES

We sell our homes to local people and many of our buyers already live close to one of our sites. We do not build apartments and we are opposed to leasehold. We are about creating safe communities where people want to live. We build traditional brick homes using local suppliers and employ local trades on our sites, bringing jobs and investment to the community.

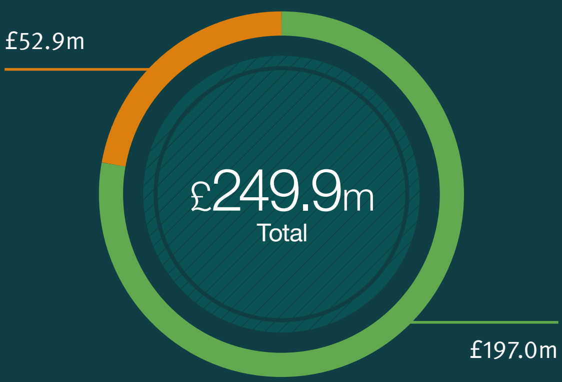
Photo: Barnburgh View, Goldthorpe, South Yorkshire

CONTINUING TO GROW OUR GEOGRAPHICAL FOOTPRINT

MJ Gleeson plc specialises in low-cost house building and strategic land promotion. We have two distinct but complementary businesses: house building on brownfield land in the North of England and the Midlands and strategic land promotion in the South of England.

BREAKDOWN BY DIVISION

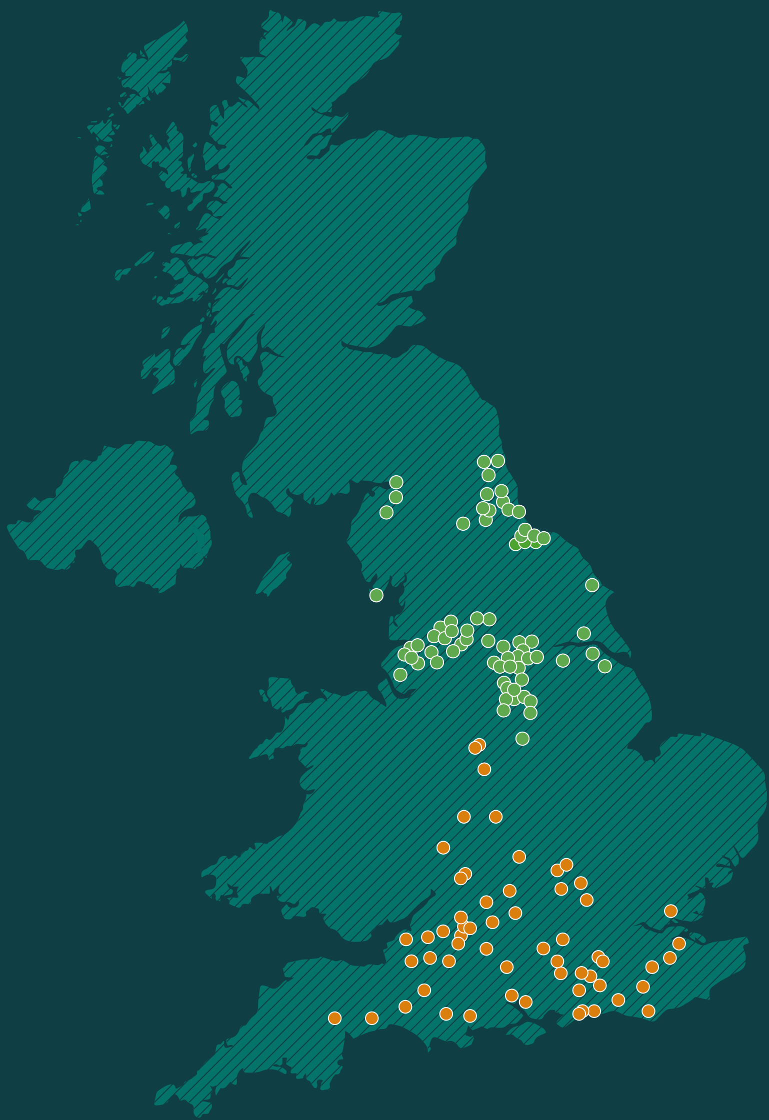
Revenue



Operating profit

Gleeson Homes
Gleeson Strategic Land
* After Group costs of £2.1m

OUR OPERATING AREAS



GLEESON HOMES

We build and sell low-cost homes to people predominantly on low incomes in areas of industrial decline and social and economic deprivation.

By establishing strong relationships with local authorities, Gleeson Homes acquires and redevelops sites where there is an obvious need for social and economic regeneration and builds new homes at affordable prices.

We deliver a unique social benefit by helping people to escape from housing poverty caused by the “rent trap” and into home ownership and wealth creation. Our homes are affordable enough to be sold to a couple on the current National Living Wage and mortgage repayments are often less than local council house rents.

We invest in the areas in which we build, ensuring that we leave a thriving community once our developments are complete.

HOMES SOLD

1,529

2018: 1,225

GLEESON STRATEGIC LAND

We are a specialist land promoter that enhances the value of land by securing mainly residential planning consents. We focus on sites in the South of England that are appealing to a wide range of developers.

Gleeson Strategic Land has a team of highly skilled planning, technical and land specialists who identify development opportunities and work with stakeholders to promote the land through the planning system.

We have a long history of delivering value through securing planning consents that not only achieve best value but ultimately help to deliver attractive residential development in areas where housing shortage issues are often acute.

We invest intelligently in our land portfolio and work closely with landowners, land agents, local authorities and communities to secure residential planning consents that are sustainable and sensitive to local needs.

STRATEGIC LAND PORTFOLIO (PLOTS)

21,730

2018: 22,838

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

Overview

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

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

Review of Strategic Land

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

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

Market context

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

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

Meanwhile, there is no evidence that the prospect of Brexit is undermining the confidence of our actual and prospective customers.

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

Employees

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

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

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

Board changes

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

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

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

Delivering returns for our shareholders

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

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

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

Outlook and summary

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

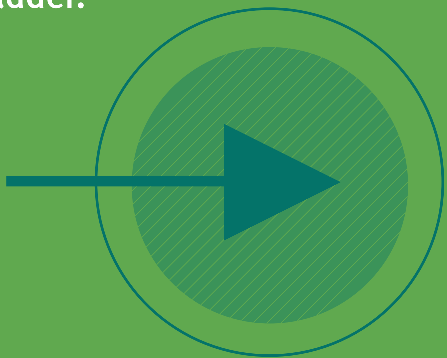
Meanwhile, the Board and the senior management team are united in their ambition to continue to grow the value of the Group on a sustainable basis.

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

Dermot Gleeson
Chairman
13 September 2019

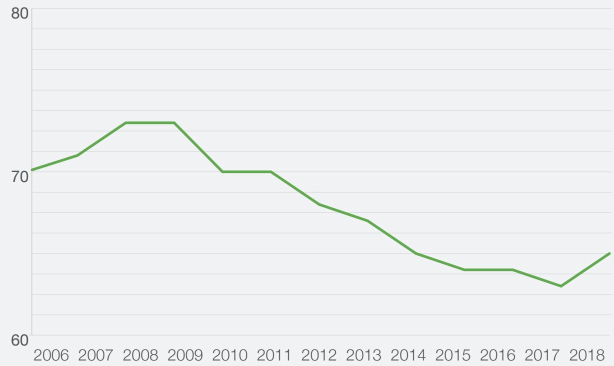
THE UK HOUSING MARKET IS FAILING TO MEET THE NEEDS OF HOME OWNERSHIP

The housing market is not serving young buyers and low-income families; the average price of a new home is nearly £300,000 and only a quarter of 25 to 34-year-olds make it onto the housing ladder.



THE DESIRE TO OWN REMAINS STRONG

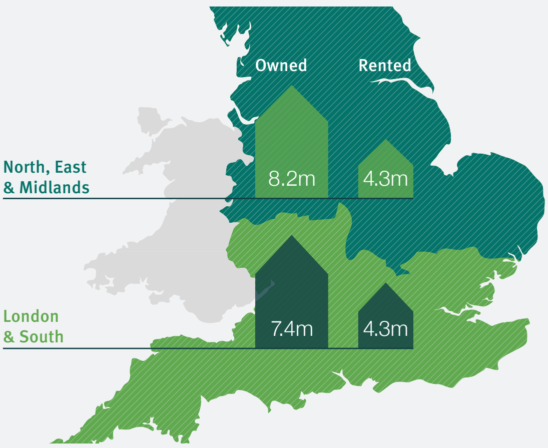
UK home ownership rate (%)



Over the last 10 years home ownership has fallen from a peak of around 73% in 2008 to around 65% in 2018. Most people still want to own their own home; home ownership provides stability and financial security with 86% of the population preferring to buy than rent[1]. Owning a property remains the most important milestone in life for many people.

1 Redfern Review November 2016, British Social Attitudes Survey

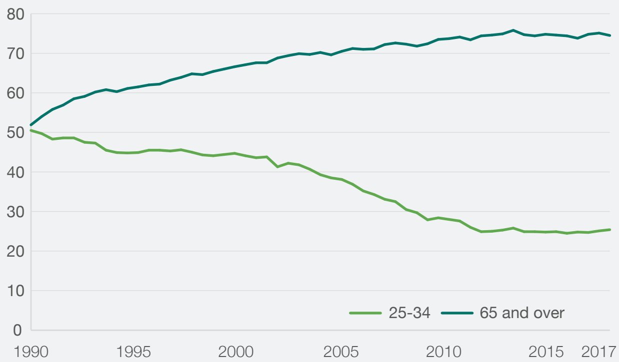
1 IN 3 HOMES IN ENGLAND ARE RENTED



There are now over 24 million homes in England. More than half, around 12.5 million, are in the North, Midlands and East of England with around 11.7 million in London and the South. One-third (8.6 million) of homes across England are rented with 4.3 million of these homes in the North, Midlands and East. Of these, around 2.1 million homes are privately rented and 2.2 million are rented from councils or housing associations.

THE OWNERSHIP AGE GAP IS WIDENING

Home ownership by age group (%)

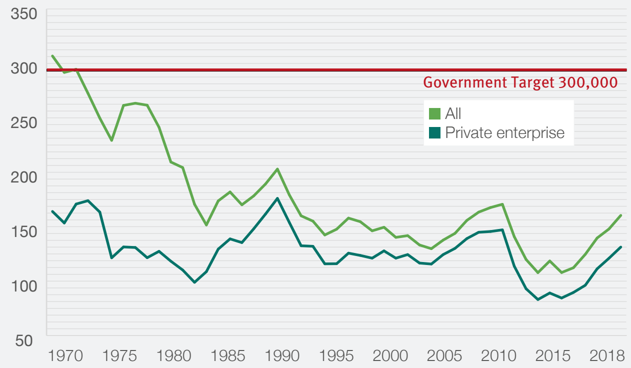


Source: Labour Force Survey, Q4 various years

The demographic split of home ownership rates shows that the market continues to under-serve young people. Only a quarter of those aged 25 to 34 own their own home, which contrasts starkly with those approaching retirement where more than half were homeowners by their 30th birthday. The fundamentals of the housing market are unfavourable for young buyers and without help from the "bank of mum and dad" many young people will struggle to get on the housing ladder.

TOO FEW HOMES ARE BEING BUILT

House building volumes (000)

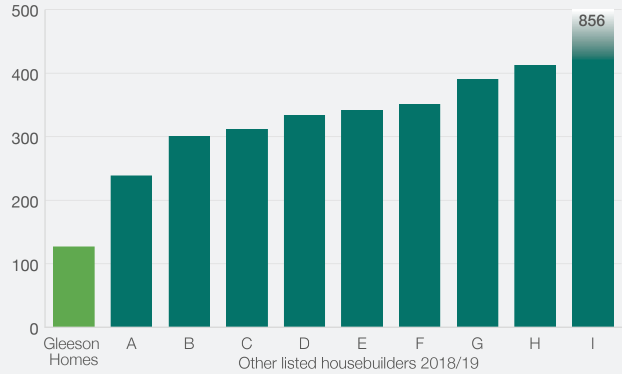


Source: Ministry of Housing, Communities & Local Government

The house building industry in England has tried to respond, building around 170,000 new homes last year, up from 160,000 in the previous year. Whilst the supply of new homes has increased over the last few years, it continues to fall a long way short of the Government's target of 300,000 new homes a year.

NEW HOMES ARE BUILT FOR THOSE THAT ALREADY OWN

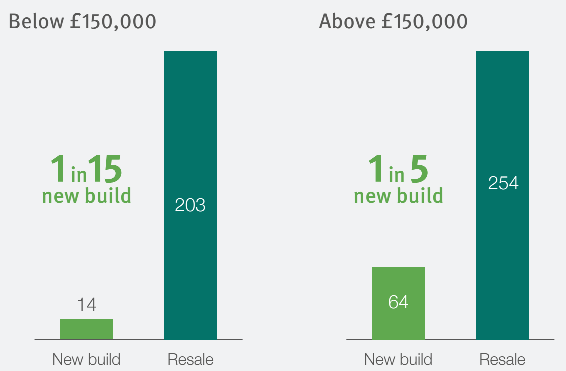
Average price of new build homes (£000)



The average price of a new build home in England last year was £293,000 and the majority of other listed housebuilders have an average selling price in excess of £300,000. That is clearly a price which is unaffordable to many young first-time buyers and families on low incomes.

TOO FEW NEW HOMES FOR SALE BELOW £150,000

Housing transaction volumes (000)



As a whole, the industry is not building enough homes for sale below £150,000. In the North, Midlands and East of England only 6% of homes sold below £150,000 were new build compared to 20% of homes over £150,000. This ratio highlights the under-supply of affordable homes being built. Whilst there are many terraced houses in the resale market, lenders often require higher deposits than for new build homes, which makes older terraced houses less affordable for many people and these are often more expensive to run.

There is a large, under-served market building low-cost homes for people who need them the most across the North of England and the Midlands.

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

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

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

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

Homes operational performance

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

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

Unique model

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

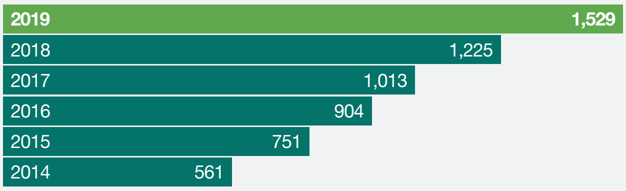
We sell to people who need a home with 4 out of every 5 customers being first-time buyers. We sell to young people with 88 homes sold this year being to people aged 21 or under.

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

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

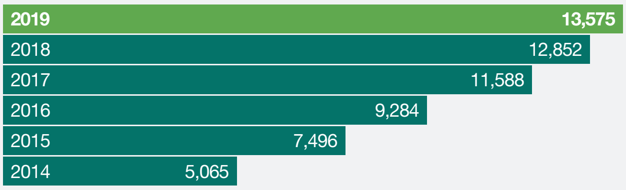
KEY PERFORMANCE INDICATORS

Gleeson Homes volumes



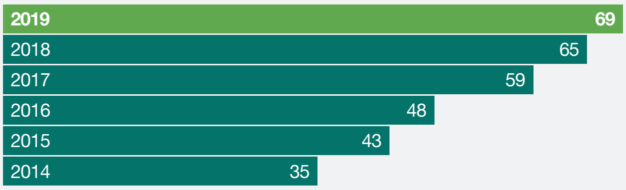
Units (homes) sold continued a strong growth trajectory.

Gleeson Homes land pipeline (plots)



Land continues to be available to buy at sensible prices.

Gleeson Homes active sites



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

Gleeson Strategic Land portfolio (plots)

Land interests represent over 12 years of sales.

Resilient market

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

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

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

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

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

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

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

Just over two-thirds (68%) of our customers use the Government’s Help to Buy scheme and the average priced house purchased with Help to Buy this year was £134,480. The highest priced home that used the scheme was £199,995. Nearly all (99.9%) of our homes sold with Help to Buy would be below the new regional limits that will come into force in 2021.

Quality

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

Strategic Land operational performance

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

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

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

Current trading and outlook

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

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

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

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

James Thomson
Interim Chief Executive Officer
13 September 2019

RESPONSIBLE HOUSE BUILDING

Our business model is founded on a close engagement with our customers and their communities, productive cooperation with local landowners, empowerment of our people and fair treatment of our supply chain to ensure that we are building a "best in class" product.

Our model is unique and is driving growth which mutually benefits our customers, our communities and our shareholders.

Our commitment to freehold
We believe that wherever possible home ownership should include the land on which it is built. Where this is not possible the homeowner should not be penalised.

Wherever possible we sell our homes as freehold. We only sell homes as leasehold when we do not own the land and this applies to three of our developments in the North West where a peppercorn ground rent is payable on these homes.

Sustainable builders
Our unique approach to business was recognised in March 2018 when we were voted the most sustainable PLC in the UK at the prestigious PLC Awards. The judges valued the responsible approach that we take to building low-cost homes including our use of environmentally-friendly materials, such as gravel driveways which have a lower carbon footprint than bonded materials and aid surface water drainage.

Living Wage Foundation
We are proud to be the only major housebuilder accredited by the Living Wage Foundation for paying our employees the real Living Wage, or higher. The only exception to this is for apprentices, where we pay above the Government's guidance for apprentices.

The Gleeson apprenticeship scheme
Since 2010 the Gleeson apprenticeship scheme has trained many young people and this year we have a record 89 apprentices starting in September. The national lack of skilled people such as bricklayers and joiners is adding to the housing crisis. We are recruiting apprentices to help fill the skills shortage through our apprenticeship scheme. When they qualify a large number continue to work for us or go on to a third year of their NVQ which can lead to becoming a trainee Site Manager. Our office in Sheffield is a registered CITB training centre which shows that we take their training seriously.

YourWatch®
Our trademarked YourWatch® scheme provides our residents with the anonymity to report their concerns without repercussion via the YourWatch® website. We share information with local police and residents, working in partnership with local police in many areas to reduce crime and antisocial behaviour.

The Gleeson Community Sports Foundation
Since the inception of the Foundation seven years ago, we have sponsored over 100 junior sports teams by providing brand new kit and funding for teams in and around our developments.

DELIVERING SUSTAINABLE VALUE

Our unique business model delivers value for shareholders, customers, communities and our employees. Our business model has two distinct divisions which are complementary in generating long-term sustainable value.

CORE ACTIVITIES

LAND ACQUISITION | PLANNING | BUILD

GLEESON HOMES

Successful land buying

We partner with local authorities and private landowners to acquire land in socially and economically deprived areas which will benefit from development and investment.

We have a carefully targeted land buying strategy that has clearly defined and challenging hurdle rates. This ensures that we buy land at sensible prices so that our homes remain affordable.

Attractive developments

Our developments are designed to transform areas that are often blighted by urban neglect and dilapidation. Our sites are landscaped in a way that is attractive, environmentally friendly and sustainable.

We build a range of two, three and four bedroom detached and semi-detached homes that are planned around a well-established specification.

We work with local communities, local authorities and councils to ensure that our planned developments balance the needs of stakeholders, whilst ensuring our homes remain affordable.

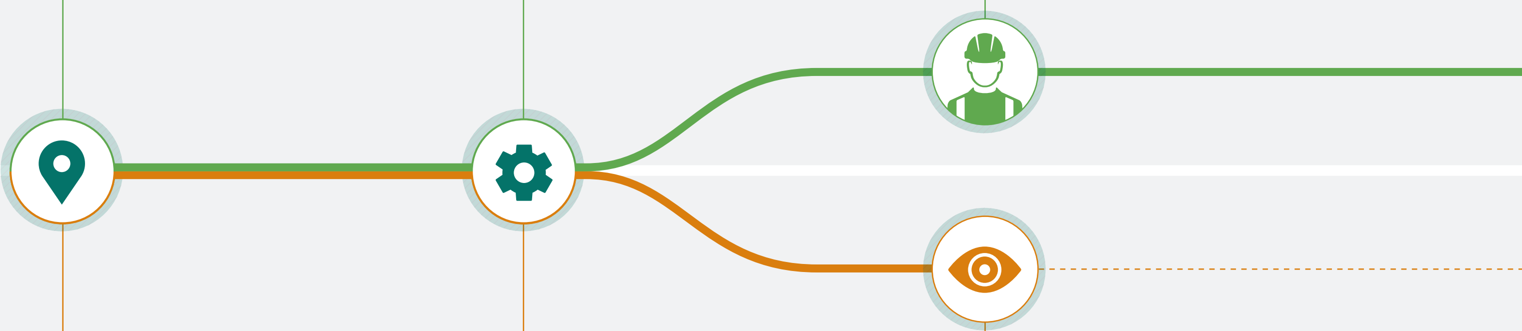
Tightly controlled costs

We maintain tight control over build and material costs.

We partner with local suppliers and subcontractors wherever possible.

By using suppliers and subcontractors that are local to our sites, we provide jobs and investment in areas that are often most in need.

We ensure that our overhead costs are relatively low by having small and similarly structured management teams in each area office and by continuously measuring their relative performance.



GLEESON STRATEGIC LAND

New land opportunities

We enter into contractual agreements with landowners to promote their land through the planning process where we see an opportunity for sustainable residential or other development in the future.

Land promotion

Our team of specialist land surveyors and town planners, along with legal and technical experts, steer the land through the planning system towards achieving a viable and attractive planning consent.

We invest intelligently in the promotion of our sites, a process which can sometimes be long and complex.

CUSTOMERS

OUTPUT

Providing affordable homes
We ensure that our homes are affordable and built to the specification that our customers expect. Our average selling price is £128,900 (2018: £125,200).

We offer our customers a range of bespoke financial packages, including a deposit saving scheme, to enable them to become homeowners.

Our developments provide new homes that are affordable to people from the local area. Our buyers are often young, motivated individuals and couples on low incomes who can afford to buy one of our homes and want to escape the burden of renting.

Community regeneration
Over the years, Gleeson Homes has played a key role in regenerating many challenging urban areas across the North of England and, more recently, the Midlands.

We have helped to re-establish local communities and invested in a wide range of projects near to our sites, transforming community facilities and sponsoring over 100 local junior sports teams.

Shareholder value
Gleeson Homes generated an operating profit of £30.1m (2018: £26.2m).

Stakeholder management
We have a long history of working with a range of mid-tier and large housebuilders to manage the sale of consented land.

Through careful promotion and sale, we provide high-quality consented land to developers who ultimately deliver attractive and sustainable residential development in areas where there is a housing need.

Housing supply
During the year Gleeson Strategic Land sold land interests with the potential to deliver 1,755 (2018: 1,970) plots for housing development to help ease the housing shortage in the South of England.

Shareholder value
Gleeson Strategic Land generated an operating profit of £13.0m (2018: £12.6m).

CREATING SUSTAINABLE GROWTH FOR OUR STAKEHOLDERS

Delivering an increasing number of affordable homes to people across the North of England and the Midlands and unlocking the potential of land in the South of England for residential or other development.

Gleeson Homes

The demand for new homes in England continues to outstrip supply and, even despite the uncertainties of Brexit, house prices continue to rise across many parts of the country. Nowhere is this felt more strongly than by young, hard working first-time buyers and people on low incomes who are caught in the "rent trap" and who are increasingly unable to get onto the housing ladder.

Gleeson Homes has a proven and successful track record in delivering new homes at affordable prices across the North of England and the Midlands. Working alongside local authorities, Gleeson Homes has led the regeneration of many under-served communities, enabling people to buy their own home and live and work in their local area. Through targeted land buying and careful cost control across our business, we remain committed to keeping our homes affordable to the sector of the housing market that we serve.

Targeted growth

In 2017, we set a target of 2,000 unit completions per annum within 5 years. We delivered a record 1,529 new homes in the year to 30 June 2019, an increase of 304 units (24.8%) over the prior year.

Demand remains extremely strong and we are comfortably on track towards achieving our target.

Gleeson Strategic Land

The supply of new homes in the South of England continues to suffer due to a fragmented planning landscape and underlying inertia to new development in many areas.

Gleeson Strategic Land works to obtain planning consent on sites by navigating the complexities of the planning system. This enables us to supply high-quality consented land to developers, who can start to deliver new homes for sale typically within 12 to 24 months of a planning consent.

Where residential consent is not a viable option then we may seek alternative types of planning permission such as for commercial use to provide much needed employment land.

STRATEGIC PRIORITIES

GLEESON HOMES

Increase house building footprint

We will increase the number of active developments across the North of England and the Midlands, targeting areas that are in need of regeneration.

Build quality affordable homes

We will build good quality homes to the specification that our customers require. We will ensure that our homes are energy efficient and have low running costs. We will use appropriate construction methods to build efficiently.

We will tightly control build costs and acquire land in line with our defined hurdle rates. This will enable us to maintain profitability whilst keeping our average selling prices ("ASPs") low.

Increase land pipeline

We will continue to acquire land to support the growth of Gleeson Homes. We will start building as soon as we have an acceptable planning approval.

GLEESON STRATEGIC LAND

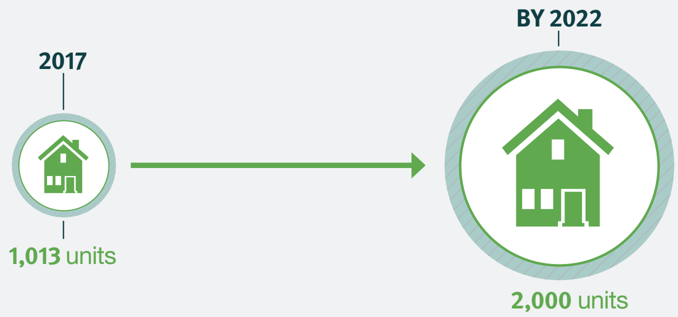
Strategic land promotion

We will continue to invest in our portfolio of land interests and promote existing and new sites through the planning system to deliver maximum value to our stakeholders.

CURRENT TARGET

Double Gleeson Homes volumes

2017 → 2022



PROGRESS IN 2018/19	PRIORITIES FOR 2019/20
We were active on 69 sites at 30 June 2019 having opened 19 new sites during the year and completed development on 15 sites. Our pilot offices in Penrith and Ashington became fully staffed area offices, and we ended the year with 10 area offices across the North of England and the Midlands.	We will continue to open new sites and anticipate an increase to more than 80 active sites during the coming year. We will remain on track towards achieving our 2017 stated target of 2,000 unit completions per annum by 2022.
Last year MJ Gleeson plc was voted the most sustainable business in the UK at the national PLC Awards. This recognised our sustainable business model and approach to building affordable homes in areas that are most in need of regeneration using cost-effective and environmentally-friendly materials. Land continues to be available at sensible prices. Gross margin decreased from 32.7% to 30.1% as a result of costs associated with increased build rates, labour and material costs. However, we have mitigated the impact as far as possible through tight control over costs and modest price increases.	We will continue to use efficient building techniques in order to keep our costs low, selling prices affordable and to maintain strong margins. We will continue to use materials such as gravel on driveways where appropriate, which are environmentally friendly, cost-effective and aid surface water drainage.
Our land pipeline of owned and conditionally purchased plots at 30 June 2019 increased by 5.6%, totalling 13,575 plots, of which 7,050 plots have been purchased subject to planning permission. On average, we completed the sale of the first house within 15 months of legally completing the purchase of a new site with an acceptable planning permission.	We will continue to buy land at sensible prices to support the growth of the business in 2019/20 and beyond. We will continue to seek planning permissions for attractive residential developments and will start on sites as soon as we have an acceptable planning permission.
At 30 June 2019, we had a land portfolio of 60 sites, which can deliver 21,730 plots and 44 acres of commercial land. During the year, we achieved planning consents on 8 sites and acquired interests in 8 new sites.	We will continue to invest in advancing our land portfolio through the planning system to ensure the delivery of sustainable profits and cash flows for 2019/20 and beyond.

GLEESON HOMES
A UNIQUE LOW-COST BUSINESS MODEL

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

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

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

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

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

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

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

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

Gleeson Homes

UNITS SOLD

+24.8%

2019: 1,529 units
2018: 1,225 units

LAND PIPELINE

+5.6%

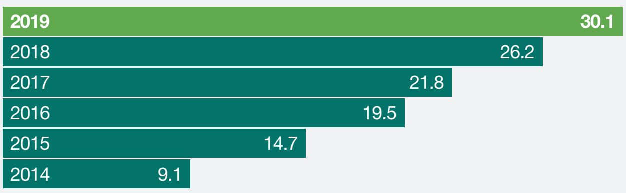
2019: 13,575 plots
2018: 12,852 plots

OPERATING PROFIT

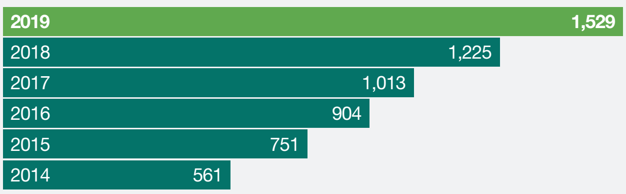
+14.9%

2019: £30.1m
2018: £26.2m

Operating profit on unit sales (£m)



Unit volumes



CASE STUDY
HOME OWNERSHIP FOR YOUNG PEOPLE

New homes in Longtown are being snapped up by local residents, including 19-year-old Sophie Jackson.

Home ownership may seem like a pipe dream to many young people, but a 19-year-old from Hethersgill has made her property dreams a reality thanks to a new Gleeson development in Longtown.

We opened our Briar Lea Park development off Brampton Road in September 2018, with local residents quickly snapping up new build two, three and four bedroom semi and detached homes.

Sophie Jackson recently completed on her first property after moving out of her mother's village home to be closer to work. Initially believing a new build home to be out of her price range, Miss Jackson was surprised to discover that she could actually afford a three-bedroom semi-detached property after attending one of our Mortgage Clinic events.

"The mortgage clinic actually helped a lot! I was able to ask a lot of questions and was absolutely delighted when they said that a three-bedroom home would be within my budget", said Miss Jackson. "The development is close to my workplace and is also within walking distance of a few shops. It's quite rural, but also close to Longtown, which is where I wanted to base myself after moving from Hethersgill. As I am only 19, I wanted a new build property so I could just move in and not worry about doing any DIY or renovation work. It was a bit of blank canvas when I first moved in, but it is nice and homely now. I was also able to choose my kitchen, which I just love!"

GLEESON STRATEGIC LAND
INVESTING INTELLIGENTLY IN OUR LAND PORTFOLIO

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

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

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

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

At the year end, we had a portfolio totalling 60 sites (2018: 61 sites) with the potential to deliver 21,730 plots (2018: 22,838 plots) plus 44 acres of commercial land (2018: 67 acres). The portfolio comprises 770 plots (2018: 1,552 plots) that were wholly or part owned by the Group, 8,553 plots (2018: 8,754 plots) that were held under option, and 12,407 plots (2018: 12,532 plots) that were the subject of promotion agreements.

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

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

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

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

PLOTS SOLD

1,755 plots

2018: 1,970 plots

LAND PORTFOLIO

21,730 plots

2018: 22,838 plots

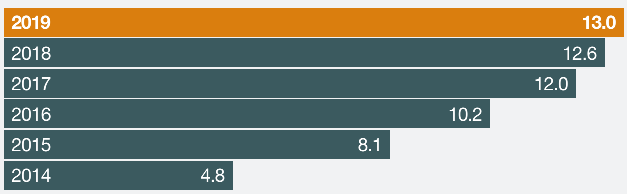
OPERATING PROFIT

+3.2%

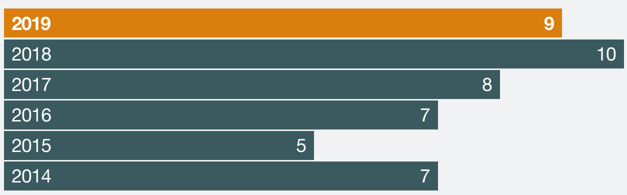
2019: £13.0m

2018: £12.6m

Operating profit (£m)



Site sales



CASE STUDY

LAND SOUTH WEST OF AYLESBURY

The land forms part of a major strategic urban extension for 1,550 residential units with a relief road, primary school, community buildings and public open space.

During the year, Gleeson Strategic Land submitted a planning application for a 106 hectare site capable of delivering in the region of 1,550 new homes to the South West of Aylesbury. The area is allocated within the Vale of Aylesbury Local Plan and is a greenfield site on the edge of the existing settlement.

Development of the site would include the provision of a link road through the site to divert traffic around the south of Aylesbury town centre. It would respect the principles of the Garden Town status of Aylesbury by providing 50% open space and also provide a new primary school and community buildings. We are working with the promoters of HS2 to protect the route alignment and provide appropriate mitigation in the form of landscape buffers and noise mitigation.

WE ARE RECOGNISED AS AN ETHICAL BUSINESS

We have been recognised for our ethical approach to business which carefully considers our role in the community and the environment throughout our business activities.

OUR PEOPLE

Employing local people

At Gleeson, we pride ourselves on giving back to the community and we specifically look at recruiting local people for our development sites. When searching for candidates, our recruitment team will prioritise location as a key factor as we value the importance and benefits of having local people working for us. Where possible, when a new site is opening, we target recruitment towards areas within close proximity of the site, ensuring that we not only provide affordable homes for local people, but we provide employment opportunities for them too.

An example of the success of this initiative is James Harnett who started his employment at Gleeson Homes as a fork lift truck driver at our St. Aidan's View development in County Durham. James is local to the area and has made great progress in his career with us, having recently been promoted to Assistant Site Manager after eight months of being a Trainee Assistant Site Manager.

Apprenticeship scheme

We are extremely proud of our apprenticeship scheme and we are dedicated to giving people the opportunity to start a career in the house building industry. The national shortage of skilled trades, such as bricklayers and joiners, is adding to the housing crisis. We are recruiting apprentices to help fill the skills shortage through our apprenticeship scheme. We are also continuing to invest in our office-based apprenticeships, both across our area offices and at our head office in Sheffield. Local school leavers are invited to join our technical, quantity surveying, land buying or finance departments.

The scheme is growing every year and in September 2019, we will welcome 30 trade and 15 office apprentices who will be commencing their first year of the apprenticeship programme, 17 trade and 8 office apprentices who will be commencing their second year and 9 trade and 10 office apprentices who will be commencing their third year.

Our apprenticeship scheme offers a fantastic opportunity for school leavers or those looking to start a new career in the house building industry. One example is Daniel Hawkes who works as an Apprentice Quantity Surveyor (QS) at our Gateshead Office. Dan has been with us for 2 years and we look forward to him joining our team when his apprenticeship ends as a full time Assistant QS.

Our commitment to mental health

Mental health awareness has become a massive focus in the UK over the last couple of years and we understand the significant impact that mental health can have in the construction industry. We have been working hard on a campaign to raise awareness of mental health and break down the stigma that surrounds it in the industry. This is something we feel extremely passionate about and we want to make sure our employees' mental health is as much of a priority as their physical health.

Our plan to support our employees has been approved by the mental health campaign "Time to Change", which is a UK-wide movement aiming to reduce mental health-related stigma and discrimination. We will shortly be signing up to "The Employer Pledge" that demonstrates our commitment to change how we think and act about mental health in the workplace. In doing so, we will join over 900 other companies across the UK and a variety of different industries that are putting the mental health of their employees at the top of their agenda.

A team of Gleeson employees completed the Tough Mudder Challenge and raised over £1,600 for Mind, the mental health charity.

Women in construction

There is no escaping the fact that the construction industry is a male-dominated environment. However, at Gleeson Homes, we have some incredible trailblazing women working for us. From Assistant Build Managers to our first ever female Site Manager, these women are paving the way in our organisation and are role models for future generations of women who want to make a career in construction.

Julie Darby manages Fretson Park, a development with 103 plots about 3 miles from Sheffield city centre. She joined us in April 2019 as the first female Site Manager at Gleeson Homes, having previously been a site manager elsewhere for 5 years. Being organised is key to any Site Manager role and this is one of the things that Julie enjoys the most. Big on customer care, Julie says "I absolutely love being a Site Manager and I love being the only woman on site but that can be a challenge in itself. Female Site Managers are few and far between and for the older men working on site, it's a new concept. I have a brilliant team and the camaraderie is second to none. I'd love to see more women on site and I'm happy that I can inspire others to build a career in construction".

OUR COMMUNITY

Gleeson Community Sports Foundation

Over the last seven years we have sponsored over 100 junior sports teams through the Gleeson Community Sports Foundation. By providing funding we are able to supply brand new kit for young people participating in many different activities including football, tennis, cricket, athletics, ice hockey and many more!

One example is Wath Stars JFC who are an FA charter standard Junior Football Club. They were founded in 2010 to create a safe, fun, inclusive environment for children in the Dearne Valley area to play grassroots football. Currently the Club has over 120 children ranging from 6 to 17 years old, with 9 teams playing league football. In July 2019 the Club started up its first ever girls-only squad, one of very few in the area. The teams play in the Sheffield and District Junior Football league, which has over 100 registered clubs and boasts that out of the 23 players in the England 2018 World Cup squad, 5 of those played as children in this league. An amazing statistic and fantastic inspiration for the young children who play in this league.

Many of the children in Wath Stars JFC live in underprivileged areas and through sponsorship and funding you help the Club to give these children a safe place to play the game we all love. Thank you!

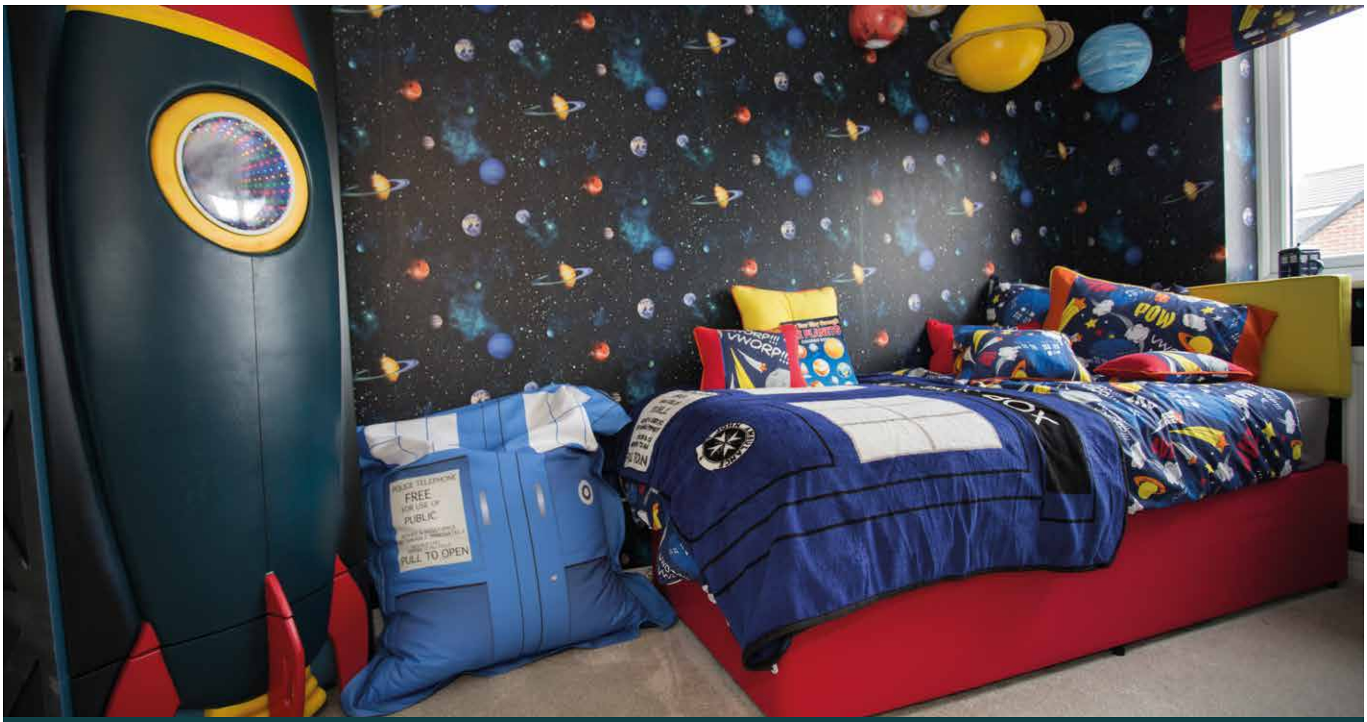
Lisa Adams
Treasurer for Wath Stars JFC

Engagement with local schools

We work closely with schools located near to our developments and projects include:

- Design a bedroom competition – pupils design their dream bedroom in a shoebox and the winning design is recreated in one of our show homes on the site.
- Site visits – we invite pupils to visit a local development to see the opportunities for a job in construction and house building.
- Health and safety talks – we visit local schools to discuss health and safety and the dangers of playing near a building site.

One example is Gracie-Mae Garner, aged 5, who designed this amazing Dr. Who-themed bedroom at our Crawford Park development in Blyth.



YourWatch®

All of our buyers are automatically enrolled into YourWatch®, Gleeson's neighbourhood watch online alert platform. The scheme has over 4,000 subscribers across our developments and is designed to keep residents updated on how to keep their homes and communities safe.

YourWatch® is successful due to residents being able to report a problem anonymously. On receipt of the alerts we are able to send information to other residents and share this with the police where necessary. We continue to work with local residents, communities and local authorities to create safe and attractive places to live that transform the lives of residents and build community spirit.

The Bloomin' Great Gleeson Garden Competition

This is the fourth year of the competition and our most popular to date with over 150 entries. Homeowners were invited to send in a photo of their garden for a panel of Gleeson staff to choose the winners.

The standard of the entries we received was exceptional this year so choosing a winner was extremely difficult. The competition helps to increase community spirit whilst encouraging homeowners to maintain and show-off their gardens.

OUR ENVIRONMENT

Award winning

In 2018 we were voted the most sustainable PLC in the UK at the prestigious PLC Awards. The judges were impressed with our sustainable approach to building low-cost homes and the way that we work with our local communities, providing both homes and employment to local people. They also valued our commitment to paying the real Living Wage, being the only major UK housebuilder accredited by the Living Wage Foundation.

Environmentally friendly materials

We use sustainable materials such as environmentally friendly gravel on driveways wherever possible. Gravel driveways emit less CO_2, help to prevent flooding, deter burglars and car thieves and are a more affordable alternative throughout their life when compared to other surfaces. The amount of CO_2 saved this year from using gravel on the driveways of all our homes versus tarmac would be in excess of 362 tonnes!

Greenhouse gas emissions

Our greenhouse gas emissions for the year ended 30 June 2019 are calculated in accordance with the requirements of the Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard. Emissions have been calculated using the UK Government's CHG Conversion Factors for Company Reporting: 2019 and 2018 respectively.

	Tonnes CO_2e 2019	Tonnes CO_2e 2018
Scope 1: Emissions from combustion of fuel	3,358	2,910
Scope 2: Electricity, heat, steam and cooling purchased for own use	397	264
Total emissions	**3,755**	**3,174**
Emissions per £m revenue	15.03	16.13

In this section we describe our approach to the environment, employees, social matters, human rights and anti-bribery and corruption in accordance with the new Non-Financial Reporting Regulations set out in sections 414CA and 414CB of the Companies Act 2006.

Employees

We are committed to ensuring that all of our employees and other stakeholders are treated fairly and equitably. This includes providing our employees and subcontractors with a safe and healthy working environment.

We have an organisational culture which promotes diversity, inclusivity, personal development and respect. We want people to be part of our organisation and have a shared understanding of the Gleeson mission, vision and values.

Find out more about our:

- policy on diversity, recruitment, equality and how we engage with our employees on page 45;
- approach to employee relations and appointment of a new Workforce Representative on page 41;
- health and safety reporting and the investment that we are making in our health and safety team on page 45;
- gender pay gap reporting as set out in the Remuneration Committee Report on page 55 with the full report available at www.mjgleesonplc.com; and
- commitment to employing local people, training and developing our apprentices, raising awareness about mental health and promoting women in construction on pages 22 to 23.

Anti-bribery and corruption

The Group is committed to the highest standards of ethics, honesty and integrity. Our anti-bribery and corruption policy outlines the expected standards of conduct that employees, subcontractors, suppliers and any other third parties who engage with our business are expected to follow.

This includes rules around giving and receiving gifts, hospitality and entertainment; procedures for engaging new suppliers and subcontractors; and procedures for monitoring and raising "red flags" in relation to suspicious requests or invoices received by the business that could be an indicator of criminal activity including tax evasion.

Find out more about our:

- whistleblowing policy and monitoring of malpractice reporting on page 51;
- anti-bribery and corruption policies on page 51; and
- reporting of registers of gifts and hospitality given or received by Directors and employees of the Group on page 51.

Human rights and social matters

The Group is committed to upholding basic human rights across our business and with our stakeholders. Our employee policies cover all aspects of basic human rights including time off for leave, dependents, parental leave allowances and flexible working arrangements.

Our grievance and fair treatment at work policies ensure that our employees, suppliers and subcontractors connected to our business can speak up about any concerns without fear of retribution.

We value the relationships that we have with our suppliers and subcontractors. The Group strives to pay a fair price and to pay them in line with the terms set.

Find out more about our:

- policy in regards to preventing modern slavery and human trafficking which can be found on our website at www.mjgleesonplc.com;
- payment terms and performance in relation to payment practices which can be found at www.gov.uk;
- commitment to pay the real Living Wage or higher to our employees on page 55 ; and
- commitment to provide freehold ownership, giving our buyers the right to buy the land on which their home is built and not under leasehold as set out on page 13.

Community and environment

We recognise that we have a responsibility to reduce the impact of our operations on the environment within the scope of what we do as a business. Our aim is to create more sustainable ways of undertaking our operations to conserve energy, save money and deliver efficiency.

We also invest in the communities, local areas and the supply chain around our development sites. Wherever possible we employ local people and use local suppliers and subcontractors. This brings investment to the local community but also reduces the environmental impact of travel to and from our sites.

Find out more about our:

- focus on using environmentally friendly construction materials such as gravel on driveways on page 25;
- performance in relation to greenhouse gas emissions as the scale of our operations increase as set out on page 25; and
- investment in the communities, schools and areas in which we operate on pages 24 to 25.

Barnburgh View, Goldthorpe, South Yorkshire

> *The Group delivered another year of strong growth with operating profit in Gleeson Homes up 14.9% and Group profit before tax up 11.4%.*
>
> **Stefan Allanson**
> Chief Financial Officer

REVENUE

+27.0%

2019: £249.9m

2018: £196.7m

GROSS PROFIT

+14.9%

2019: £75.0m

2018: £65.3m

OPERATING PROFIT

+11.1%

2019: £41.0m

2018: £36.9m

EARNINGS PER SHARE

+9.7%

2019: 61.0 pence

2018: 55.6 pence

PROFIT BEFORE TAX

+11.4%

2019: £41.2m

2018: £37.0m

NET ASSETS PER SHARE

+8.4%

2019: 374 pence

2018: 345 pence

Profitability

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

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

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

Operating profit from continuing operations was £41.0m (2018: £36.9m), an increase of 11.1% over the previous year. Growth in operating profit was driven by strong trading results in both Gleeson Homes and Gleeson Strategic Land. Operating profit for Gleeson Homes increased by 14.9% to £30.1m (2018: £26.2m) while operating profit for Gleeson Strategic Land increased by 3.2% to £13.0m (2018: £12.6m).

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

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

Tax

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

Deferred tax assets relating to unused tax losses have been recognised to the extent that it is probable that taxable profits will be available against which the asset can be utilised. The Group now has £13.0m (2018: £21.2m) of gross tax losses, of which £4.1m (2018: £12.3m) are recognised in calculating the deferred tax asset.

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

Discontinued operations

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

Profit for the year

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

Earnings per share

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

Return on capital employed

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

Final dividend

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

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

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

Statement of financial position

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

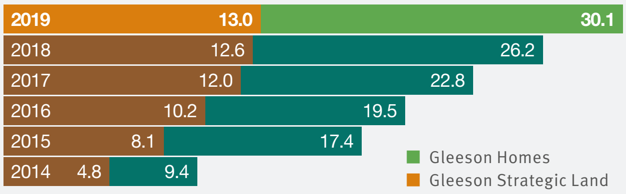
In the year, non-current assets decreased by 27.6% to £22.0m (2018: £30.4m). The main reason for the change is the decrease in deferred receivables of £7.2m in addition to a £0.6m reduction in shared equity receivables and a decrease in deferred tax assets of £1.0m.

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

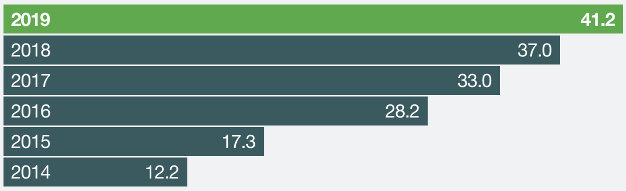
Total liabilities increased by 41.3% to £77.3m (2018: £54.7m). This was mainly due to trade and other payables of £73.8m (2018: £51.6m) being £22.2m higher due to an increase in deferred land payables in Gleeson Strategic Land.

KEY PERFORMANCE INDICATORS

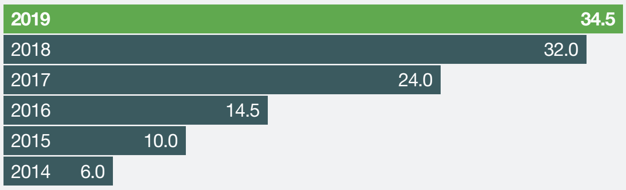
Divisional operating profit[1] (£m)



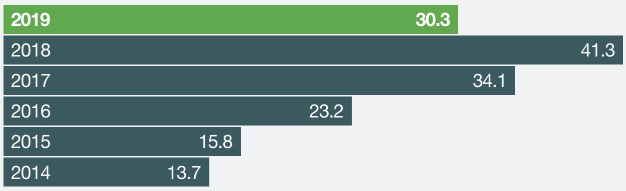
Group profit before tax (£m)



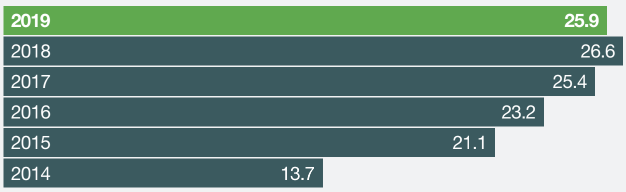
Total dividend (pence)



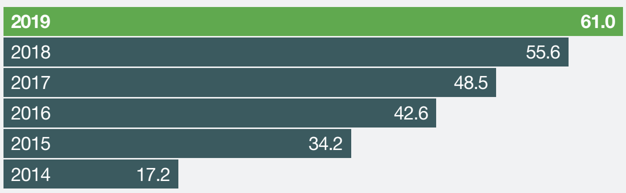
Cash balance (£m)



Return on capital employed[2] (%)



Normalised earnings per share (pence)



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

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

Cash flow

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

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

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

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

Treasury risk management

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

Bank facilities

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

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

Pension

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

Stefan Allanson
Chief Financial Officer
13 September 2019

Woodhorn Park, Ashington, Northumberland

The Group operates a system of internal control and risk management procedures in order to identify, monitor and control the Group's material risks. These risks include but are not limited to the following:

RISK	DESCRIPTION OF RISK	MITIGATION
Economic environment The impact of economic fragility and uncertainty in the market. The risk has increased with uncertainty around the terms of UK exit from the EU as the deadline for withdrawal approaches.	Any uncertainty in the wider economy, including interest rate rises, could affect buyer confidence and the demand for new houses. This could have a negative impact on revenue, profits, cash generation and the carrying value of the Group's assets.	• Sites are selected to meet the needs of the local community. • Prices and incentives are regularly reviewed. • Lead indicators of the housing market, such as visitors to sites and reservation rates, are closely monitored. • A cautious approach to funding is maintained. • Brexit preparations undertaken include discussions with our supply chain to mimimise disruption.
Mortgage availability The limited availability of mortgages for house buyers. The risk has not changed during the year.	The availability of mortgage finance, particularly the deposit requirements for first-time buyers, is crucial to customer demand. Restrictions on mortgages granted could reduce demand for new homes and strategic land sites and negatively impact the Group's revenue and profits.	• Gleeson Homes provides a range of customer assistance packages. • We continually innovate to find additional ways to assist customers to buy a home. • We work with key lenders to ensure products are appropriate and available. • Help to Buy continues to provide support to new buyers.
Land An inability to source sufficient land at an acceptable cost to meet the Group's business needs. The risk has not changed during the year.	Gleeson Homes needs to acquire consented land at sensible prices and in appropriate areas in the North, Midlands and East of England in order to construct and sell homes to deliver profit. Gleeson Strategic Land needs to acquire interests in land in the South of England so that it can promote the land through the planning system and subsequently sell it in order to deliver profit.	• We have a clearly defined strategy and geographic focus. • We work closely with local authorities to identify and purchase otherwise unwanted land at sensible prices. • There is a formal appraisal process and rigorous adherence to margin requirements and rates of return. • The Group has further strengthened its land buying team during the year.
Planning policy and regulations The potentially damaging uncertainties in the planning regime may affect the Group's ability to secure planning consents on a timely basis. The risk has not changed during the year.	Increased complexity in some aspects of the planning process may slow down, or increase the cost of, the delivery of consented land for development or sale and so negatively impact the Group's revenue and profits.	• We have a very high level of in-house expertise devoted to monitoring and complying with planning regulations and to achieving implementable planning consents. • We consult with central government, parliament and local authorities, both directly and via industry bodies, in order to understand proposed changes to regulations and to highlight potential issues. • The National Planning Policy Framework supports our business model and should assist the planning application process.
People An inability to attract, develop or retain good people. The development of management capabilities as the Gleeson Homes business continues to expand. A lack of senior level succession plans. The risk has not changed during the year.	The loss of key staff or the failure to attract, develop and retain people with the right skills may have a detrimental impact on the business. The lack of development of Gleeson Homes' management could restrict profitable and sustainable growth. The lack of leadership arising from the sudden loss of senior management.	• We have an established leadership development and succession planning programme covering senior and mid-level management. • We have programmes that appropriately reward the achievement of performance targets. • The Group encourages employee share ownership. • Our apprenticeship scheme enables us to identify and secure the loyalty of talented individuals at an early age. • We perform regular performance and development reviews. • We monitor staff turnover and benchmark remuneration against competitors. • An interim CEO was appointed on the same day the incumbent CEO left the business and there was no disruption to the business.
Build costs An inability to secure materials and skilled labour on a timely basis at suitable prices. The risk has increased with raw material cost inflation and rising labour costs, together with shortages of certain subcontractors becoming more of a factor for UK housebuilders.	Shortages or increased cost of materials or skilled labour, the failure of key suppliers or the inability to secure supplies on appropriate credit terms could increase costs and delay construction.	• The Group has multiple suppliers for both labour contracts and material supplies. • The Group seeks to partner with the supply chain and has systems in place to monitor and control their performance. • Where appropriate, Group purchasing arrangements are in place to ensure the supply of materials at competitive prices. • A dedicated subcontractor procurement programme is employed to optimise the sourcing of scarce subcontractor resource.

RISK	DESCRIPTION OF RISK	MITIGATION
Customer service A failure to build new homes to the standard and quality that our customers expect, to not treat our customers fairly, or to not respond adequately to complaints or rectify defects in a timely and professional manner. The risk is new this year.	Adverse publicity, damage to our reputation or a perception of poor build quality could lead to reduced levels of confidence from our buyers or demand from potential customers. Rectification of defects could lead to higher costs.	• The Group has strengthened its Customer Services function and introduced a new portal “My Gleeson” for customers. • Senior management closely monitor Customer Service performance and responses. • We use reputable suppliers and subcontractors and there is close monitoring of onsite performance and build quality. • Our completion process requires an extensive detailed inspection of a property prior to handover.
Health and safety A failure to prevent unsafe practices within our construction activities, causing injury or death. The risk has not changed during the year.	Health and safety breaches can result in injuries to employees, subcontractors or site visitors, delays in construction, additional cost, reputational damage, criminal prosecution or civil litigation.	• Our documented policies and procedures are regularly reviewed and modified in order to ensure continuous improvement. • Dedicated health and safety personnel ensure implementation and adherence to these policies and procedures. • Performance is reviewed both by local management and the Board.
Latent defects/uninsured loss Financial losses may result from latent defects that could arise on completed projects during the liability period. The risk has not changed during the year.	The Group may be exposed to latent defects which occur during the liability period on completed construction contracts that have not been transferred to the purchaser of the relevant construction business. Although subcontractors will normally resolve such defects, the Group will become liable if the subcontractor is no longer trading, potentially resulting in additional cost.	• We have experienced personnel dedicated to dealing with such claims. • Insurance policies are in place to minimise Group liabilities, wherever possible. • The provisions relating to completed contracts are reviewed on a regular basis. • The Company has segregated the continuing businesses of the Group from the Group’s legacy building contracting and engineering businesses.
Corporate liquidity The Group needs appropriate banking facilities for its short-term liquidity and long-term funding needs. The risk has not changed during the year.	The Group may be unable to meet short-term liabilities as a result of failure to manage liquidity. Lack of liquidity may also limit the Group’s ability to take advantage of business opportunities as they become available and consequently be a possible impediment to future growth.	• The Group maintains strong financial disciplines. • Cash generation is controlled by robust budgeting, forecasting and cash management disciplines. • The Executive Directors maintain regular contact with investors and lenders to ensure adequate bank facilities are in place with appropriate covenants and headroom. • The Group has borrowing facilities in place until August 2021 and is currently in the process of increasing the facility to £70m for 5 years to September 2024.
Financial irregularity/ non-compliance The Group could suffer loss from significant fraud, the misrepresentation of financial results or non-compliance with laws and regulations. This includes the failure to operate appropriate controls to ensure compliance with relevant tax legislation. The risk has not changed during the year.	Negative publicity could have an adverse effect on the Group’s reputation and the Group could experience lower confidence levels from customers and suppliers. Failure to comply with legislation could result in penalties and interest being levied on the Group.	• The Group has financial and management controls designed to segregate duties and minimise any opportunities for fraud. • Financial reporting processes are the subject of rigorous and timely management reviews. • Staff training is conducted on compliance with laws and regulations including relevant tax legislation.
Credit risk The Group could suffer loss as a result of default from customers. The risk has not changed during the year.	The Group has exposure to receivables on deferred payment terms, particularly on certain land sales.	• Credit risk assessments are performed on all customers buying land on deferred terms. • The Group maintains security over the majority of land sold on deferred terms.
Information technology Failure of information management systems, loss of data or cyber attack. The risk has not changed during the year.	The Group could suffer operational inefficiencies or penalties as a result of a loss of data or system failure or as a result of cyber attack.	• 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 in secure externally managed servers.

Strategic Report approval statement

The Strategic Report, contained in pages 1 to 33, has been approved by the Board of Directors and is signed on its behalf by:

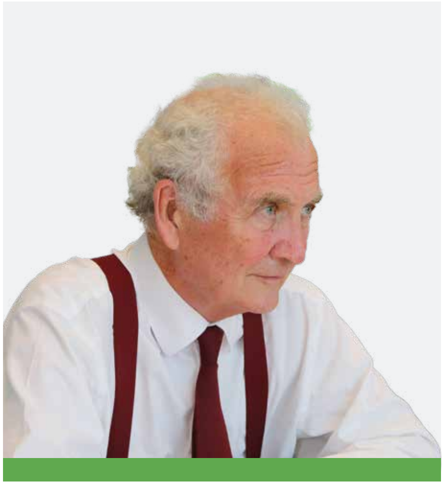
James Thomson
Interim Chief Executive Officer
13 September 2019

GOVERNANCE

Lowfield Park, Bolton upon Dearne, South Yorkshire

THE BOARD

The Board consists of the Chairman, two Executive Directors and three Non-Executive Directors.



Dermot Gleeson
MA (Cantab)
Chairman

Joined the Board in 1975. Dermot was appointed Chief Executive in 1988 and Chairman in 1994. He relinquished the post of Chief Executive in 1998. Previously employed in the Conservative Party Research Department, the European Commission and Midland Bank International Limited. Formerly a Trustee of the British Broadcasting Corporation, Chairman of the Major Contractors Group, a Board Member of the Housing Corporation, a Director of the Construction Industry Training Board and a Trustee of the Institute of Cancer Research. He is Chairman of the Nomination Committee.

James Thomson
MA (Oxon), ACA
Interim Chief Executive Officer

Appointed to the Board on 10 June 2019 as interim Chief Executive Officer. James was previously Chief Executive of Keepmoat Homes, where he remains on the board as a Non-Executive Director. Prior to Keepmoat, James was Group Finance Director and Chief Operating Officer of DTZ (now part of Cushman & Wakefield). He is a Chartered Accountant, qualifying with PricewaterhouseCoopers and spent 10 years in investment banking with HSBC and Deutsche Bank. James is a local authority councillor for the City of London and Deputy Chairman of the City of London Police Authority Board.

Stefan Allanson
ACMA, FCT
Chief Financial Officer and
Company Secretary

Appointed to the Board in July 2015. Stefan joined the Group in June 2015 as Chief Financial Officer designate from Keepmoat Homes where he held the Deputy Chief Financial Officer role. Stefan qualified as an accountant in 1994, following which he held senior finance roles at Honda Motor Co Limited, BTP plc, The Skills Market Limited, The Vita Group Limited and Tianhe Chemicals. He is Chairman of the Disclosure Committee.

COMMITTEE KEY

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Disclosure Committee
- Committee Chairman

Colin Dearlove
BA, FCMA, CGMA
Non-Executive Director

Appointed to the Board in December 2007. Colin held a number of senior finance positions at Barratt Developments plc with the most recent being Group Finance Director from 1992 until his retirement in 2006. He is the Senior Independent Director, Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

Ross Ancell
FCA (ANZ)
Non-Executive Director

Appointed to the Board in October 2006. Ross is Chairman of Churngold Construction Holdings Limited and Independent Non-Executive Director of Galaxy Entertainment Group Limited (listed in Hong Kong). Ross is a Fellow of Chartered Accountants Australia and New Zealand. He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Christopher Mills
Non-Executive Director

Appointed to the Board in January 2009. Christopher is the founder of Harwood Capital Management Group and formerly Chief Investment Officer of J O Hambro Capital Management Limited from 1993 to 2011. He is also Chief Executive and Investment Manager of North Atlantic Smaller Companies Investment Trust PLC, a UK listed investment trust. Christopher is a Director of several publicly quoted companies, including Augean plc and EKF plc.

> *I am pleased to introduce this report, which outlines the Company's approach to corporate governance and sets out how the Board is taking steps to meet the requirements of the new Code.*
>
> **Dermot Gleeson**
> Chairman

As a premium listed company on the London Stock Exchange, the Group was subject to the 2016 edition of the UK Corporate Governance Code ("the Code") for the year to 30 June 2019. The Board believes that compliance with the Code assists it to provide the Group with effective leadership and to embed good governance into the values, ethics and culture of the business.

The new Code of Conduct that was published in July 2018 applies to the Company for the year to 30 June 2020 and the Board is taking steps to meet the requirements of the updated Code. These include making changes to the composition of the Board and we are currently engaged in a search process for two new Non-Executive Directors. Our intention is to make these appointments shortly.

Following the departure of Jolyon Harrison, the Board is also currently engaged in a search process for a permanent Chief Executive Officer.

As Chairman, I am responsible for the leadership of the Board and for ensuring that it fulfils its responsibilities to all of the Group's stakeholders. The Directors believe that the Board's discussions should always be conducted courteously but should also be, when appropriate, robust and challenging. The Board also seeks to maintain a constructive dialogue with external stakeholders and to take account of shareholder feedback.

This report contains further details of the Group's governance arrangements, together with the narrative reporting variously required by the Code, the Listing Rules and the Disclosure and Transparency Rules.

Dermot Gleeson
Chairman
13 September 2019

GOVERNANCE REPORT

Governance statement

During the period under review, the Company, as a premium listed company, was subject to the 2016 edition of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council ("FRC").

The Code recognises that not all of its provisions are necessarily relevant to smaller listed companies and the Code states that departures from its provisions should not be automatically treated as breaches of the Code. The Directors believe that the Code is correctly applied as and where relevant to the Company and are satisfied that in areas of departure from the Code the departure is for good reason.

Further explanations of how the main principles and the supporting principles have been applied are set out on page 42.

The new Code of Conduct published in July 2018 ("the new Code") applies to the Company from 1 July 2019 and the Company will disclose its compliance with the new Code in its Annual Report for the financial year ending 30 June 2020.

Board composition

At the date of this report, the Board comprises six Directors, four of whom are Non-Executive. The Directors' biographies are set out on pages 36 and 37.

Following the departure of the former Chief Executive Officer, Jolyon Harrison, a new interim Chief Executive Office, James Thomson, was appointed to the Board in June 2019. All of the other Directors served throughout the year to 30 June 2019.

The Board believes it maintains an appropriate balance of Executive and independent Non-Executive Directors given the size and nature of the business. In addition, the Board considers that it has a suitable balance of skills, knowledge and experience in order for it to discharge its duties and responsibilities effectively. This includes a combination of backgrounds and experiences which enable it to function effectively and have dialogue that is both constructive and challenging.

All of the Directors have access to the advice and services of the Company Secretary and may, in furtherance of their duties, take independent advice at the Company's expense. Training is arranged as required to update and refresh their skills and knowledge.

On joining the Board, arrangements are made for all new Directors to meet their colleagues and other senior management to ensure an adequate induction to the Group. On resignation, any concerns raised by an outgoing Director are circulated by the Chairman to the remaining members of the Board.

Board effectiveness

The roles of the Chairman, Dermot Gleeson, and the Chief Executive Officer, James Thomson (appointed on an interim basis on 10 June 2019) and previously Jolyon Harrison (departed on 10 June 2019), are clearly defined and they act in accordance with the main and supporting principles of the Code.

The Chairman is responsible for leadership of the Board and ensuring its effectiveness. This role includes ensuring that the Directors receive accurate, timely and clear information; facilitating the contribution of the Non-Executive Directors; and ensuring constructive relations between the Executive and Non-Executive Directors.

The Chairman is in regular contact with the Chief Executive Officer to discuss current matters and has visited Group operations outside the Board meeting calendar to meet divisional directors and managers.

Board independence

During the year, Ross Ancell and Colin Dearlove were the Board's independent Non-Executive Directors and fulfilled the requirement that a "smaller company", as defined by the Code, should have two such directors. Colin Dearlove is the Senior Independent Non-Executive Director.

Ross Ancell will have completed 13 years of service and Colin Dearlove 12 years of service on the Board at the date of the 2019 AGM on 5 December 2019. The Board greatly values both Ross Ancell's and Colin Dearlove's expertise and understanding of the Group's operations and strategy. The Executive Board remains satisfied that both Ross Ancell and Colin Dearlove are independent of character and judgement, and their reappointment is in the interests of the Group and its shareholders.

The Board has also initiated a search process to find two new Non-Executive Directors. The intention is to make these new appointments to the Board shortly.

Neither Dermot Gleeson, Chairman, who has previously been Executive Chairman and, prior to that, held the post of Chairman and Chief Executive, nor Christopher Mills, who represents a major shareholder, Harwood Capital LLP, are considered to be "independent" within the definition of that term contained in the Code.

Dermot Gleeson has been connected with the Company for a long period and the Board greatly values his experience of the Group. The Board remains fully satisfied that he continues to perform effectively as a Non-Executive Director and as Chairman.

Board diversity

We believe that it is in the interests of our shareholders that appointments to the Board are made on the basis of merit. We are unreservedly opposed to discrimination on the grounds of race, gender, sexual orientation, disability, age, religion or beliefs.

We also believe that there are substantial benefits to be had from having a Board composed of a diverse range of individuals, who are able to contribute to boardroom deliberations from different perspectives. This is a matter to which the Nomination Committee gives consideration in its annual review of the Board's composition and for any new appointments.

For vacant Board positions, the Nomination Committee agrees a role description and a detailed specification of the kind of person for whom it is looking. The latter sets out the objective criteria against which the suitability of candidates will be assessed, including knowledge, experience, measurable skills and personal qualities. Care is taken to ensure that the criteria effectively prevent all forms of unfair discrimination influencing the selection process.

Vacancies are extensively advertised. In addition, the Board normally appoints an executive search firm to help it to reach the widest possible pool of eligible candidates and to identify the individuals best qualified for the role.

The Board selects at least three of its Directors to act as a panel for the purpose of overseeing the selection process and it is committed to ensuring that everyone involved in the selection of candidates is fully aware of the UK's equality legislation and the Board's diversity policy.

Key actions of the Board

The Board is responsible to shareholders for the success of the Group. Its role is to set the strategic and financial framework within which the Group operates, to monitor and review the performance of each of the divisions and to ensure that the risks faced by the Group are effectively managed. To facilitate this, the Board and its Committees are provided with relevant and timely information in advance of all meetings and when otherwise required.

Due to the size and structure of the Group, all significant decisions are taken at Board level. There is a formal schedule of matters that are reserved for the Board or its Committees, which includes the approval of:
- strategy and financial policy;
- banking arrangements and any changes to them;
- interim and annual financial statements;
- risk management and internal control policy;
- major capital expenditure;
- acquisition of land;
- acquisitions and disposals;
- Board structure and composition;
- terms of reference of the Board's sub-committees;
- entering into or amending pension arrangements;
- approval of contractual arrangements which fall outside authority delegated to Executive Directors;
- dividend policy; and
- pledging security over assets and providing Parent Company guarantees.

All these matters were reviewed by the Board at various times during the year. In addition, the Board receives updates on governance, regulatory and legal matters at various points in the year to assist the Board in maintaining compliance with the legislative requirements and best practice.

Board and Committee meetings

During the year, the Board met on six occasions. Board packs, which include a formal agenda, are circulated in advance of such meetings. Attendance by individual Directors at scheduled Board meetings and by members at scheduled Committee meetings was as set out below:

Attendance by individual Directors at scheduled Board and Committee meetings

	Board	Audit Committee	Disclosure Committee	Remuneration Committee	Nomination Committee
Number of scheduled meetings^	6	4	2	2	1
Attendance					
Dermot Gleeson	6	n	n	n	1
Ross Ancell	6	4	n	2	1
Colin Dearlove	6	4	n	2	1
Christopher Mills	5	n	n	n	n
Jolyon Harrison (departed 10 June 2019)	5	4[v]	2	1[v]	–
James Thomson (appointed 10 June 2019)	1	–	–	1[v]	1[v]
Stefan Allanson	6	4[v]	2	2[v]	1[v]

^ Includes the scheduled Board and Committee meetings that were held on 2 July 2019 in respect of the year ended 30 June 2019
n Not a member of this Committee
v Whilst not a member of this Committee, the Director was in attendance at meetings

The main purpose of these meetings is to permit the Board and Committees to receive regular reports on the performance of the Group and address a wide range of key issues, including health and safety, operational performance, risk management and corporate strategy. Additional Board meetings may be convened from time to time in response to specific circumstances.

During the course of the year, the Non-Executive Directors met without the Executive Directors present, both with and without the Chairman being present.

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 unresolved concerns.

Board evaluation

During the year, under the leadership of the Chairman, the Board undertook an evaluation of its own performance. This was based on completion of a detailed questionnaire and individual discussions between the Chairman and the Directors. Being a smaller listed company, it was not considered necessary to have this year's Board evaluation externally facilitated. Colin Dearlove, as the Senior Independent Director, conducted an evaluation of the Chairman's performance in conjunction with his Non-Executive Director colleagues and with input from the Executive Directors. The outcome and conclusions reached from the conduct of these evaluations were discussed by the Board at its meeting in September 2019. It was concluded that the Board, its Committees and the Chairman continued to perform effectively.

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 systems of internal controls and how the Board and Audit Committee review their effectiveness are included in the Audit Committee Report on pages 48 to 52.

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 the management responsible for the division, with the Board retaining ultimate responsibility.

The Group operates internal controls that ensure that the Group's financial statements are reconciled to the underlying financial ledgers. A review of the consolidated accounts and financial statements 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 and/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, which satisfies the internal control guidance for Directors detailed in provision C.2.1 of the Code. This process takes the form of a formal risk management policy supported by financial and management controls that are operated Group-wide and which are subject to both internal review by the Chief Financial Officer and internal auditor and external review as part of the statutory audit carried out by the auditors.

Shareholder relations

There is ongoing dialogue with institutional shareholders, including presentations following the publication of the interim and year end results and, as appropriate, at other times during the year. Feedback from these meetings is provided to the Board.

The Board also welcomes the interest of private investors and believes that, in addition to the Annual Report and the Company's website, the AGM is an ideal forum at which to communicate with investors and encourage their participation. At the AGM, the Chairman, together with the Chairmen of the Audit, Remuneration, Disclosure and Nomination Committees, will be available to answer any relevant questions.

For investor relations the Company uses its website www.mjgleesonplc.com. The website includes statutory documents and communications to shareholders, such as the Annual Report and financial statements, and the interim report.

Employee relations

In line with the requirements of the new Code, Colin Dearlove was appointed as the Company's Workforce Representative during the year. A programme and timetable for this role is currently being developed. Towards the end of the year, the Group launched its new employee engagement survey "Your Voice" and Colin Dearlove will receive the results of this survey, meet with the workforce and understand the outputs and actions being taken. It is also intended that he will receive any reports raised via the whistleblowing helpline where such reports are raised by employees. Further details of the actions undertaken by the Workforce Representative will be reported in the next Annual Report for the year to 30 June 2020.

Compliance statement

The Company has complied with the main principles of the 2016 edition of the UK Corporate Governance Code applicable to all premium listed companies. The following provisions are those where the Company is not strictly in compliance with the Code but where the Directors believe that it remains appropriate and justified, and which do not compromise the standards of good governance applied by the Board:

A.3.1, B.1.1

As covered under "Board independence", the Chairman, Dermot Gleeson, has previously been Executive Chairman and, prior to that, held the posts of Chairman and Chief Executive. The Board has considered the guidance set out in the Code and believes that it is in the Company's best interests that Dermot Gleeson be retained as Chairman.

B.1.1

As covered under "Board independence", Ross Ancell and Colin Dearlove have both served on the Board for more than nine years from the date of their first election. The Board is satisfied that they remain independent in character and judgement and there were no relationships or circumstances which otherwise affect, or could appear to affect, their independence.

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.

B.6.3

As covered under "Board evaluation", the performance of the Chairman is appraised by both the Non-Executive and Executive Directors. As a smaller listed company, it is felt that this is the most appropriate approach.

Audit Committee

The Audit Committee is a Board sub-committee consisting entirely of Non-Executive Directors. The members of the Committee are Colin Dearlove (Chairman) and Ross Ancell. The Chairman invites the Chief Executive Officer, the Chief Financial Officer and other senior management to attend, along with the Group's internal and external auditors, when required.

The Audit Committee met on a number of occasions during the year to 30 June 2019, including four scheduled meetings, with both members being in attendance for all meetings.

A full report from the Audit Committee is presented separately on pages 48 to 52 and forms part of the Governance Report.

Disclosure Committee

The Disclosure Committee was set up by the Board in September 2016 to comply with the requirements of the Market Abuse Regulation ("MAR"), which came into effect on 3 July 2016.

The members of the Disclosure Committee are Stefan Allanson (appointed Chairman 10 June 2019, previously Jolyon Harrison who departed on 10 June 2019) and James Thomson. Other Directors, executives and external advisers may attend by invitation as appropriate. The Disclosure Committee's formal terms of reference, which are reviewed annually, are available on the Company's website and require it to:

- draw up and maintain procedures, systems and controls for the identification, treatment and disclosure of inside information and to comply with other disclosure obligations falling on the Company under the Listing Rules and MAR;
- implement, monitor compliance and review the adequacy of the Company's disclosure policy, including where appropriate arranging for the dissemination of guidelines and training; and
- ensure that all regulatory announcements, shareholder circulars, prospectuses and other documents issued by the Company under any legal or regulatory requirement are scrutinised in order to ensure that they comply with applicable requirements.

The Disclosure Committee met on two occasions during the year to 30 June 2019. The main activities undertaken by the Disclosure Committee during the year included:

- reviewing the regulatory announcements of the Group to ensure that these complied with the Company's disclosure policy;
- reviewing the list of insiders and any significant changes together with agreeing dates for closed trading periods;
- confirming that there have been no instances of actual or potential inside information not being disclosed or being disclosed late to the market;
- reviewing the Company's disclosure and media policy;
- reviewing disclosure items, the advice received and conclusions around any items of non-disclosure; and
- reviewing the terms of reference of the Disclosure Committee such that these remain appropriate.

Remuneration Committee

The Remuneration Committee is responsible for setting the remuneration of the Chairman and the Executive Directors. The members of the Remuneration Committee are Ross Ancell (Chairman) and Colin Dearlove.

The Remuneration Committee met on a number of occasions during the year to 30 June 2019, including two scheduled meetings, to consider and approve the remuneration of the Chairman and the Executive Directors.

Further details of the remuneration policy and the package for each Director serving during the year to 30 June 2019 are set out in the Remuneration Report on pages 54 to 69.

Nomination Committee

The Nomination Committee is a Board sub-committee consisting entirely of Non-Executive Directors. The members of the Nomination Committee are Dermot Gleeson (Chairman), Ross Ancell and Colin Dearlove.

The principal responsibility of the Nomination Committee is to consider succession planning and appointments to the Board and to senior management, so as to maintain the appropriate balance of skills, knowledge and experience within the Company. The Nomination Committee's formal terms of reference, which are reviewed annually, are available on the Company's website and require it to:

- regularly review the structure, size and composition of the Board and to make recommendations regarding any adjustments that are considered necessary;
- identify and nominate for consideration candidates for any Board vacancies that may arise;
- put in place plans for succession, in particular for the Chairman and Chief Executive Officer; and
- make recommendations regarding the continued service (or not) of the Executive and Non-Executive Directors.

All Board appointments and reappointments are considered by the Nomination Committee. The Nomination Committee met on a number of occasions during the year to 30 June 2019 including on one scheduled occasion. The main activities undertaken by the Nomination Committee during the year included:

- reviewing the requirements of the new Code of Conduct published in July 2018 including the requirements on the structure, size and composition of the Board;
- overseeing the appointment of a search agent and agreeing their terms of business for the recruitment of two independent Non-Executive Directors and a permanent Chief Executive Officer, outlining the skills and experience required;
- reviewing leadership development and succession planning in respect of the Executive Directors and key management in the business; and
- reviewing the terms of reference of the Nomination Committee such that these remain appropriate.

Two separate independent search agents have been appointed for the recruitment of the new members of the Board. Neither of these search agents has any connection to the Company or Group.

The principle of boardroom diversity is strongly supported by the Board and the Group's policy in respect of Board diversity is set out on page 40. For new appointments, the Nomination Committee agrees a description of the role and a specification based on skills, knowledge and experience and criteria which prevent all forms of discrimination.

The Board does not set specific targets for boardroom diversity, believing that appointments should be made on the basis of merit. In its search for new members of the Board, the Nomination Committee pays due regard to the impact of these appointments on Board diversity.

Viability statement

In accordance with provision C2.2 of the 2016 edition of the UK Corporate Governance Code, the Directors have assessed the viability of the Company and the Group over a longer period than the 12 months required by the "going concern" principle.

The Directors conducted their assessment over a period of three years to 30 June 2022, which is in line with the Group's financial budget review period and the operational period of a number of the Group's housing developments. This has enabled a meaningful assessment of viability to be undertaken, utilising detailed financial budgets which incorporate individual site cash flow forecasts.

In making their assessment, the Directors have considered the business risks facing the Group and how the Group mitigates such risks, which are summarised on pages 32 and 33 of the Strategic Report.

The majority of risks in Gleeson Homes are operational in nature, and hence these risks are already taken into account in the individual site cash flow forecasts. The Directors have considered sensitivities to the individual site cash flow forecasts prepared based on realistically possible changes to principal assumptions such as build and sales rates, prices, build costs and gross margins. Additionally the Directors have considered further measures which may need to be taken to mitigate the impact of macroeconomic and industry-wide risks, including the ability of the Group to curtail investment expenditure in new land purchases and defer new site starts.

For Gleeson Strategic Land, the Directors have considered the impact of delays to the completion of land sales and reduction in land selling prices. The business model is such that it has the flexibility to reduce expenditure on progressing new and existing sites and to continue to realise cash from consented land albeit at lower levels of profitability.

Furthermore, a core principle of the Group is to maintain a cautious approach to debt funding, reflecting the inherent cyclical nature of the UK property market. After the year end, the Group has agreed heads of terms to increase its committed bank facility from £40m to £70m for 5 years to September 2024. This will give the Group additional flexibility in managing its working capital for growth and supports its viability assessment for the three year period.

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

The Directors have the pleasure of presenting the Annual Report and the audited financial statements for the year ended 30 June 2019.

Strategic Report

We present a review of the business during the year to 30 June 2019 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 1 to 33.

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 the requirements of the governance statement can be found in the Governance Report on pages 38 to 43.

Results and dividends

The results of the Group are set out in the consolidated income statement on page 78. The subsidiary companies affecting the profit or net assets of the Group in the year are listed in note 13 to the financial statements.

An interim dividend of 11.5 pence per share was paid to shareholders on 5 April 2019 (2018: 9.0 pence). The Board proposes to pay, subject to shareholder approval at the 2019 AGM, a final dividend of 23.0 pence per share (2018: 23.0 pence) in respect of the 2019 financial year on 13 December 2019 to shareholders on the register at the close of business on 15 November 2019. On this basis, the total dividend for the year will be 34.5 pence per share (2018: 32.0 pence).

Business review

The review of the development and performance of the business of the Group during the year and the future outlook of the Group is set out in the Chairman's Statement on pages 6 and 7, the Chief Executive's Statement on pages 10 to 12 and the Business Reviews on pages 18 and 20.

The key performance indicators are set out in the Strategic Report on pages 11 and 29. The Group's policy in respect of financial instruments is set out within the accounting policies on pages 83 to 86 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given in note 16 to the financial statements.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 1 to 33. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 28 to 30.

The Group meets its day-to-day working capital requirements through its own cash resources and a bank borrowing facility, which was entered into in March 2016 and extended to August 2021 during the year. At 30 June 2019, the Group had a cash balance of £30.3m (2018: £41.3m) and the bank borrowing facility was undrawn (2018: undrawn).

As part of their regular going concern review the Directors specifically address all the risk areas that they consider material to the assessment of liquidity and going concern.

This report is also discussed with the external auditors. Based on this analysis and an assessment of potential cash risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of the financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Political and charitable donations

The Company made no political donations in the year or in the previous year. Charitable donations during the year totalled £2,000 (2018: £2,000).

Directors and Directors' interests

The Directors of the Company and their biographical details are shown on pages 36 and 37. Jolyon Harrison left the business on 10 June 2019 and James Thomson was appointed as the interim Chief Executive Officer on the same date. A search process for a permanent Chief Executive Officer is currently ongoing.

Details of any related party transactions with Directors of the Company are shown in note 27 to the financial statements.

The beneficial and non-beneficial interests of the Directors and their connected persons in the shares of the Company at 30 June 2019 and as at the date of this report are disclosed in the Remuneration Report on page 66. Details of the interests of the Executive Directors in share options and awards of shares can be found on page 66 within the same report.

Appointment and replacement of Directors

The Company's Articles of Association ("the Articles") provide that at each AGM at least one-third of the Directors shall retire from office and shall 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 of the Company to be held on 5 December 2019. Of the Directors standing for re-election, Stefan Allanson and James Thomson hold service contracts that may be terminated by the Group with a notice period of one year and six months respectively.

Directors' 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.

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.

The Company has issued share capital of 54,587,753 ordinary shares, with a nominal value of £1.1m. Further details are given in note 24 to the financial statements.

Substantial shareholdings

At 31 August 2019, 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 LLP	6,109,640	11.19%
Schroder Investment Management	4,433,247	8.12%
Sanford DeLand Asset Management	3,638,055	6.66%
Royal London Asset Management	2,712,917	4.97%
Standard Life Aberdeen	2,484,428	4.55%
Mrs J C Cooper & spouse*	2,358,205	4.32%
Mr Jolyon Harrison	1,896,193	3.47%
Polar Capital (London)	1,775,329	3.25%
JP Morgan Chase & Co	1,687,309	3.09%

* of which 119,500 shares are held in discretionary trusts of which Mrs J C Cooper is a Trustee.

Employees

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, gender identity, sexual orientation, disability, age, religion or beliefs. Full consideration is given to the diverse needs of our employees and potential recruits and we are fully compliant with all current legislation.

The Group is committed to upholding basic human rights within its business. The Group generates all its revenue from operations within the United Kingdom and its supply chain is sourced from within the United Kingdom. Our supplier acceptance processes ensure we comply with national regulations and legislation. Our culture is aimed at ensuring that employees can grow to their full potential. We seek to improve employee retention by providing benefits that employees value including a Group stakeholder pension (including life assurance arrangements), private medical insurance, income replacement (PHI) arrangements and childcare vouchers. Employee share ownership continues to be encouraged through participation in the Group Share Purchase Plan.

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. 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 by the Group to retain and support employees who become disabled whilst in the employment of the Group.

At 30 June 2019 the Group employed the following number of people (excluding Non-Executive Directors):

	Female		Male		Total
	Number	%	Number	%	Number
Executive team	0	0%	2	100%	2
Senior management	3	13%	20	87%	23
Other employees	164	31%	363	69%	527
Total	**167**	**30%**	**385**	**70%**	**552**

Employee involvement

The Group regularly provides its employees with information on matters of concern to them. We consult with our employees in order to ensure that their views can be taken into account when making decisions. In July 2019 we issued a company-wide employee engagement survey and will use the results to help shape business decisions going forward. We use our internal website "Gleegle" to disseminate information and engage with our employees.

Health and safety

The health and safety of our employees and subcontractors is paramount. There were 4 reportable injuries in the year (2018: 7) and 2 (2018: nil) dangerous occurrences under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR").

Towards the end of 2018, a new Head of Health and Safety was appointed. Three new Regional Health and Safety Advisors have joined the business in early 2019 to ensure health and safety support is in place for all of our area offices. These appointments have been made to ensure the health and safety challenges faced during continued growth in construction activities are properly managed and controlled.

Updated health and safety procedures have also been introduced. An example of this is the introduction of a new site inspection report. The new report has a simple "traffic light" scoring matrix replacing the previous numerical scored reports. This gives a clearer, simplified process for inspection reporting. Items within the report have been amended to ensure that relevant data and trends can be more easily analysed and reported.

The Board and management team are focused on the continued development of the health and safety function across the Group.

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 are contained in the Corporate Responsibility Report forming part of the Strategic Report on page 25.

Shareholder additional information

Under Section 992 of the Companies Act 2006, the Company is required to disclose certain additional information where not covered elsewhere in this Annual Report:

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 Directors ("the Board") for the time being 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 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.

Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM to be held on 5 December 2019 are set out in the Notice of the AGM.

Dividends and distributions

The Company may, by ordinary resolution, declare a dividend to be paid to the shareholders but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends and also any fixed rate dividend whenever the financial position of the Company justifies its payment in the opinion of the Board.

Winding up

Under the Articles, if the Company is in liquidation, the liquidator may, with the sanction of a special resolution of the Company and any other authority required by law:

- divide among the shareholders in specie the whole or any part of the assets of the Company and, for that purpose, value any assets and determine how the division shall be carried out as between the shareholders or different classes of shareholders; or
- vest the whole or any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator with the like sanction shall think fit.

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.

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.

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 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, Link Asset Services, or to the Company directly.

Auditor

The 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 5 December 2019.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

Annual General Meeting

The Notice of the AGM to be held on 5 December 2019, together with details of the Resolutions to be considered, will be sent out in a separate circular.

Deadlines for voting rights

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

Stefan Allanson
Company Secretary
13 September 2019

Statement from the Chairman of the Audit Committee

I am pleased to introduce the Audit Committee report for the financial year ended 30 June 2019 which has been another busy year for the Committee. The Committee continues to play an important role in supporting the Board in a wide range of areas including corporate governance, risk management, financial reporting and control.

During the year, the Committee undertook all of its regular activities including receiving and reviewing the Annual Report and regulatory announcements made by the Company, examining going concern and viability, internal and external audit findings and internal controls and their effectiveness.

In addition, the Committee completed a number of other actions during the year including a review of the tax affairs of the Group and its readiness for the Senior Accounting Officer ("SAO") regime as well as a specific review of costs and margin in Gleeson Homes, with input from external advisers. The Committee also undertook reviews of how gross margin is applied on a site-by-site basis, assessed Group credit risk, inventory recovery, legacy matters, and reviewed and approved the internal audit plan for the year to June 2020.

The Committee serves to ensure that the relevant codes and regulations are adhered to and that the business continues to operate in a well-controlled and financially responsible manner.

Colin Dearlove
Chairman, Audit Committee
13 September 2019

I am pleased to introduce the Audit Committee report which describes the work of the Committee this year in supporting the Board to fulfil its responsibilities.

Colin Dearlove
Chairman, Audit Committee

Audit Committee membership

The Audit Committee is a Board committee consisting entirely of Non-Executive Directors. The members of the Committee are Colin Dearlove (Chairman) and Ross Ancell.

Colin Dearlove, as Chairman of the Committee, has relevant financial experience as the former Group Finance Director of Barratt Developments plc. Ross Ancell also has recent relevant financial experience as Chairman of Churngold Construction Holdings Limited. The biographies and qualifications of the members are shown on pages 36 and 37. The Board has determined that the Audit Committee has competence relevant to the sector in which the Company operates.

The Chairman routinely invites the Chief Executive Officer, Chief Financial Officer and other senior management to attend meetings of the Committee, along with the Group's internal and external auditors, when required. The Committee also meets with the Group's internal and external auditors without the presence of the Company's management.

Responsibilities and terms of reference

The role of the Committee is to:

- monitor the integrity of the financial statements of the Group and any formal announcements relating to its financial performance, including any significant financial reporting judgements;
- review and monitor the effectiveness of the Company's internal controls and risk management systems;
- review and monitor the effectiveness of the Company's internal audit function including approval of the annual internal audit plan;
- review the Company's procedures for detecting fraud, preventing bribery and ensuring there are appropriate whistleblowing procedures in place;
- oversee the relationship with the external auditor including their appointment, independence and objectivity and the effectiveness of the external audit process; and
- develop the policy on the supply of external audit services by the external auditor, taking into account relevant ethical guidance.

Following a review by the Committee at its meeting in February 2019 the terms of reference of the Committee were updated to include clarification that the Committee as a whole should have relevant experience in the sector in which the Company operates, and other minor amendments.

The Committee's updated terms of reference can be found at www.mjgleesonplc.com

Activities during the year

The Committee met on four scheduled occasions during the year to 30 June 2019, with both members being in attendance for all meetings. Scheduled Committee meetings generally take place prior to Board meetings and the Committee Chairman provides the Board with a report on the activity of the Committee and the matters of particular relevance to the Board in the conduct of their work. The key activities undertaken by the Committee during the year were:

Financial reporting

The Committee reviewed the integrity of the Annual Report and formal announcements relating to the Group's financial performance. Since the date of the last Annual Report, the Committee has reviewed:

- the draft interim results for the 6 months to December 2018 which were reviewed by the Committee at its meeting in February 2019; and
- the draft 2019 Annual Report and preliminary announcement which were reviewed by the Committee at its meeting in September 2019.

At the request of the Board, the Committee considered whether the 2019 Annual Report taken as a whole is fair, balanced and understandable and whether it provides the necessary information for shareholders to assess the Company's performance, business model and strategy. In doing so, the Committee received comments from management and the external auditors at its meeting in September 2019. It also reviewed the annual compliance procedures and management returns that support the Group's financial reporting governance framework and risk management process for the year ended 30 June 2019.

The Committee was satisfied that, taken as a whole, the 2019 Annual Report is fair, balanced and understandable and provides sufficient information for shareholders to assess the Company's performance, business model and strategy. The Committee recommended as such to the Board.

Going concern and viability reporting

The Committee examined the financial forecasts for the Group including scenarios to model the impact of potential downturns in the housing and strategic land markets. These were examined by the Committee in conjunction with both its review of the Annual Report and interim announcement. 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 funding and liquidity position.

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 review period and operational forecasts. It concluded that this should remain a three-year period as explained on page 43. The Committee received detailed financial analysis based on the Group's latest budgets with sensitivities applied over a three-year period and determined that there was a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due. The Committee recommended statements to this effect to the Board to approve for inclusion in the Annual Report.

The viability statement is shown on page 43 of the Governance Report with further explanation of the timespan and variables considered.

Credit risk monitoring

The Group carries a number of deferred receivables mainly relating to Gleeson Strategic Land in relation to land sales. At each of the meetings where the Committee considered going concern and viability, the Committee also separately examined the significant balances due, the level of security held and the performance of the counterparty to date. The Committee satisfied itself that the level of credit risk faced by the Group remains low overall.

Profit recognition

Throughout the year the Committee reviewed the processes, controls and assumptions for recognising margin on development sites including three particular areas: cost inflation, selling prices and contingencies. The Committee also received a report from external advisers, KPMG LLP, who completed a review of specific site valuations and the assumptions being used.

As described under "Significant issues considered during the year", 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 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 Strategic Land.

As described under "Significant issues considered during the year", the Committee satisfied itself that the carrying value of land and work in progress remained appropriate.

Tax affairs of the Group

At its meeting in February 2019 the Committee received a comprehensive update covering the tax affairs of the Group. This included an update on the Senior Accounting Officer ("SAO") regime and actions undertaken by the Group in readiness. The update covered all other aspects of Group taxes including VAT, corporation tax, deferred tax, land remediation relief, the construction industry scheme ("CIS"), employment taxes, stamp duty land tax, and other minor updates.

The Committee also reviewed the Group's Tax Strategy Statement and recommended its approval to the Board.

Review of legacy matters

The Committee received and reviewed reports on claims associated with the legacy business, being the contracting and engineering businesses sold more than 10 years ago. Whilst the level of claims has reduced to an insignificant level, the Committee, in conjunction with the Chief Financial Officer, continues to monitor the status of claims and any liabilities.

Review of the Group's risk register

The Committee reviewed the Group's risk register at three of its meetings during the year such that, as the operational, political and economic environment changes, the Committee understands the risks faced by the Group and how these are addressed. This enables the Committee and the Board to ensure that the major risks facing the Group are monitored and that appropriate controls and mitigations are in place. As a result, the Committee and the Board understand and manage the balance of risks in the business.

Internal audit plan and findings

The Committee set the internal audit plan for the year ended 30 June 2019 at its meeting in July 2018. As covered under "Internal audit", the Committee received and reviewed reports from the internal auditor throughout the year on internal audits conducted across the business.

Other activities

During the year, the Committee also reviewed reports on IT and cyber crime updates, corporate criminal offences, anti-bribery, and malpractice monitoring, and a review by internal audit of payroll and CIS accounting.

Significant issues considered during the year

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

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.

In addition, 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 profits.

The Committee receives regular reports regarding sales of homes and the costs and possible future costs relating to individual sites. As covered under "Activities during the year", the Committee reviewed the assumptions applied by management supporting the profit margin to be recognised on the sale of individual homes and concluded that they remain appropriate.

The Committee also receives regular reports on the carrying value of land and work in progress in Gleeson Homes and Gleeson Strategic 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 across the Group remained appropriate.

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 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 investment and divestment decisions that exceed prescribed limits to either the Group Capital Committee or the Board for approval.

Regular reviews are undertaken in order to identify any changes in procedure 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 each divisional management team 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 risks identified are incorporated into the Group risk register. The Risk Management section on pages 32 and 33 sets out details of the key risks that the business may face and how it mitigates them.

The Committee has satisfied itself that an appropriate system of internal controls and risk management processes have 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 Company has operated a whistleblowing arrangement throughout the year whereby all employees of the Group are able, via an independent third party, to confidentially report any malpractice or matters of concern they have regarding the actions of employees, management and Directors and any breaches of the Company's anti-bribery and corruption policy.

The Committee reviews the output of malpractice reporting at least every six months.

Anti-bribery and corruption policy

The Company values its long-standing reputation for ethical behaviour and integrity. Conducting its business with a zero tolerance approach to all forms of corruption is central to these values, the Group's image and reputation. The Company policy sets out the standards expected of all Group employees in relation to anti-bribery and corruption and 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 perform services for or on behalf of the Group. The Group expects those persons to adhere to this policy or have in place equivalent policies and procedures to combat bribery and corruption.

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.

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 nine 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 debated by the Committee with the internal auditor and with management.

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 reappointed as the Company's auditor following approval by shareholders at the AGM on 6 December 2018.

At its meeting in February 2019, PricewaterhouseCoopers LLP provided their audit strategy memorandum for the Committee, identifying their assessment of key risks in the Group's financial reporting. For the 2019 financial year, as in prior years, the primary risk identified was in relation to the carrying value of land and work in progress.

The Committee formulates and oversees the Group's policy on monitoring external auditor objectivity and independence in relation to non-audit services. As a result of the EU Audit Reforms Regulations (as amended 11 June 2016) the auditor is 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 auditor's independence, objectivity or integrity.

For the year to 30 June 2019, there were no non-audit fees paid to the external auditor. Details of the audit fees incurred are disclosed in note 4 to the financial statements.

The Committee assesses the effectiveness of the external audit process annually with the auditor and with management. The Committee holds private meetings with the auditor on an annual basis. Matters discussed include the auditor's 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 ensures that the auditor has exercised professional scepticism in its audit. The Committee has reviewed and is satisfied with the performance of PricewaterhouseCoopers LLP. The 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 of the Company on 5 December 2019.

Colin Dearlove
Chairman, Audit Committee
13 September 2019

Kerriane, Ashurst Park, Skelmersdale, Lancashire

> *I am pleased to set out the Group's remuneration strategy and a significantly revised remuneration policy for which we will be seeking shareholder approval at the AGM.*
>
> **Ross Ancell**
> Chairman, Remuneration Committee

Statement from the Chairman of the Remuneration Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for 2019.

The report is split into three parts:
- this letter, which provides an introduction to the report;
- the proposed Directors' Remuneration Policy for which we will be seeking shareholder approval at the 2019 AGM; and
- the Annual Report on Remuneration, which describes how the policy was implemented in the year to June 2019 and how it will be implemented for the year to June 2020.

Our new Directors' Remuneration Policy

Our current policy was approved by shareholders at the 2016 AGM and is approaching the end of its three-year term. A new policy will therefore be put to shareholders for approval at the 2019 AGM.

Our current policy received a 79.8% vote in favour. Our 2017 and 2018 Annual Reports on Remuneration received votes in favour of 77.0% and 81.0% respectively. While the majority of shareholders have been supportive, we are aware of a number of areas where we are becoming increasingly out of line with best practice on remuneration.

The Committee has therefore used this opportunity to bring our remuneration arrangements into line with market practice and best practice over the next three-year policy period, taking into account changes to the UK Corporate Governance Code and shareholder feedback in recent years. The proposed remuneration policy has also been updated to ensure that it has sufficient flexibility over the next three years to support potential changes to business needs.

In particular:
- Maximum pension opportunity for the interim Chief Executive Officer and any newly appointed Executive Directors will be aligned with the level available to the majority of the wider workforce.
- Mandatory annual bonus deferral will apply from 2021.
- A normal maximum Long Term Incentive Plan ("LTIP") opportunity of 150% of salary has been introduced. The current overall maximum LTIP opportunity of 300% of salary has been reduced to 200% of salary, to be used in exceptional circumstances only.
- Within-employment and post-employment shareholding guidelines have been introduced.
- Malus and clawback circumstances have been expanded to include corporate failure.

The key policy changes are set out on page 56.

Executive Director changes

As announced on 10 June 2019, Jolyon Harrison stepped down from the Board with immediate effect and remains on garden leave until 8 December 2019. The terms in respect of Jolyon Harrison's cessation of employment, including the treatment of unvested LTIP awards, have not yet been agreed. Full disclosure will be provided once these terms have been agreed.

In line with the remuneration reporting regulations, estimated values have been included within the single total figure disclosure on page 64 for the 2015 LTIP and 2016 LTIP awards. This is on the basis that the Total Shareholder Return ("TSR") performance targets attached to the awards were met in full and therefore 100% of the awards remain capable of vesting, notwithstanding that the Committee is still to determine whether such awards granted to Jolyon Harrison will ultimately vest.

James Thomson was appointed as interim Chief Executive Officer with effect from 10 June 2019. James Thomson's remuneration arrangements are set out below.

Pay and performance outcomes for 2019

The Group delivered another set of strong results during the year with profit before tax from continuing operations increasing by 11.4% to £41.2m. Cash balances reduced, as expected, from £41.3m to £30.3m reflecting investment in Gleeson Homes, increased deferred receivables in Gleeson Strategic Land and higher dividend payments. Total dividends for the year are proposed to increase by 7.8% to 34.5 pence per share.

Annual bonus

The Chief Financial Officer's annual bonus was based on the achievement of Group profit before tax for both continuing and discontinued operations of between £42.0m and £43.5m. The Group achieved profit before tax for both continuing and discontinued operations of £40.9m, which is an increase of 11.1% against the previous year. Accordingly, the Chief Financial Officer did not earn a bonus in respect of the year.

Two-thirds of Jolyon Harrison's, the former Chief Executive Officer, annual bonus was based on the achievement of Group profit before tax targets, as disclosed above. The threshold was not met for the year. One-third of his bonus was based on non-financial succession and leadership development objectives. The Committee determined that the non-financial objectives were not achieved. Accordingly, Jolyon Harrison did not earn a bonus in respect of the year.

LTIP

The 2016 LTIP granted to the Chief Financial Officer was based on the achievement of a three-year TSR performance condition which ended on 30 June 2019. The Group achieved a three-year TSR of 902 pence against a target range of 585 and 650 pence per share. Accordingly, the LTIP is expected to vest in full. The vested award (net of tax) will be subject to a two-year holding period.

The terms in respect of Jolyon Harrison's cessation of employment have not yet been agreed. The Committee has therefore not determined whether the 2016 LTIP will ultimately vest.

The Committee considers that the outturn of both the annual bonus and long-term incentive award fairly represents the Group's underlying financial performance over the respective performance periods.

Further information is set out on page 65.

Implementation in 2020

Base salary

The interim Chief Executive Officer's salary has been set at £485,000.

The Executive Directors have voluntarily agreed to freeze their base salaries for the year to 30 June 2020 and the Chief Financial Officer's salary remains unchanged at £315,000. The fees for Non-Executive Directors have also been frozen for the year.

Annual bonus

The maximum annual bonus opportunity will be 100% of salary for the interim Chief Executive Officer and Chief Financial Officer. For the interim Chief Executive Officer, 50% of the award will be based on profit performance and 50% on strategic and personal performance reflecting the terms agreed on his appointment. Strategic and personal performance metrics will be based on leadership development and management structure.

For the Chief Financial Officer, the award will continue to be based wholly on profit performance. Details of the profit, strategic and personal performance targets will be fully disclosed in the Directors' Remuneration Report for 2020.

LTIP

The normal maximum long-term incentive opportunity will be 150% of salary for both the interim Chief Executive Officer and Chief Financial Officer. The award will be based on the achievement of earnings per share ("EPS") performance (as regards two-thirds of the award) and relative TSR performance (as regards one-third of the award) measured over a period of three financial years ending 30 June 2022. The weighting of the performance metrics reflects the level of stretch required to maintain our current price earnings multiple compared to TSR comparator group peers. The Committee will review the weighting of the performance metrics annually. Any awards that vest will be subject to a two-year holding period.

EPS and relative TSR performance metrics provide further alignment with our overall strategy of creating value growth for our stakeholders. The use of these metrics also provides alignment with market practice and other housebuilders.

Further information is set out on page 68.

Gender pay gap

During the year, the Committee reviewed the gender pay gap statistics for the Group. The Group's median gender pay gap is 8.7% versus the national average of 17.9%.

The Group does not discriminate on the grounds of gender and operates an equal pay policy. The Group is currently developing a number of initiatives to support the recruitment, retention and promotion of female employees within roles that have traditionally been male occupied.

Further details are set out in the Group's gender pay report which can be found at www.mjgleesonplc.com.

Real Living Wage

The Group is proud to be the only major housebuilder to be accredited by the Living Wage Foundation. It pays all of its employees the real Living Wage or higher with the only exception being for apprentices, where it pays above the Government's guidelines for apprentices.

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 and retain good quality staff.

Conclusion

We are committed to a responsible approach to executive pay as I trust that the proposed changes to the Directors' Remuneration Policy demonstrates. I hope that you are supportive of our new policy. I will be available at the AGM to respond to any questions and discuss any aspects of the new policy, Annual Report on Remuneration or the Committee's activities.

Ross Ancell
Chairman, Remuneration Committee
13 September 2019

This part of the report sets out the 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

In setting the remuneration policy for the Executive Directors, the Committee takes into account the following general principles:

- to support an effective pay-for-performance culture which enables the Company to attract, retain and motivate Executive Directors who have the necessary experience and expertise to deliver the Group's objectives and strategy;
- to ensure that the remuneration packages are simple and transparent and take into account remuneration and related policies for the wider workforce;
- to ensure alignment with the Company's culture and clearly linked to the long-term strategy;
- to encourage long-term shareholdings that promote sustainable success and support alignment with shareholder interests;
- 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); and
- to ensure that total remuneration delivered fairly reflects Company and individual performance.

Changes to the remuneration policy

The current policy was approved by shareholders at the 2016 AGM and is approaching the end of its three-year term. A new policy will therefore be put to shareholders for approval at the forthcoming AGM. Subject to approval the policy will take effect from the end of the AGM.

The Committee has updated the policy to take account of changes to the UK Corporate Governance Code, to provide further alignment with best practice, and to ensure that the policy has sufficient flexibility over the next three years to support potential changes to business needs. No substantial changes have been made to the variable pay structure.

The Committee has consulted with major shareholders on the updated policy. The key policy changes are as follows:

- The overall maximum pension opportunity of 25% of salary under the current policy has been removed. The Chief Financial Officer's current pension opportunity of 15% of salary has been retained as it reflects a preexisting contractual arrangement. The maximum pension opportunity for the interim Chief Executive Officer and any newly appointed Executive Directors will be aligned with the level available to the majority of the wider workforce (currently 6.5% of salary).
- Up to 20% of maximum opportunity may be earned for threshold performance under the annual bonus. This has been increased from 0% in order to provide a modest bonus opportunity for achieving stretching targets at threshold. The Committee will set the threshold vesting level on an annual basis and will ensure that financial and non-financial targets are sufficiently stretching at both threshold and maximum taking into account internal budget and broker forecasts.
- Mandatory deferral will apply to any bonuses earned in respect of the years to 30 June 2021 and 30 June 2022. Executive Directors will be required to defer one-third of any bonuses earned into shares for a two-year period. Voluntary deferral will continue to apply to any bonuses earned in respect of the year to 30 June 2020, reflecting the terms agreed with the interim Chief Executive Officer on appointment.
- A minimum of 50% of the annual bonus shall be based on financial performance metrics. This has been reduced from the current minimum of two-thirds of the annual bonus to ensure that performance metrics can be appropriately aligned with the key financial and non-financial strategic areas of the business. The weighting of performance metrics for the year to 30 June 2020 is set out on page 68. The Committee will review the weighting of performance metrics annually.
- The overall maximum LTIP opportunity was previously 300% of salary. A normal maximum LTIP opportunity of 150% of salary has been introduced. The overall maximum LTIP opportunity has also been reduced from 300% to 200% of salary and will be used in exceptional circumstances only in line with best practice.
- The policy includes no provision to grant one-off long-term incentive awards to current Executive Directors outside of the LTIP.
- Introduces flexibility to determine LTIP performance metrics annually to reflect the Group's strategy and key performance indicators. This provides alignment with market practice.
- Introduces within-employment and post-employment shareholding guidelines in line with the UK Corporate Governance Code and best practice.
- The circumstances in which malus and clawback may apply to annual bonus and LTIP awards have been expanded to include corporate failure.
- Introduces flexibility to provide Non-Executive Directors with benefits linked to the performance of their duties, such as, but not limited to, the use of secretarial support and travel costs. This provides alignment with market practice.

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 necessary experience and expertise 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 performance • inflation and earnings forecasts • state of the marketplace generally • pay and conditions elsewhere in the Group
Maximum opportunity	While 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. Other benefits may be offered based on individual circumstances (e.g. relocation allowances on recruitment).
Maximum opportunity	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). Salary is the only element of the Executive Directors' remuneration that is pensionable.
Maximum opportunity	For the Chief Financial Officer, the maximum Company contribution or pension allowance is 15% of salary. For the interim Chief Executive Officer and any newly appointed Executive Directors, the maximum Company contribution or pension allowance will be aligned with the level available to the majority of the wider workforce.
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 objectives. The Committee will determine the bonus to be delivered following the end of the relevant financial year based on performance against these metrics. 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 may elect to voluntarily defer up to 100% of any bonuses earned in shares for a two-year period. Mandatory deferral will apply to any bonuses earned in respect of the years to June 2021 and June 2022. Executive Directors will be required to defer one-third of any bonuses 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 61.
Maximum opportunity	Maximum opportunity of 150% of base salary. Maximum opportunity for the year to June 2020 will be set at 100% of salary. 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 and NIC 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 61.
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 set 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 introduced for the year to June 2020 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 and NIC) 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 the first 12 months following departure;
- 100% of salary (or their actual shareholding at the point of departure if lower) for the subsequent 12 months.

"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 senior leadership 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 Group operates an HMRC tax-qualifying all-employee scheme in order to encourage share ownership across the wider workforce.

Legacy arrangements

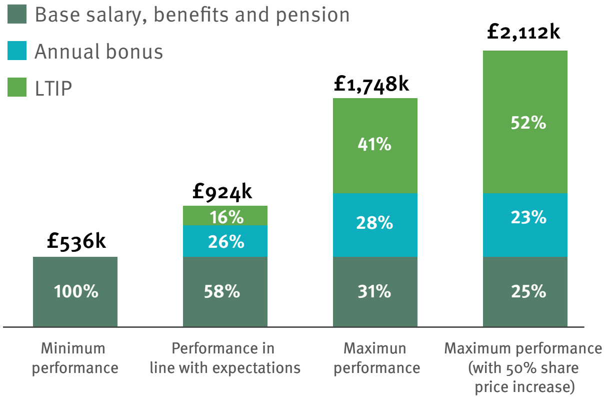
The Committee retains discretion to make any remuneration payment outside of policy:
- where the terms of the payment were agreed before the policy came into effect;
- where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company, and in the opinion 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 interim Chief Executive Officer and Chief Financial Officer under the policy set for the year to June 2020 onwards for various indicative levels of performance:

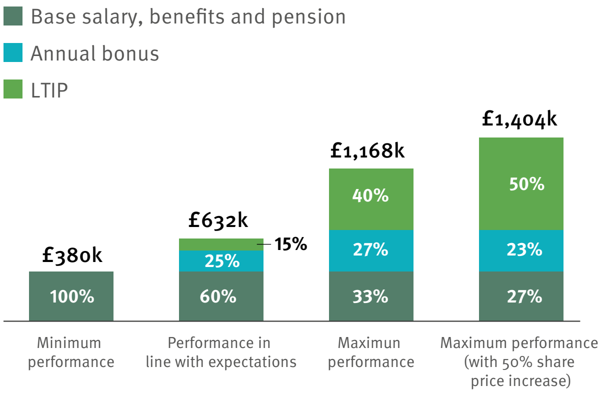
INTERIM CHIEF EXECUTIVE OFFICER

J Thomson



CHIEF FINANCIAL OFFICER

S Allanson



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 2019;
- benefit levels are assumed to be the same as 2019;
- 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 pay out 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 interim Chief Executive Officer's service agreement is on a rolling basis and requires 6 months' notice of termination on either side. This increases to 12 months' notice of termination on either side in the event that the Committee confirms that the current incumbent's role becomes permanent.

The Chief Financial Officer's service agreement is on a rolling basis and requires 6 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	10 June 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 pro rated 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.

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 may remain capable of vesting at the normal vesting date. In exceptional circumstances, the Committee may decide that the participant's awards will vest at the date of cessation of employment. A pro rata reduction of the awards will be applied by reference to the time of cessation (although the Committee has discretion to disapply pro rating if the circumstances warrant it).

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 pro rating 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 pro rated 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, outplacement 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 not employees; they have 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 2019 AGM)
Dermot Gleeson	27/11/1975	30/09/2020
Ross Ancell	01/10/2006	30/09/2020
Colin Dearlove	03/12/2007	30/09/2020
Christopher Mills	01/01/2009	30/09/2020

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 by 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 therefore 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 Committee does not consult with employees on Directors' remuneration but 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.

The Remuneration Committee's Annual Report on Remuneration for the year ended 30 June 2019 is set out below, including remuneration for the year ended 30 June 2019 and the implementation of the new Remuneration Policy for 2020.

The auditor is required to report on the following information up to and including the table on Directors' interest in shares.

Single total figure of remuneration for each Director for the years ended 30 June 2019 and 30 June 2018

	2019						2018					
	Salary & fees £000	Benefits £000	Annual bonus £000	Value of LTIP awards[1] £000	Pension £000	Total £000	Salary & fees £000	Benefits £000	Annual bonus £000	Value of LTIP awards[1] £000	Pension £000	Total £000
Chairman												
Dermot Gleeson	125	1	–	–	–	126	120	1	–	–	–	121
Executive Directors												
James Thomson (appointed 10 June 2019)	28	1	–	–	2	31	–	–	–	–	–	–
Jolyon Harrison[2] (departed 10 June 2019)	505	18	–	1,988	76	2,587	480	18	480	2,068	72	3,118
Stefan Allanson	315	18	–	612	47	992	300	17	300	234	45	896
Non-Executive Directors												
Ross Ancell	58	–	–	–	–	58	56	–	–	–	–	56
Colin Dearlove	58	–	–	–	–	58	56	–	–	–	–	56
Christopher Mills	47	–	–	–	–	47	45	–	–	–	–	45
	1,136	**38**	**–**	**2,600**	**125**	**3,899**	**1,057**	**36**	**780**	**2,302**	**117**	**4,292**

1 The 2018 column shows the value of 2015 LTIP awards that met their performance conditions at 30 June 2018. The 2019 column includes the value of the 2016 LTIP awards that met their performance conditions at 30 June 2019. These awards currently remain unvested and the amounts have therefore been calculated using the average share price for the three-month period to 30 June 2019 (£8.25). Also included in the 2019 column are amounts paid to the Executive Directors in respect of dividends earned on the 2015 LTIP awards that have met their performance targets and the dividend equivalents that are earned on the 2016 LTIP awards between the date of grant and the date of vesting. See page 65 for further details. For reference, the value of the 2015 LTIP awards disclosed in the Annual Report on Remuneration for the year ended 30 June 2018 was calculated using the average share price for the three-month period to 30 June 2018 (£7.47).

2 The TSR performance targets attached to the 2015 LTIP and 2016 LTIP awards were met in full and therefore 100% of the awards remain capable of vesting. However, the terms in respect of Jolyon Harrison's cessation of employment have not yet been agreed. The Committee has therefore not determined whether the unvested 2015 LTIP and 2016 LTIP awards will ultimately vest.

Notes to the single total figure of remuneration

Taxable benefits provided to Executive Directors

The main benefits available to the Executive Directors during the year to 30 June 2019 (and their associated values) were: car allowance of £13,000 for Jolyon Harrison, £13,000 for Stefan Allanson and £1,000 for James Thomson; car fuel of £3,000 for Jolyon Harrison, £3,000 for Stefan Allanson and £nil for James Thomson; private medical insurance of £1,000 for Jolyon Harrison, £1,000 for Stefan Allanson and £nil for James Thomson; and matching shares granted under the HMRC tax-qualifying all-employee scheme of £1,000 for Jolyon Harrison and £1,000 for Stefan Allanson.

Determination of annual bonus

The annual performance-related bonus for the Chief Financial Officer for the year to 30 June 2019 was based wholly upon achieving a profit-related target. The profit-related target was the Group's profit before tax both for continuing and discontinued operations in the year to 30 June 2019, with the threshold and maximum figures set as below and straight-line vesting between threshold and maximum.

Target	Profit measure £m	Bonus achievable as percentage of salary
Threshold	42.0	0%
Maximum	43.5	100%

The Group achieved profit before tax for both continuing and discontinued operations of £40.9m for the year to 30 June 2019. Accordingly, the threshold profit target was not met for the year and no bonus is to be paid to Stefan Allanson.

Two-thirds of the former Chief Executive Officer, Jolyon Harrison's, annual bonus was based on the achievement of Group profit before tax targets, as disclosed above. The threshold was not met for the year. One-third of his bonus was based on non-financial succession and leadership development objectives. The Committee determined that these non-financial objectives were not achieved. Accordingly, no bonus is to be paid to Jolyon Harrison.

LTIP

The 2015 LTIP and 2016 LTIP awards were subject to performance targets based on TSR. TSR is defined as the average share price measured over the three months prior to the end of the performance period plus cumulative dividends per share paid over the performance period. Details of the TSR performance targets and performance outcome are set out in the tables below.

	December 2016 award (3 year performance period ended 30 June 2019)		September 2015 award (3 year performance period ended 30 June 2018)	
	TSR	Vesting %	TSR	Vesting %
Threshold	5.85	20%	4.92	20%
Maximum	6.50	100%	6.15	100%
Actual performance	9.02		8.02	
Outcome	100% of award to vest		100% of award to vest	

Therefore, based on TSR performance, the vesting outcome is as follows:

Director	Award	Number of shares granted	Number of shares vesting based on performance	Dividend equivalents[3, 4] £000	Total estimate value of award on vesting[5] £000	Amount of award attributable to share price appreciation since grant[6] £000
Jolyon Harrison[2] (departed 10 June 2019)	September 2015[1]	250,737	250,737	48	2,068	863
	December 2016	210,526	210,526	204	1,941	539
Stefan Allanson	September 2015[1]	28,421	28,421	5	234	98
	December 2016	65,789	65,789	64	606	168

1. The 2015 LTIP awards were scheduled to vest in full on 30 September 2018. However, in light of various business activities during the year the Board agreed to delay the vesting. The 2015 LTIP awards are expected to vest during the year to 30 June 2020.
2. The terms in respect of Jolyon Harrison's cessation of employment have not yet been agreed. The Committee has therefore not determined whether the unvested 2015 LTIP and 2016 LTIP awards will ultimately vest.
3. The Committee determined that, until such time as the 2015 LTIP awards are vested, the dividends that would otherwise have been earned on the shares following the end of the performance period (equivalent to the number of shares that would have vested minus those sold to meet income tax and National Insurance obligations) were payable to the Executive Directors.
4. The 2016 LTIP included dividend equivalent terms such that additional plan shares are awarded based on the value of dividends payable on the number of vested plan shares between the award date and vesting date. This has been estimated based on dividends being reinvested into plan shares between the award date and vesting date and valued using the average share price over the last three months of the financial year (£8.25).
5. Calculated based on the average share price over the last three months of the financial year (£8.25). The total estimate value of award on vesting for the 2016 LTIP awards includes the estimated dividend equivalents.
6. The Company's share price increased by £3.44 and £2.56 respectively between the grant dates of the 2015 LTIP and 2016 LTIP awards and the year to 30 June 2019.

Pension

The Executive Directors are eligible to participate in the MJ Gleeson Group Pension Plan, a defined contribution arrangement. During the year to 30 June 2019, Jolyon Harrison received pension contributions of 15% of salary (2019: £76,000) and Stefan Allanson received pension contributions of 15% of salary (2019: £47,000). The interim Chief Executive Officer, James Thomson, received cash in lieu of pension contributions of 6.5% of salary (2019: £2,000) in line with the proposed Directors' Remuneration Policy.

LTIP awards granted in the year to 30 June 2019

The Committee granted conditional share awards under the LTIP equivalent to 150% of salary to the Chief Financial Officer on 9 October 2018. Vesting of the awards is subject to TSR performance (as defined above) over the three-year period to 30 June 2021. The awards will vest following the end of the performance period once the Committee has determined whether the performance target has been satisfied. Vested awards are subject to a two-year holding period following the end of the performance period (on a net of tax basis). Details of the awards are set out below:

Director	Number of shares granted	Face value at grant[1]	Threshold vesting For achieving TSR of £8.00[2]	Maximum vesting For achieving TSR of £10.00[2]
Stefan Allanson	67,500	475,000	20% of maximum	100% of maximum

1. Calculated based on the mid-market closing share price as at 9 October 2018 (£7.04).
2. Straight-line vesting between threshold and maximum.

Payment made to former Directors and payments for loss of office during the year to 30 June 2019

There were no payments made to former Directors and no payments for loss of office during the year. Full disclosure of the terms in respect of Jolyon Harrison's cessation of employment will be provided once these have been agreed.

Directors' shareholdings and share interests

There were no shareholding requirements for the Directors for the year to 30 June 2019.

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 2019 (or date of departure if earlier) are as shown below:

Director	Scheme	Owned outright	Unvested and subject to performance	Unvested and not subject to performance[3]	Total as at 30 June 2019
Chairman					
D Gleeson	Shares	1,086,821	–	–	1,086,821
Executive Directors					
J Thomson (appointed 10 June 2019)	Shares	–	–	–	–
J Harrison[1] (departed 10 June 2019)	Shares	1,895,923	–	270	1,896,193
	LTIP 2015	–	–	250,737	250,737
	LTIP 2016	–	–	210,526	210,526
	LTIP 2017	–	221,538	–	221,538
	LTIP 2018	–	–	–	–
S Allanson	Shares	16,505	–	269	16,774
	LTIP 2015	–	–	28,421	28,421
	LTIP 2016	–	–	65,789	65,789
	LTIP 2017	–	69,231	–	69,231
	LTIP 2018	–	67,500	–	67,500
Non-Executive Directors					
R Ancell	Shares	–	–	–	–
C Dearlove	Shares	–	–	–	–
C Mills[2]	Shares	6,109,640	–	–	6,109,640

1. The terms in respect of Jolyon Harrison's cessation of employment have not yet been agreed. The Committee has therefore not determined whether the unvested 2015 LTIP and 2016 LTIP awards will ultimately vest.
2. Shares are held by funds managed by Harwood Capital LLP of which Christopher Mills is a Member/Director.
3. Includes matching shares granted under the HMRC tax-qualifying all-employee scheme that have not yet vested.

As at 31 August 2019, the total interests held by Joylon Harrison was 1,896,193 and Stefan Allanson was 16,823. 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 Directors serving during the year are set out below.

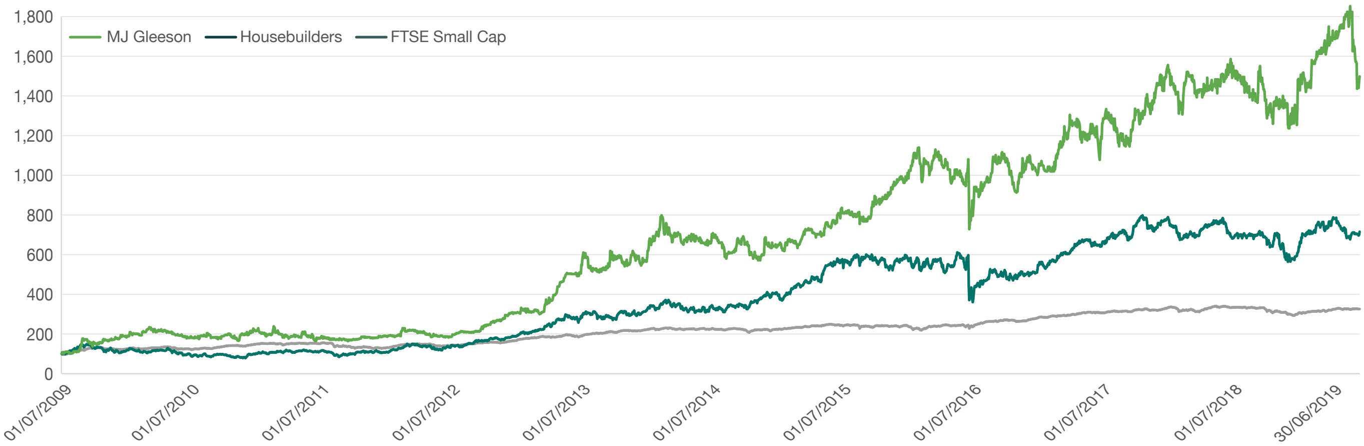
Executive Director	Scheme	30 June 2018	Granted during year	Vested during year	Lapsed in year	Share price at grant date	Total interests outstanding at 30 June 2019	End of performance period
J Harrison (departed 10 June 2019)	LTIP 2015[1]	250,737	–	–	–	4.82	250,737	30/06/18
	LTIP 2016[2]	210,526	–	–	–	5.70	210,526	30/06/19
	LTIP 2017	221,538	–	–	–	6.50	221,538	30/06/20
S Allanson	LTIP 2015[1]	28,421	–	–	–	4.82	28,421	30/06/18
	LTIP 2016[2]	65,789	–	–	–	5.70	65,789	30/06/19
	LTIP 2017	69,231	–	–	–	6.50	69,231	30/06/20
	LTIP 2018	–	67,500	–	–	7.04	67,500	30/06/21

1. The 2015 LTIP awards were scheduled to vest in full on 30 September 2018. However, in light of various business activities during the year the Board agreed to delay the vesting. The 2015 LTIP awards are expected to vest during the year to 30 June 2020.
2. The 2016 LTIP awards will vest once the Committee has approved the outcome of the performance targets.

TSR performance

We have compared the Company's TSR performance over the last ten years with the TSR for the FTSE Small Cap Index, of which the Company is a member, and a comparator index of listed housebuilders. The comparator group consists of a group of listed housebuilders comprising Barratt Developments, Bellway, Bovis Homes, Crest Nicholson, Persimmon, Redrow, Taylor Wimpey and Telford Homes.

MJ Gleeson plc TSR comparison to peer group and index 30 June 2009 to 30 June 2019



Chief Executive Officer's remuneration 2010 to 2019

Year	Chief Executive Officer	Single figure of total remuneration £000	Annual bonus paid against maximum opportunity	LTIP awards vesting against maximum opportunity
2019	James Thomson (appointed 10 June 2019)	31	–	–
2019	Jolyon Harrison (departed 10 June 2019)	2,587	0%	100%[2]
2018	Jolyon Harrison	3,118	100%	100%[2]
2017	Jolyon Harrison	2,816	100%	100%
2016	Jolyon Harrison	873	100%	0%
2015	Jolyon Harrison	2,917	100%	100%
2014	Jolyon Harrison	793	100%	0%
2013	Jolyon Harrison (appointed 1 July 2012)	1,615	81%	100%
2012[1]	N/A	–	–	–
2011	Chris Holt	417	0%	0%
2010	Chris Holt	326	25%	0%

1 No Chief Executive Officer held office during 2012.
2 The TSR performance targets attached to the LTIP awards granted in 2015 and 2016 were met in full and therefore 100% of the awards remain capable of vesting. However, the terms in respect of Jolyon Harrison's cessation of employment have not yet been agreed. The Committee has therefore not determined whether the unvested 2015 LTIP and 2016 LTIP awards will ultimately vest.

Chief Executive Officer's change in remuneration

Set out below is a comparison of the change in remuneration of the Chief Executive Officer from 30 June 2018 to 30 June 2019, compared to the change in remuneration of the Group's salaried employees, excluding Executive Directors.

	Percentage change from 2018 to 2019		
	Annual salary	Bonus	Value of taxable benefits
Chief Executive Officer	5.0%[1]	(100)%[2]	(1.9)%[1]
Average of salaried employees	5.2%	15.1%	7.1%

1 For the purposes of the above table, salary and benefits for the year to 30 June 2019 are based on a pro rata combination of salary and benefits received by Jolyon Harrison and James Thomson.
2 No bonus was received by Executive Directors for the year to 30 June 2019 as the performance conditions were not met.

Relative importance of spend on pay

Set out below is the amount spent on remuneration for all employees of the Group (including Executive Directors) and the total amounts paid in distributions to shareholders over the year.

	2019 £m	2018 £m	Difference in spend £m	Difference as percentage
Remuneration for all employees	29.9	26.2	3.7	14.1%
Total distributions paid	18.8	14.4	4.4	30.6%

Implementation of the new policy for the year to 30 June 2020

Executive Directors

Base salaries

The Executive Directors have voluntarily frozen their base salaries for the year to 30 June 2020. The average increase for monthly paid salaried employees at 1 July 2019 was 4.4%.

	Base salary from 1 July 2019 £	Base salary for the year to 30 June 2019 £
James Thomson (appointed 10 June 2019)	485,000	485,000
Stefan Allanson	315,000	315,000

Annual bonus

The maximum bonus that can be earned in the year will be 100% of base salary for both the interim Chief Executive Officer and Chief Financial Officer. For the interim Chief Executive Officer, 50% of the award will be based on profit performance and 50% on strategic and personal performance reflecting the terms agreed on his appointment. Strategic and personal performance metrics will be based on leadership development and management structure. For the Chief Financial Officer, the award will be based wholly on profit performance.

As noted on page 56, no mandatory deferral will apply to any bonus earned in respect of the year to June 2020, reflecting the terms agreed with the interim Chief Executive Officer on appointment.

Details of the profit, strategic and personal performance targets will be fully disclosed in the Directors' Remuneration Report for the year to June 2020.

Long term incentive plan

The Committee proposes to make awards to the interim Chief Executive Officer and Chief Financial Officer in the year to 30 June 2020. The maximum long-term incentive opportunity will be 150% of salary for both the interim Chief Executive Officer and Chief Financial Officer. The award will be based on the achievement of EPS performance (as regards two-thirds of the award) and relative TSR performance (as regards one-third of the award) measured over a period of three financial years ending 30 June 2022. Any awards that vest will be subject to a two-year holding period.

EPS and relative TSR performance metrics provide further alignment with the overall Group strategy of creating value growth for our stakeholders. The use of these metrics also provides alignment with market practice and other housebuilders. The weighting of the performance metrics reflects the level of stretch required to maintain our current price earnings multiple compared to TSR comparator group peers. The Committee will review the weighting of the performance metrics annually. The EPS and relative TSR performance targets for the proposed awards are set out below:

	Threshold (20%) of awards vest[2]	Maximum (100%) of awards vest[2]
EPS	74.6 pence	87.9 pence
Relative TSR[1]	Median	Upper quartile

1. To be compared against a group of listed houebuilders comprising Barratt Developments, Bellway, Berkeley, Bovis Homes, Countryside Properties, Crest Nicholson, Galliford Try, McCarthy & Stone, Persimmon, Redrow and Taylor Wimpey.
2. Broadly straight-line vesting between threshold and maximum performance.

Pension

There are no changes to the pension benefits of the interim Chief Executive Officer and Chief Financial Officer for the year to 30 June 2020; current arrangements are set out on page 65. Executive Directors may continue to opt to receive a cash allowance in lieu of pension payments.

Chairman and Non-Executive Directors fees

In line with the decision by the Executive Directors to not accept an increase to their base salaries, the Committee determined that the Chairman's fee should be frozen for the year to 30 June 2020. The Chairman's fee therefore remains unchanged at £125,000 and this includes a fee of £10,500 for chairing the Nomination Committee.

The Board as a whole determine the fees for the Non-Executive Directors. As above, these have also been frozen for the year to 30 June 2020. The fees for the Non-Executive Directors therefore remain unchanged at £47,250 plus an additional, unchanged, fee of £10,500 for chairing a Board Committee.

The Remuneration Committee

During the year under review the Committee was chaired by Ross Ancell. The other Committee member is Colin Dearlove. Both of the Directors are independent Non-Executive Directors and they have no personal financial interest in matters to be decided, 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 36 and 37, and details of their attendance at the meetings of the Committee during the year ended 30 June 2019 are shown on page 40.

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 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, which are available on the Company's website, and its responsibilities include:

- recommending to the Board the policy for executive and senior management remuneration;
- 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;
- agreeing the remuneration of the Chairman of the Board;
- ensuring that, on termination, contractual terms and payments made are fair both to the Company and the individual so that failure is not rewarded; and
- agreeing the terms of reference of any remuneration consultants that it appoints.

Activities during the year

The Committee met on a number of occasions during the year, two 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:

- reviewing and approving the remuneration outcomes of the Executive Directors and senior management for the year ended 30 June 2018 and assessing the fairness of these remuneration outcomes;
- agreeing performance targets for the remuneration of the Executive Directors and senior management for the financial year ended 30 June 2019 and monitoring progress against these targets during the year;
- appointing remuneration consultants, Deloitte LLP, to advise on the proposed remuneration policy and reporting matters;
- reviewing and approving the proposed remuneration policy that will be put to shareholders for approval at the 2019 AGM;
- agreeing proposals for remuneration of the Executive and Non-Executive Directors, including the remuneration of the interim Chief Executive Officer, and application of the proposed remuneration policy for the year ending 30 June 2020;
- reviewing proposals for a remuneration agreement for the former Chief Executive Officer, Jolyon Harrison, and working to reach an agreement on such proposals;
- reviewing share awards vesting and approving amounts paid to the Executive Directors in respect of dividends earned on unvested shares that otherwise would have vested;
- reviewing and approving proposals for staff pay and bonuses, including examining benchmarking data and market information from third party advisers;
- reviewing and approving gender pay reporting for the Group; 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, Beth Broughton, and the Company Secretary, Stefan Allanson. The Company also took advice from Deloitte LLP who were appointed after the year end.

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.

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
2018 AGM: Approval of the Annual Report on Remuneration	28,474,455	81.04%	6,660,072	18.96%	35,134,527	2,824,392
2016 AGM: Approval of the Directors' Remuneration Policy	32,203,333	79.80%	8,152,122	20.20%	40,355,455	5,625

FINANCIAL STATEMENTS

Woodhorn Park, Ashington, Northumberland

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report 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 financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the 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 and Company 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, 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 also 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Group 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Each of the Directors, whose names and functions are listed in Board of Directors confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report 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 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 and Company's auditors are aware of that information.

By order of the Board

James Thomson
Director

Stefan Allanson
Director

13 September 2019

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 2019 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts ("the Annual Report"), which comprise: the Group and Company statement of financial position as at 30 June 2019; the Group consolidated income statement and consolidated statement of comprehensive income, the Group and Company statement of cash flows, and the Group and Company statement of changes in equity 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

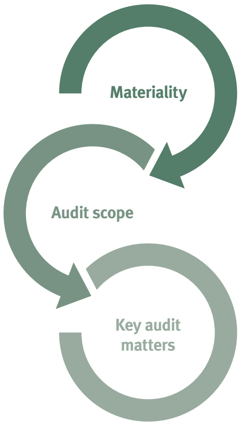
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities 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 to the Group or the Company.

We have provided no non-audit services to the Group or the Company in the period from 1 July 2018 to 30 June 2019.

Our audit approach

Overview



- Overall Group materiality: £2,060,000 (2018: £1,850,900), based on 5% of profit before tax.
- Overall Company materiality: £1,264,000 (2018: £1,503,000), based on 1% of total assets.

- 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.

- Carrying value of land and work in progress.

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.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of health and safety and breaches of the relevant tax 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 preparation of the financial statements such as 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 the posting of inappropriate journal entries to improve the Group's result for the period, and management bias in key accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to forecast selling prices and forecast costs to complete on individual sites in the Gleeson Homes segment, and in relation to the valuation of work in progress in the Gleeson Strategic Land segment (see related key audit matters below); and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations. Specifically we tested journal entries which inflated the Group result for the period with unusual offset entries, and we tested journal entries impacting cash with unusual offset entries to detect any potentially fraudulent cash extraction from the business.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

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.

Key audit matter	How our audit addressed the key audit matter
Carrying value of land and work in progress We focused upon this area because the value of the Group's land and work in progress represents a significant proportion of assets in the Group statement of financial position. Further, determining the carrying value of land and work in progress requires a high degree of judgement. For work in progress in Gleeson Homes, the key judgements include forecasting future costs to complete and selling prices which can be affected by market conditions and unexpected events. In Gleeson Strategic Land, 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. • Sample 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. • Tested the percentage completion of units across a sample of sites and checked that forecasts have been appropriately updated for expected costs and selling prices to completion. We also assessed the level of gross margins achieved against those recorded previously and future forecasts. • Assessed the historical accuracy of management's forecasting. • Tested forecast costs to complete, including forecast preliminary costs, to supporting documentation for a sample of sites. • Performed an independent assessment of cost accruals and build contingency via enquiry and corroboration to supporting evidence. For work in progress in Gleeson Strategic Land, we: • Tested a sample of costs incurred during the year. • Tested the transfer from work in progress to cost of sales for those sites sold during the year. • Discussed and challenged the status of a sample of projects with management and corroborated explanations received. • Recalculated the provision made by management against year-end work in progress by applying the Group's provisioning methodology. 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.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

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 Strategic Land, and each operating division represents a single reporting unit.

The Group financial statements are a consolidation of these two reporting units, the Group's discontinued operations, and the Group's central entities which include a further two reporting units.

Of the Group's five reporting units, we identified four 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:

	Group financial statements	Company financial statements
Overall materiality	£2,060,000 (2018: £1,850,900).	£1,264,000 (2018: £1,503,000).
How we determined it	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.	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 £60,900 and £1,957,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £103,000 (Group audit) (2018: £92,545) and £63,200 (Company audit) (2018: £75,150) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to 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. 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 the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

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. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 41 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 43 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code ("the Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 72, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 48 to 52 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- 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.

Directors' remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Director's responsibilities in respect of the financial statements set out on page 72, 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.

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 received 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 Directors' Remuneration Report 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 Directors 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 three years, covering the years ended 30 June 2017 to 30 June 2019.

Ian Marsden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
13 September 2019

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £000	2018 £000
Continuing operations			
Revenue	2	**249,899**	196,741
Cost of sales		**(174,936)**	(131,474)
Gross profit		**74,963**	65,267
Administrative expenses		**(34,256)**	(28,670)
Other operating income	5	**292**	257
Operating profit		**40,999**	36,854
Finance income	7	**906**	418
Finance expenses	7	**(693)**	(253)
Profit before tax		**41,212**	37,019
Tax	8	**(7,648)**	(6,526)
Profit for the year from continuing operations		**33,564**	30,493
Discontinued operations			
Loss for the year from discontinued operations (net of tax)	3	**(297)**	(257)
Profit for the year attributable to the equity holders of the parent		**33,267**	30,236
Earnings per share from continuing and discontinued operations			
Basic	10	**60.97 p**	55.55 p
Diluted	10	**59.84 p**	54.69 p
Earnings per share from continuing operations			
Basic	10	**61.51 p**	56.02 p
Diluted	10	**60.37 p**	55.15 p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

		2019 £000	2018 £000
Profit for the year		**33,267**	30,236
Other comprehensive income/(expense)			
Items that may be subsequently reclassified to profit or loss			
Change in value of shared equity receivables at fair value through OCI	16	**131**	31
Movement in deferred tax on share-based payments taken directly to equity	20	**240**	(237)
Other comprehensive income/(expense) for the year, net of tax		**371**	(206)
Total comprehensive income for the year		**33,638**	30,030

The notes on pages 83 to 101 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

		Group		Company	
	Note	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Non-current assets					
Plant and equipment	11	**2,343**	1,737	**1**	–
Investment properties	12	**257**	258	**–**	–
Investments in subsidiaries	13	**–**	–	**100,800**	100,800
Trade and other receivables	15	**16,759**	24,626	**–**	–
Deferred tax assets	20	**2,659**	3,731	**239**	127
		22,018	30,352	**101,040**	100,927
Current assets					
Inventories	14	**183,121**	160,517	**–**	–
Trade and other receivables	15	**45,795**	10,602	**21,666**	38,291
Cash and cash equivalents	22	**30,306**	41,314	**1,058**	8,474
UK corporation tax		**–**	–	**3,027**	2,625
		259,222	212,433	**25,751**	49,390
Total assets		**281,240**	242,785	**126,791**	150,317
Non-current liabilities					
Trade and other payables	17	**(8,774)**	(9,176)	**–**	–
Provisions	18	**(130)**	(110)	**–**	–
		(8,904)	(9,286)	**–**	–
Current liabilities					
Trade and other payables	17	**(65,068)**	(42,441)	**(63,358)**	(66,707)
Provisions	18	**–**	(49)	**–**	–
UK corporation tax		**(3,372)**	(2,910)	**–**	–
		(68,440)	(45,400)	**(63,358)**	(66,707)
Total liabilities		**(77,344)**	(54,686)	**(63,358)**	(66,707)
Net assets		**203,896**	188,099	**63,433**	83,610
Equity					
Share capital	24	**1,092**	1,092	**1,092**	1,092
Retained earnings*	28	**202,804**	187,007	**62,341**	82,518
Total equity		**203,896**	188,099	**63,433**	83,610

* Retained earnings have been restated for 1 July 2017 and 30 June 2018 as a result of changes in accounting standards. See note 28 for further information.

Retained earnings of the Company
The loss of the Company in the financial year amounted to £2,319,000 (2018: £2,090,000).

The financial statements on pages 78 to 101 were approved by the Board of Directors on 13 September 2019 and signed on its behalf by:

James Thomson
Director

Stefan Allanson
Director

Registration number: 9268016

The notes on pages 83 to 101 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

Group

	Note	Share capital £000	Retained earnings* £000	Total equity £000
At 1 July 2017		1,082	170,289	171,371
Total comprehensive income for the year				
Profit for the year		–	30,236	30,236
Other comprehensive expense		–	(206)	(206)
Total comprehensive income for the year		–	30,030	30,030
Transactions with owners, recorded directly in equity				
Contributions and distributions to owners				
Share issue	24	10	–	10
Sale of own shares		–	95	95
Share-based payments	25	–	1,026	1,026
Dividends	9	–	(14,433)	(14,433)
Transactions with owners, recorded directly in equity		10	(13,312)	(13,302)
At 30 June 2018		1,092	187,007	188,099
Total comprehensive income for the year				
Profit for the year		**–**	**33,267**	**33,267**
Other comprehensive income		**–**	**371**	**371**
Total comprehensive income for the year		**–**	**33,638**	**33,638**
Transactions with owners, recorded directly in equity				
Contributions and distributions to owners				
Sale of own shares		**–**	**32**	**32**
Share-based payments	25	**–**	**960**	**960**
Dividends	9	**–**	**(18,833)**	**(18,833)**
Transactions with owners, recorded directly in equity		**–**	**(17,841)**	**(17,841)**
At 30 June 2019		**1,092**	**202,804**	**203,896**

* Retained earnings have been restated for 1 July 2017 and 30 June 2018 as a result of changes in accounting standards. See note 28 for further information.

STATEMENT OF CHANGES IN EQUITY *CONTINUED*
FOR THE YEAR ENDED 30 JUNE 2019

Company

	Note	Share capital £000	Retained earnings £000	Total equity £000
At 1 July 2017		1,082	98,035	99,117
Total comprehensive expense for the year				
Loss for the year		–	(2,090)	(2,090)
Other comprehensive income		–	3	3
Total comprehensive expense for the year		–	(2,087)	(2,087)
Transactions with owners, recorded directly in equity				
Contributions and distributions to owners				
Share issue	24	10	–	10
Purchase of own shares		–	(23)	(23)
Share-based payments	25	–	1,026	1,026
Dividends	9	–	(14,433)	(14,433)
Transactions with owners, recorded directly in equity		10	(13,430)	(13,420)
At 30 June 2018		1,092	82,518	83,610
Total comprehensive expense for the year				
Loss for the year		**–**	**(2,319)**	**(2,319)**
Other comprehensive income		**–**	**57**	**57**
Total comprehensive expense for the year		**–**	**(2,262)**	**(2,262)**
Transactions with owners, recorded directly in equity				
Contributions and distributions to owners				
Purchase of own shares		**–**	**(42)**	**(42)**
Share-based payments	25	**–**	**960**	**960**
Dividends	9	**–**	**(18,833)**	**(18,833)**
Transactions with owners, recorded directly in equity		**–**	**(17,915)**	**(17,915)**
At 30 June 2019		**1,092**	**62,341**	**63,433**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Operating activities					
Profit/(loss) before tax from continuing operations		**41,212**	37,019	**(2,373)**	(2,012)
Loss before tax from discontinued operations	3	**(264)**	(217)	**–**	–
		40,948	36,802	**(2,373)**	(2,012)
Depreciation of plant and equipment	11	**1,108**	971	**–**	1
Share-based payments	25	**960**	1,026	**960**	1,026
Profit on redemption of shared equity receivables	16	**(226)**	(167)	**–**	–
Loss on disposal of plant and equipment	11	**152**	152	**–**	–
Finance income	7	**(906)**	(418)	**(37)**	(97)
Finance expenses	7	**693**	253	**328**	165
Operating cash flows before movements in working capital		**42,729**	38,619	**(1,122)**	(917)
Increase in inventories		**(22,604)**	(17,967)	**–**	–
(Increase)/decrease in receivables		**(27,133)**	(3,247)	**(37)**	140
Increase/(decrease) in payables		**21,820**	9,855	**(143)**	(65)
Decrease in amounts due from subsidiary undertakings		**–**	–	**16,663**	7,722
Increase in amounts due to subsidiary undertakings		**–**	–	**2,315**	3,920
Cash generated in operating activities		**14,812**	27,260	**17,676**	10,800
Tax received		**37**	–	**37**	–
Tax paid		**(5,944)**	(5,156)	**(5,944)**	(5,156)
Interest paid		**(314)**	(172)	**(344)**	(165)
Net cash flow surplus from operating activities		**8,591**	21,932	**11,425**	5,479
Investing activities					
Proceeds from disposal of shared equity receivables		**995**	960	**–**	–
Proceeds from disposal of investment properties		**1**	45	**–**	–
Interest received		**72**	29	**35**	194
Purchase of plant and equipment	11	**(1,866)**	(1,376)	**(1)**	–
Net cash flow (deficit)/surplus from investing activities		**(798)**	(342)	**34**	194
Financing activities					
Proceeds from issue of shares		**–**	10	**–**	10
Sale/(purchase) of own shares		**32**	95	**(42)**	(23)
Dividends paid	9	**(18,833)**	(14,433)	**(18,833)**	(14,433)
Net cash flow deficit from financing activities		**(18,801)**	(14,328)	**(18,875)**	(14,446)
Net (decrease)/increase in cash and cash equivalents		**(11,008)**	7,262	**(7,416)**	(8,773)
Cash and cash equivalents at beginning of year		**41,314**	34,052	**8,474**	17,247
Cash and cash equivalents at end of year	22	**30,306**	41,314	**1,058**	8,474

1 Accounting policies

MJ Gleeson plc ("the Company") is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The address of the registered office is 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE.

Basis of preparation

The consolidated financial statements of the Company and the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements with the exception of policies for Revenue and Financial Instruments. These policies have been updated following the implementation of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments". Further details can be found in note 28. Assets and liabilities in the financial statements have been valued at historic cost except where otherwise indicated in these accounting policies.

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").

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of the financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Subsidiaries

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

Revenue recognition

Revenue represents the fair value of the consideration received or receivable in respect of the sale of homes and land net of VAT and discounts. Revenue is recognised when control transfers to a customer as follows:

- Revenue from homes sales is recognised when control is transferred to the customer, which is deemed to be on legal completion when title of the property passes to the customer.
- Revenue from land sales is recognised at the earlier of when contracts to sell are completed and title has passed or when unconditional contracts to sell are exchanged and control has passed to the customer. Variable consideration such as overages are 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 both parties.

Segment 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 operating segments' 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. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire plant and equipment.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed of or has been abandoned.

Discontinued operations are presented in the consolidated income statement (including the comparative period) as a single line entry recording the gain or loss of the discontinued operation.

Finance income and expenses

Finance income comprises interest income on bank deposits and the unwinding of discounts on deferred receipts. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest and fees on bank facilities, and the unwinding of discounts on deferred payments. Interest expense is recognised in the consolidated income statement using the effective interest method.

1 Accounting policies continued

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

Plant and equipment
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:

Plant and equipment: between 3 and 6 years

Depreciation of these assets is charged to the consolidated income statement.

Investments
Investments are stated at cost less impairment.

Investment properties
Investment properties, which are ground rent properties held to earn rentals and/or for capital appreciation, are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the period in which they arise.

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 state at the reporting date, including direct materials, direct labour costs and related overheads, less the value of any impairment losses.

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. Deferred land purchases are included in inventories at their net present value.

Shared equity receivables
Shared equity receivables are recorded at fair value through other comprehensive income (“OCI"), representing the amount receivable by the Group 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, dividends, and impairment losses on shared equity receivables are recognised in the consolidated income statement.

Trade receivables
Trade receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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: financial assets
The Group assesses the expected credit losses associated with its financial assets carried at amortised cost on a forward-looking basis. For trade receivables, the Group applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment: non-financial assets
The carrying amounts of the Group’s 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 to sell. 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 consolidated 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.

1. Accounting policies continued

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.

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the consolidated 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 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

Defined contribution pension plans

Obligations for contributions to defined contribution pension schemes are charged to the consolidated income statement in the period to which the contributions relate.

Share options

Share option schemes allow employees to acquire shares in the ultimate Parent Company. The fair value of options granted is recognised as an employee expense, with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become entitled to the options. The fair value of the options granted is measured using generally accepted option pricing models, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is due only to performance conditions not being met. These awards are granted by the ultimate Parent 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 Group has elected to treat the Employee Benefit Trusts (“EBT"), which hold shares for the purpose of the employee share purchase plans, as separate legal entities and as subsidiaries of the Company. Any loan made to the EBT is accounted for as an intercompany loan with the Company. These shares are not treasury shares as defined by the London Stock Exchange.

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.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS 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 at the balance sheet date are:

Inventories (land and work in progress)

Inventories are stated at the lower of cost and net realisable value. 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. These are carried out at regular intervals throughout the year, during which site development costs are allocated between units built in the current year and those to be built in future years. These assessments include a degree of inherent uncertainty when estimating the profitability of a site and in assessing any impairment provisions which may be required.

Shared equity receivables

The valuation of shared equity receivables is made in the light of current market conditions, expected house price inflation, cost of money and the expected time to realisation of the assets and is therefore subject to a degree of inherent estimation uncertainty.

1. Accounting policies continued

Adoption of new and revised standards

For the year ended 30 June 2019, the Group has applied the following new and revised standards that were mandatorily effective for an accounting period beginning on or after 1 January 2018.

Standard	
Annual improvements	Issued 2014 – 2016
IFRS 2 (Amended)	"Share-based payments" (issued June 2016)
IFRS 9	"Financial instruments" (issued July 2014)
IFRS 15	"Revenue from contracts with customers" (issued May 2014)
IFRS 15 (Amended)	"Revenue from contracts with customers" (issued April 2016)

Note 28 sets out the impact of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers". The adoption of the remaining standards and amendments has not had any material impact on the disclosures or the 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 Company in preparing the financial statements for the year ended 30 June 2019:

Standard		Effective for periods beginning on or after
IFRS 16	"Leases" (issued January 2016)	1 January 2019
IFRS 9 (Amended)	"Financial instruments" (issued October 2017)	1 January 2019
Annual improvements	Issued 2015 – 2017 (issued December 2017)	1 January 2019

IFRS 16 will introduce a "right-of-use asset" and a lease liability representing future lease payments to the statement of financial position in respect of leases to which the Company and the Group is a party. This will not have a material net impact on the reported equity of the Company and the Group. If the new Standard was to be applied at the balance sheet date, the total assets of the Group would increase by £2,633,000 and total liabilities would increase by £2,770,000. Consequently, the net impact would be a decrease in net assets of £137,000. There would be £nil impact on the Company's statement of financial position. There will be no impact on cash flows of the Group and the Company as a result of the new standard.

Enhanced disclosures will be required for IFRS 16 and these will be included in the financial statements for the year to 30 June 2020.

The application of the remaining 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.

2 Segmental analysis

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

- Gleeson Homes
- Gleeson Strategic Land

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

	Note	2019 £000	2018 £000
Revenue			
Continuing activities:			
Gleeson Homes		**197,034**	153,397
Gleeson Strategic Land		**52,865**	43,344
Total revenue		**249,899**	196,741
Profit on activities			
Gleeson Homes		**30,068**	26,165
Gleeson Strategic Land		**13,013**	12,633
		43,081	38,798
Administrative expenses		**(2,082)**	(1,944)
Finance income		**906**	418
Finance expenses		**(693)**	(253)
Profit before tax		**41,212**	37,019
Tax		**(7,648)**	(6,526)
Profit for the year from continuing operations		**33,564**	30,493
Loss for the year from discontinued operations (net of tax)	3	**(297)**	(257)
Profit for the year		**33,267**	30,236

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

Revenue of £26,521,000 was derived from a single external customer, which makes up more than 10% of total Group revenue. This revenue was attributable to the Gleeson Strategic Land segment.

Balance sheet analysis of business segments:

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

Other information:

	2019		2018	
	Capital additions £000	Depreciation £000	Capital additions £000	Depreciation £000
Continuing operations:				
Gleeson Homes	**1,838**	**1,096**	1,367	965
Gleeson Strategic Land	**27**	**11**	9	5
Group activities	**1**	**1**	–	1
	1,866	**1,108**	1,376	971

3 Discontinued operations

The activity of Gleeson Construction Services Limited now only relates to remedial works and historic employment liability claims and the division is classified as discontinued.

	2019 £000	2018 £000
Revenue	–	–
Cost of sales	–	–
Gross loss	–	–
Administrative expenses	(264)	(217)
Operating loss	(264)	(217)
Loss before tax	(264)	(217)
Tax	(33)	(40)
Loss for the year from discontinued operations	(297)	(257)

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

	2019 £000	2018 £000
Operating activities	(361)	(321)

4 Expenses and auditors' remuneration

Profit for the year is stated after charging:

	Note	2019 £000	2018 £000
Staff costs	6	29,922	26,182
Depreciation of plant and equipment	11	1,108	971
Loss on disposal of plant and equipment	11	152	152
Operating lease expenses	21	745	543
Auditors' remuneration:			
Audit of these financial statements		81	69
Audit of financial statements of subsidiaries pursuant to legislation		19	14

5 Other operating income

	Note	2019 £000	2018 £000
Profit on redemption of shared equity receivables	16	226	167
Other operating income		66	90
		292	257

6 Staff costs

		Group		Company	
	Note	2019 £000	2018 £000	2019 £000	2018 £000
Wages and salaries		24,840	21,255	866	1,102
Share-based payments	25	960	1,026	230	165
Social security costs		3,113	3,160	214	230
Pension costs	19	1,009	741	66	62
		29,922	26,182	1,376	1,559

6 Staff costs continued

The monthly average number of employees during the year was:

	Group	
	2019 No.	2018 No.
Gleeson Homes	**535**	463
Gleeson Strategic Land	**13**	11
Group activities	**2**	6
	550	480

The monthly average number of Company employees and Non-Executive Directors during the year was 6 (2018: 6).

Directors' remuneration

Full details of the Directors' remuneration is provided in the audited part of the Remuneration Report on pages 64 to 66.

7 Finance income and expenses

	2019 £000	2018 £000
Finance income		
Interest on bank deposits	**36**	18
Unwinding of discount on long-term receivables	**843**	396
Other interest	**27**	4
	906	418
Finance expenses		
Interest on bank overdrafts and loans	**(53)**	–
Bank charges	**(275)**	(165)
Unwinding of discount on long-term payables	**(351)**	(83)
Other external interest	**(14)**	(5)
	(693)	(253)
Net finance income	**213**	165

8 Tax

		Group					
		Continuing operations		Discontinued operations		Total	
	Note	**2019 £000**	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
Current tax							
Current year expense		**6,397**	5,569	**–**	–	**6,397**	5,569
Adjustment in respect of prior years		**(28)**	(36)	**–**	–	**(28)**	(36)
Current tax expense for the year		**6,369**	5,533	**–**	–	**6,369**	5,533
Deferred tax							
Current year expense	20	**1,350**	1,003	**37**	45	**1,387**	1,048
Adjustment in respect of prior years	20	**(118)**	(33)	**–**	–	**(118)**	(33)
Impact of rate change	20	**47**	23	**(4)**	(5)	**43**	18
Deferred tax expense for the year		**1,279**	993	**33**	40	**1,312**	1,033
Total tax charge		**7,648**	6,526	**33**	40	**7,681**	6,566

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

8 Tax continued

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

		2019		2018	
	Note	£000	%	£000	%
Profit before tax from continuing operations		**41,212**		37,019	
Loss before tax from discontinued operations	3	**(264)**		(217)	
Profit before tax		**40,948**		36,802	
Profit before tax multiplied by the standard rate of UK corporation tax 19% (2018: 19%)		**7,780**	**19.0**	6,992	19.0
Tax effect of:					
Expenses not deductible for tax purposes		**4**	**–**	10	0.0
Relief for share-based payments		**–**	**–**	(385)	(1.0)
Impact of rate differences		**43**	**0.1**	18	0.0
Adjustments in respect of prior years – current tax		**(28)**	**–**	(36)	(0.1)
Adjustments in respect of prior years – deferred tax	20	**(118)**	**(0.3)**	(33)	(0.1)
Total tax charge and effective tax rate for the year		**7,681**	**18.8**	6,566	17.8

9 Dividends

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

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

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

10 Earnings per share

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

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

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

Continuing operations	2019 p	2018 p
Basic earnings per share	**61.51**	56.02
Diluted earnings per share	**60.37**	55.15

Discontinued operations	2019 p	2018 p
Basic loss per share	**(0.54)**	(0.47)
Diluted loss per share	**(0.53)**	(0.46)

10 Earnings per share continued

Continuing and discontinued operations	2019 p	2018 p
Basic earnings per share	**60.97**	55.55
Diluted earnings per share	**59.84**	54.69

11 Plant and equipment

	Group Plant and equipment £000	Company Plant and equipment £000
Cost or valuation		
At 1 July 2017	4,954	14
Additions	1,376	–
Disposals	(938)	–
At 30 June 2018	**5,392**	**14**
Additions	**1,866**	**1**
Disposals	**(625)**	**(14)**
At 30 June 2019	**6,633**	**1**
Accumulated depreciation		
At 1 July 2017	3,470	13
Charge for the year	971	1
Disposals	(786)	–
At 30 June 2018	**3,655**	**14**
Charge for the year	**1,108**	**–**
Disposals	**(473)**	**(14)**
At 30 June 2019	**4,290**	**–**
Net book value		
At 30 June 2017	1,484	1
At 30 June 2018	1,737	–
At 30 June 2019	2,343	1

The Group has recorded a depreciation charge of £1,108,000 (2018: £971,000), of which £292,000 (2018: £231,000) has been charged in cost of sales and £816,000 (2018: £740,000) in administrative expenses.

The Company has recorded a depreciation charge of £nil (2018: £1,000).

12 Investment properties

	Group £000
At 1 July 2017	303
Disposals	(45)
At 30 June 2018	**258**
Disposals	**(1)**
At 30 June 2019	**257**

Investment properties, which comprise a legacy portfolio of ground rent properties, are stated at fair value based on valuation by the Directors.

13 Investments in subsidiaries

	Company £000
Cost	
At 1 July 2017, 30 June 2018, and 30 June 2019	**100,800**

Principal 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 Strategic Land Limited	Strategic land trading
Gleeson Strategic Land (Fleet) Limited[1]	Strategic land trading

1 Shares held by Gleeson Strategic Land Limited.

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]	In run off – Construction services
Colroy Limited[3]	Dormant
Haredon Developments Limited[3]	Dormant
Gleeson Capital Solutions Limited	Dormant
Gleeson Classic Homes Limited[1]	Dormant
Gleeson Homes (Southern) Limited[1]	Dormant
Gleeson Housing Developments Limited[1]	Dormant
Gleeson PFI Investments Limited	Dormant
Gleeson Properties Limited	Dormant
Gleeson Properties (Kingley) Limited[3]	Dormant
Gleeson Properties (Petersfield) Limited[3]	Dormant
Gleeson Services Limited	Dormant
KW Cannock Properties Limited	Dormant
MJ Gleeson (International) Limited	Dormant
MJG (Management) Limited	Dormant
Oakmill Properties Limited[3]	Dormant
Sindale Properties Limited[1]	Dormant

1 Shares held by Gleeson Developments Limited.
2 Shares held by MJ Gleeson Group Limited.
3 Shares held by Gleeson Properties Limited.

14 Inventories

	2019 £000	2018 £000
Land held for development	**70,923**	72,329
Work in progress	**112,198**	88,188
	183,121	160,517

Net realisable value provisions held against inventories at 30 June 2019 were £2,224,000 (2018: £2,325,000).

The cost of inventories recognised as an expense in cost of sales was £175,798,000 (2018: £132,278,000).

15 Trade and other receivables

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Trade receivables	**55,204**	29,631	**6**	4
VAT recoverable	**2,162**	–	**36**	15
Prepayments and accrued income	**752**	600	**19**	5
Shared equity receivables	**4,436**	4,997	**–**	–
Amount due from subsidiary undertakings	**–**	–	**21,605**	38,267
	62,554	35,228	**21,666**	38,291
Non-current	**16,759**	24,626	**–**	–
Current	**45,795**	10,602	**21,666**	38,291
	62,554	35,228	**21,666**	38,291

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 16 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.

16 Financial instruments

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. Prudent and controlled use of financial instruments is permitted where appropriate.

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 principal financial assets are trade and other receivables and investments.

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 Directors consider that the carrying value of trade receivables approximates to their fair value.

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 2019, the Group's most significant credit risk was with a listed housebuilder and amounted to £29,991,000 (2018: £23,471,000) of the trade and other receivables carrying amount, with the deferred receivables secured by way of first legal charge over the land. The Group's remaining credit risk is spread over a large number of counterparties and customers.

Trade receivables ageing

The ageing of gross trade receivables at the reporting date was:

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Not past due	**51,662**	25,732	**6**	4
Past due 0–30 days	**1,138**	1,060	**–**	–
Past due 31–120 days	**4**	–	**–**	–
Past due 121–365 days	**78**	2,784	**–**	–
Past due more than one year	**2,806**	123	**–**	–
	55,688	29,699	**6**	4

16 Financial instruments continued

All trade receivables are from UK customers.

Trade receivables past due more than one year are largely retentions within the Gleeson Homes division. The amounts due are included at expected realisable value.

Included in trade receivables not past due are £12,323,000 (2018: £19,629,000) 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	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Balance at 1 July	**68**	68	**–**	–
Impairment loss recognised	**416**	–	**–**	–
Balance at 30 June	**484**	68	**–**	–

Market risk

The Group has no significant exposure to currency risk or equity risk.

Interest rate risk

The Group closely monitors its exposure to variations in interest rates but has limited exposure. At the year end, the Group had no debt or other material interest-bearing financial liabilities.

A 1% increase in interest rates would improve the annual income of the Group by £303,000 (2018: £413,000) based on the cash balance at the year end. A 1% decrease would cause income to fall by the same amount.

Liquidity risk

During the year, the Group exercised the accordion option on its £20,000,000 credit facility with Lloyds Bank plc to increase the facility to £40,000,000 and extended the maturity date to 31 August 2021. As at 30 June 2019 the Group was not drawn on the facility.

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date:

	2019		2018	
	Effective interest rate %	**Due within one year £000**	Effective interest rate %	Due within one year £000
Bank balances	**0.50**	**30,306**	0.25	41,314

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	**Carrying amount £000**	**Contractual cash flows £000**	**6 months or less £000**	**6–12 months £000**	**1–2 years £000**	**2–5 years £000**	**More than 5 years £000**
As at 30 June 2019							
Trade and other payables	**(73,842)**	**(74,330)**	**(58,542)**	**(5,073)**	**(8,802)**	**(1,913)**	**–**
	(73,842)	**(74,330)**	**(58,542)**	**(5,073)**	**(8,802)**	**(1,913)**	**–**

	Carrying amount £000	Contractual cash flows £000	6 months or less £000	6–12 months £000	1–2 years £000	2–5 years £000	More than 5 years £000
As at 30 June 2018							
Trade and other payables	(51,617)	(52,260)	(36,332)	(6,108)	(4,560)	(5,260)	–
	(51,617)	(52,260)	(36,332)	(6,108)	(4,560)	(5,260)	–

16. Financial instruments continued

Company

The non-derivative financial liabilities of the Company in the current and prior year are predominantly intercompany balances which are payable on demand. The external balances are payable within six months.

Exposure to currency risk

The Group has no direct exposure to foreign currency risk.

Fair values

The fair values of the Group's financial assets and liabilities are not materially different from the carrying values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments. Following the implementation of IFRS 9 "Financial instruments" shared equity receivables are measured at fair value through other comprehensive income (FVOCI) as set out in note 28.

Shared equity receivables measured at FVOCI

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

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

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

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

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

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

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

The key assumptions applied in calculating fair value as at the balance sheet date were:

- Forecast regional house price inflation: 2.0%
- Average period to redemption: 5 years
- Discount rate: 8%

16 Financial instruments continued

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

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

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 24 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 to it 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.

17 Trade and other payables

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Trade payables	**49,319**	33,142	**117**	126
Other taxation and social security	**1,438**	1,149	**52**	90
VAT payable	**–**	1,927	**–**	–
Accruals and deferred income	**23,085**	15,399	**632**	698
Amount due to subsidiary undertakings	**–**	–	**62,557**	65,793
	73,842	51,617	**63,358**	66,707
Non-current	**8,774**	9,176	**–**	–
Current	**65,068**	42,441	**63,358**	66,707
	73,842	51,617	**63,358**	66,707

Amounts due to subsidiary undertakings are unsecured, repayable on demand, and interest free.

18 Provisions

	Group Dilapidations £000
At 1 July 2017	211
Provisions released during the year	(52)
At 30 June 2018	**159**
Provisions made during the year	**20**
Provisions released during the year	**(49)**
At 30 June 2019	**130**

	2019 £000	2018 £000
Non-current	**130**	110
Current	**–**	49
	130	159

18 Provisions continued

Dilapidations

The dilapidations provision covers the Group's leased property estate. The expected provision needed at the end of each lease is recognised straight-line over the term of the lease.

Company

At 30 June 2019, the Company did not have any provisions (2018: £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 £1,009,000 (2018: £741,000) represents contributions payable to the defined contribution pension plan by the Group at rates specified in the plan rules. At 30 June 2019, contributions of £132,000 (2018: £90,000) 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 £66,000 (2018: £62,000) represents contributions payable to the defined contribution pension plan by the Company at rates specified in the plan rules.

20 Deferred tax assets

Group

The deferred tax assets recognised by the Group and movements thereon during the current and prior year are as follows:

	Plant and equipment £000	Losses £000	Short-term timing differences £000	Share-based payments £000	Total £000
At 1 July 2017	395	3,382	214	1,010	5,001
Adjustment in respect of prior year	4	60	(1)	(30)	33
(Charge)/credit to income	43	(1,096)	(61)	66	(1,048)
Charge to equity	–	–	–	(237)	(237)
Impact of rate change	(2)	(15)	6	(7)	(18)
At 30 June 2018	**440**	**2,331**	**158**	**802**	**3,731**
Adjustment in respect of prior year	**(23)**	**145**	**102**	**(106)**	**118**
(Charge)/credit to income	**(89)**	**(1,704)**	**233**	**173**	**(1,387)**
Credit to equity	**–**	**–**	**–**	**240**	**240**
Impact of rate change	**4**	**(10)**	**(25)**	**(12)**	**(43)**
At 30 June 2019	**332**	**762**	**468**	**1,097**	**2,659**

A reduction in the UK corporation tax rate from 19% to 17% with effect from 1 April 2020 was substantively enacted into law before the balance sheet date. In the opinion of the Directors, some timing differences are expected to reverse prior to 1 April 2020, and some after 1 April 2020. Therefore deferred tax has been provided at a mixed rate between 19% and 17% for relevant timing differences on a company by company basis to arrive at the consolidated position. If all of the deferred tax balances were restated at a rate of 17% rather than 19%, the total deferred tax asset would reduce by £120,000 to £2,539,000.

At the balance sheet date, the Group has gross tax losses of £13,015,000 (2018: £21,215,000) of which £4,149,000 (2018: £12,349,000) have been recognised as a deferred tax asset. The Group has unrecognised tax losses of £8,866,000 (2018: £8,866,000) available for offset against future profits. Losses may be carried forward indefinitely against future taxable trading profits.

Of the total deferred tax asset, £1,615,000 (2018: £2,287,000) is expected to be recovered within 12 months of the balance sheet date.

20 Deferred tax assets continued

Company

The deferred tax assets recognised by the Company and movements thereon during the current and prior year are as follows:

	Plant and equipment £000	Short-term timing differences £000	Share-based payments £000	Total £000
At 1 July 2017	2	115	85	202
Adjustment in respect of prior year	–	(114)	3	(111)
Credit to income	–	–	37	37
Credit to equity	–	–	3	3
Impact of rate change	–	–	(4)	(4)
At 30 June 2018	**2**	**1**	**124**	**127**
Adjustment in respect of prior year	**–**	**15**	**(18)**	**(3)**
Credit to income	**–**	**19**	**44**	**63**
Credit to equity	**–**	**–**	**57**	**57**
Impact of rate change	**–**	**(2)**	**(3)**	**(5)**
At 30 June 2019	**2**	**33**	**204**	**239**

21 Operating leases

Operating leases – lessee

	Group	
	2019 £000	2018 £000
Minimum lease payments under non-cancellable operating leases recognised as an expense for the year	**745**	543
	745	543

At the balance sheet date, the Group has outstanding commitments for minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group	
	2019 £000	2018 £000
Within one year	**858**	577
Within two to five years	**2,227**	1,499
After five years	**1,176**	960
	4,261	3,036

Land and building lease terms vary between one to ten years.

The Company had no minimum lease payments under non-cancellable operating leases.

22 Cash and cash equivalents

	Group £000	**Company £000**
At 1 July 2017	34,052	17,247
Cash flow	7,262	(8,773)
At 30 June 2018	**41,314**	**8,474**
Cash flow	**(11,008)**	**(7,416)**
At 30 June 2019	**30,306**	**1,058**

23 Bonds and securities

Group and Company

At 30 June 2019, the Group had bonds and securities of £39,055,000 (2018: £22,537,000) 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.

Bank guarantees

The Company, together with certain other companies in the Group, has given cross guarantees in respect of the bank facilities available to Group undertakings in the normal course of business. At 30 June 2019, borrowings covered by these guarantees amount to £nil (2018: £nil).

24 Share capital

Group and Company

	2019		2018	
	Number 000	£000	Number 000	£000
Issued and fully paid ordinary shares:				
At 1 July	**54,588**	**1,092**	54,120	1,082
Shares issued during year	**–**	**–**	467	10
At 30 June	**54,588**	**1,092**	54,588	1,092

Ordinary shares

The Company has one class of ordinary share which carries no rights to fixed income. All issued shares are fully paid.

The number of ordinary shares of 2p in issue at 30 June 2019 was 54,587,753 (2018: 54,587,753).

At 30 June 2019, the Employee Benefit Trusts (“EBT") held 15,000 shares (2018: 28,000) at a cost of £113,000 (2018: £219,000) which have not yet vested unconditionally. The shares are held in the EBT for the purpose of satisfying matched share awards that have been granted under the employee share ownership plans.

25 Share-based payments

The Group operates a number of share option schemes, a summary of which is shown below. Additional information regarding the share-based payment arrangements for Executive Directors is set out in the Remuneration Report on pages 54 to 69. 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	PSP 30/09/15 No. of shares	PSP 04/10/16 No. of shares	LTIP 12/12/16 No. of shares	LTIP 26/09/17 No. of shares	LTIP 09/10/18 No. of shares
Outstanding at 1 July 2017	38,926	14,800	279,158	14,000	276,315	–	–
Granted in the year	–	5,701	–	–	–	409,793	–
Forfeited	(4)	(26)	–	–	–	–	–
Exercised	(11,707)	(743)	–	–	–	–	–
Outstanding at 30 June 2018	**27,215**	**19,732**	**279,158**	**14,000**	**276,315**	**409,793**	**–**
Granted in the year	**–**	**6,349**	**–**	**–**	**–**	**–**	**67,500**
Forfeited	**(14)**	**(101)**	**–**	**–**	**–**	**(19,731)**	**–**
Exercised	**(4,976)**	**(5,067)**	**–**	**–**	**–**	**–**	**–**
Outstanding at 30 June 2019	**22,225**	**20,913**	**279,158**	**14,000**	**276,315**	**390,062**	**67,500**
Remaining contractual life	**Rolling scheme**	**Rolling scheme**	**nil**	**3 months**	**nil**	**12 months**	**24 months**
Weighted average exercise price	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Weighted average share price at date of exercise – current year	**£7.78**	**£7.37**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Weighted average share price at date of exercise – prior year	**£7.21**	**£6.37**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

Fair value is used to measure the value of the outstanding options.

25 Share-based payments continued

Share purchase plan

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.

Performance share plans/long term incentive plan

The fair value per option has been calculated using a modified Monte Carlo model. The inputs into the model at each grant date and the estimated fair value were as follows:

Date of grant	PSP 30/09/15	PSP 04/10/16	LTIP 12/12/16	LTIP 26/09/17	LTIP 09/10/18
The model inputs were:					
Share price at grant date	£4.82	£5.95	£5.70	£6.50	£7.04
Total shareholder return target	£6.15	£6.50	£6.50	£8.00	£10.00
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00
Expected volatility[1]	32%	30%	30%	36%	35%
Expected dividends	2.00%	3.20%	n/a[2]	n/a[2]	n/a[2]
Expected life	3 years	3 years	31 months	33 months	33 months
Risk-free interest rate	0.76%	0.30%	0.60%	0.50%	0.98%
Fair value of one option	£2.37	£3.15	£2.95	£3.40	£3.41

1 Expected volatility was determined by calculating the historical volatility of the Company's share price; volatility was measured over the previous 3 years.
2 Awards made under the LTIP allows, 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.

The total share-based payment cost charged to the consolidated income statement was £960,000 (2018: £1,026,000).

26 Capital commitments

At 30 June 2019, the Group had capital commitments of £nil (2018: £nil). The Company had no capital commitments (2018: £nil).

27 Related party transactions

Identity of related parties

The Group has a related party relationship with its joint ventures and 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 36 and 37, and certain other senior managers.

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

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

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

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

27 Related party transactions continued

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	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Subsidiaries	1,771	727	21,605	38,267	62,557	65,793
	1,771	727	21,605	38,267	62,557	65,793

28 Adoption of new accounting standards

IFRS 9 “Financial instruments”

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

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

Changes in fair value are recognised initially in other comprehensive income (“OCI”). When the asset is derecognised or reclassified, changes in fair value previously recognised in OCI and accumulated in equity are reclassified to profit and loss on a basis that always results in an asset measured at FVOCI having the same effect on profit and loss as if it were measured at amortised cost.

Impairment of financial assets

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

The main class of financial asset held by the Group is trade and other receivables, principally receivables for land sold on deferred terms. As the period for deferment is short and security is held, the risk of loss to the Group is considered to be sufficiently mitigated and credit risk is considered low. The Group also has financial assets in the form of shared equity receivables as set out in note 16. These are measured at fair value through OCI and the assessment of fair value includes consideration of credit risk across the portfolio. Other receivables include completion monies for house sales which exist only for short periods of time and mainly relate to the Help to Buy scheme, exposing the Group to limited credit risk. Hence, the application of the expected credit risk model has had no material impact on the financial statements.

The effect of implementing IFRS 9 is as follows:

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

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

IFRS 15 “Revenue from contracts with customers”

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

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

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

OTHER INFORMATION

St. Aidan's View, Chilton, County Durham

FIVE YEAR REVIEW

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Revenue	**249,899**	196,741	160,384	142,065	117,588
Exceptional restructuring costs	**–**	–	–	–	(1,236)
Operating profit	**40,999**	36,854	32,963	28,166	22,046
Provision for diminution in value of investments	**–**	–	–	–	(4,896)
Net finance income	**213**	165	49	72	113
Profit before tax	**41,212**	37,019	33,012	28,238	17,263
Tax (charge)/credit	**(7,648)**	(6,526)	(6,488)	(4,934)	(4,848)
Profit after tax	**33,564**	30,493	26,524	23,304	12,415
Discontinued operations	**(297)**	(257)	(310)	(345)	(207)
Profit for the year	**33,267**	30,236	26,214	22,959	12,208
Total assets	**281,240**	242,785	215,742	180,640	168,592
Total liabilities	**(77,344)**	(54,686)	(44,371)	(27,735)	(32,063)
Net assets	**203,896**	188,099	171,371	152,905	136,529

	pence	pence	pence	pence	pence
Total dividend per share for the year	**34.5**	32.0	24.0	14.5	10.0
Earnings per share from continuing operations	**61.5**	56.0	49.1	43.2	23.2
Earnings per share – normalised*	**61.0**	55.6	48.5	42.6	34.2
Net assets per share	**374**	345	317	283	254

* Normalised earnings per share include discontinued operations and exclude the impact of exceptional costs.

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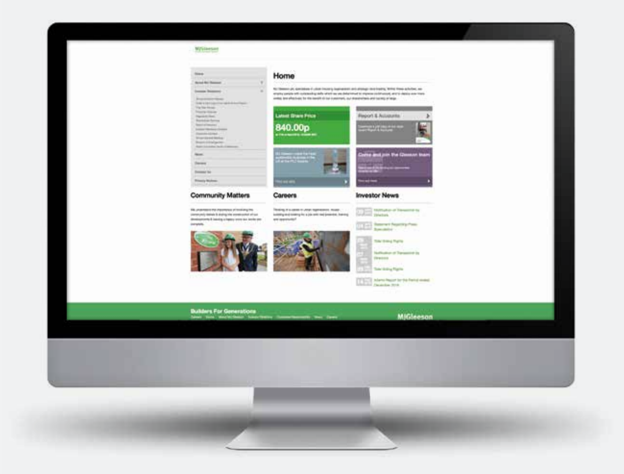
OUR WEBSITE

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.

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FINANCIAL CALENDAR

Financial year end	30 June 2019
Full year results announced	16 September 2019
Ex-dividend date for final dividend	14 November 2019
Record date for final dividend	15 November 2019
Annual General Meeting	5 December 2019
Final dividend payment	13 December 2019

ABOUT THIS REPORT

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