gleeson

builders for generations

MJ Gleeson plc
Report and Accounts
2017

MJ Gleeson plc

Our twin track strategy – the development of low cost homes for open market sale in the North of England and strategic land sales in the South – delivered another excellent year of increased volumes, margins, profit and cash.

Gleeson Homes achieved its milestone target of 1,000 unit sales per annum and has set a new milestone target of 2,000 unit sales per annum within the next 5 years. Affordability remains very attractive and demand exceeds supply, with buyers queueing on site opening days. The division opened another area office, bringing the total number of area offices to seven plus two pilot offices, and has a pipeline of owned and conditionally purchased sites containing 11,588 plots, equivalent to more than 11 years of sales.

Gleeson Strategic Land also had a record year and continues to benefit from strong demand for consented land in prime locations from both medium sized and large housebuilders. The division has a strong pipeline of sites, predominantly in the South of England, which have the opportunity of developing 21,505 plots, and anticipates continuing to enjoy a high level of success in promoting commercially attractive sites through the planning system.

The Board is confident in the Group's short and longer term outlook.

Contents

Cover: Sophie, Masefield Park, Holmewood, Derbyshire

Financial Highlights

Profit before tax	**Cash and cash equivalents**	**Dividend for the year**
+17%	**+47%**	**+66%**
2017: £33.0m, 2016: £28.2m	2017: £34.1m, 2016: £23.2m	2017: 24.0p, 2016: 14.5p
Operating margin	**Return on capital employed**	**Earnings per share**
20.6%	**25.4%**	**48.5p**
2016: 19.8%	2016: 23.2%	2016: 42.6p

Carlisle Park, Swinton, South Yorkshire

Chairman's Statement

"I am pleased to report a milestone year for volumes and another excellent year of growth in margins, profit and cash."

Dermot Gleeson
Chairman

Gleeson Homes exceeded 1,000 unit sales for the first time, increasing volumes by 12.1% to 1,013 units (2016: 904 units). Gross margins on plot sales strengthened to 33.0% as a result of changes to site mix, increase in selling prices and robust cost controls resulting in a 16.9% increase in operating profit to £22.8m (2016: £19.5m). Taking advantage of relatively low land prices in its target areas in the North of England, the division increased its land pipeline by 2,304 plots and 24 sites.

Gleeson Strategic Land increased operating profit by 17.6% to £12.0m (2016: £10.2m) by continuing to secure attractive residential planning consents and satisfying demand for development sites from both medium sized and large housebuilders.

Profit before tax increased by 17.0% to £33.0m (2016: £28.2m). Profit for the year attributable to equity holders of the parent company was £26.2m (2016: £23.0m).

Earnings per share grew by 13.8% to 48.5p (2016: 42.6p).

Return on capital employed increased by 220 basis points to 25.4% (2016: 23.2%).

Market context

Demand for low cost homes in the North of England was very strong with long queues forming on launch days at new development sites.

Affordability for low income families buying a Gleeson home remained attractive and mortgage availability continued to support the young first time buyers who make up a large proportion of Gleeson Homes buyers.

The Government's White Paper on housing, published in February 2017, was supportive of the approach to affordable housing on which Gleeson Homes' business model is based and contains proposals which will, if adopted, make it easier for the division to secure planning permissions.

Gleeson Strategic Land continued to experience strong demand from both medium-sized and large housebuilders for consented land in high value areas in the South of England and attracted multiple bidders for all of its land sales.

Land

We remain one of the few developers building low cost homes on brownfield sites in challenging communities and such sites continue to be available at relatively low cost. Gleeson Homes' land pipeline grew by 2,304 plots and 24 sites to a record high of 141 sites (2016: 117), comprising 11,588 plots owned or conditionally purchased (2016: 9,284). The division will continue to commence building on sites as soon as a fully implementable planning permission is obtained.

Gleeson Strategic Land continued to source developable sites in the South of England. During the year it obtained planning consent on 6 sites; and entered agreements involving 6 new sites, potentially providing development opportunities on an additional 1,846 plots. Demand for prime sites with planning consent in the South of England from a wide range of housebuilders remains extremely strong.

Employees

The Group's strong performance during the year reflects the dedication and hard work of our employees.

On behalf of the Board, I would like to congratulate and thank them very warmly indeed.

The average number of employees during the year increased to 370 (2016: 314). The actual number of employees at the year-end was 405 (2016: 333).

Dividends

Reflecting the Group's strong financial performance and our confidence in the prospects for the current year and beyond, the Board is recommending a final dividend for the year of 17.5 pence per share (2016: 10.0 pence per share). Combined with the interim dividend, this will give a total dividend for the year of 24.0 pence per share (2016: 14.5 pence per share), an increase compared to the previous year of 65.5%.

Subject to shareholder approval at the Annual General Meeting ("AGM"), the final dividend will be paid on 14 December 2017 to shareholders on the register at close of business on 17 November 2017. The Board aims to maintain ordinary dividend cover between two and three times for the foreseeable future.

Summary

We have started the new financial year in a strong position. Robust customer demand and continuing site availability will allow Gleeson Homes to continue to grow volumes and profit. Following the achievement in June of the division's interim target of 1,000 unit completions per annum, the Board has now set a new target of 2,000 unit completions per annum within 5 years. Meanwhile, Gleeson Strategic Land continues to experience strong demand for consented greenfield sites. Against this background, the Board is confident that the Group has significant scope to grow both revenue and profits in the current year and beyond.

Dermot Gleeson
Chairman
22 September 2017

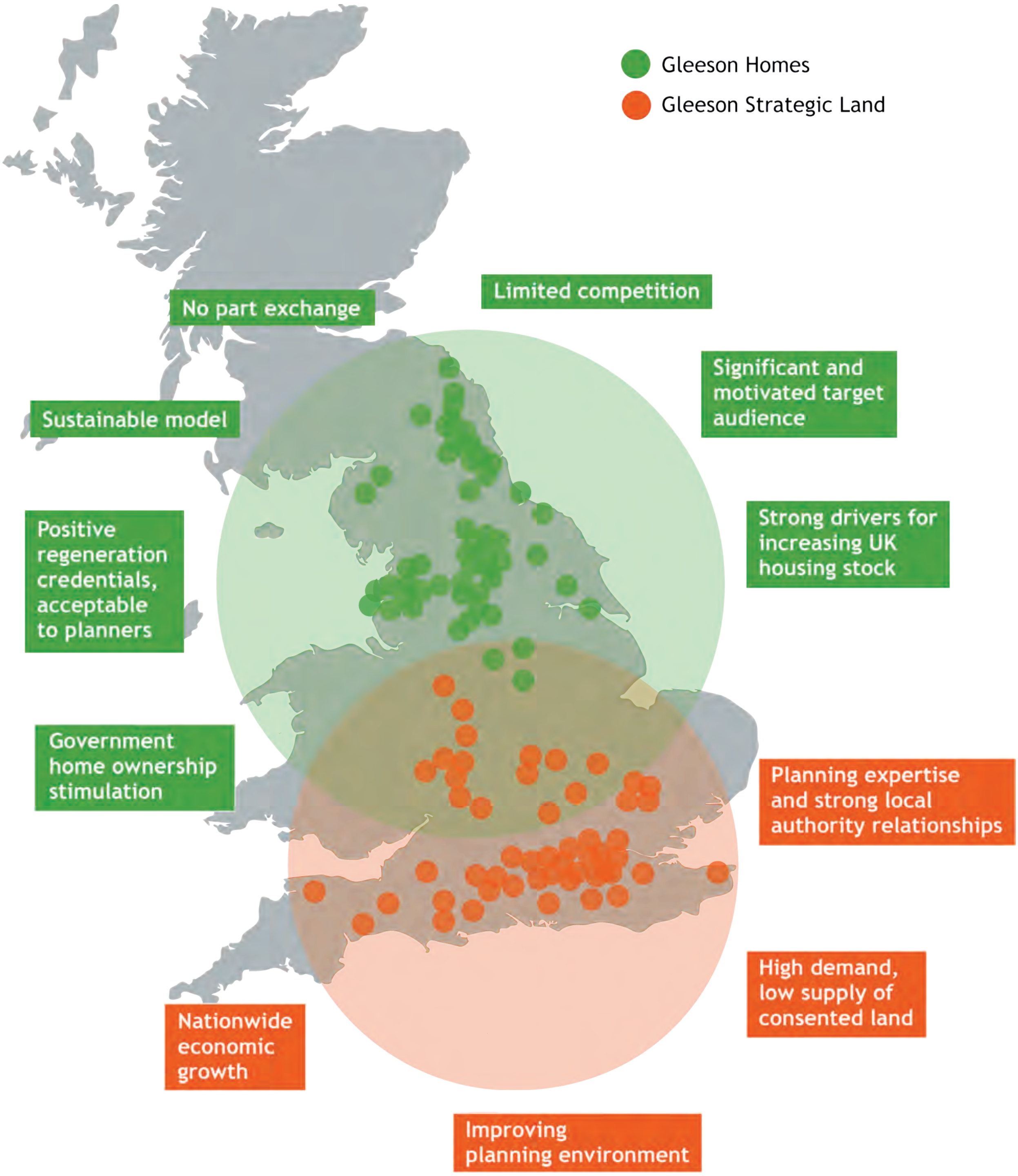
Harlesthorpe Park, Clowne, Derbyshire

Strategic Report

Abigail & Mike, Blythe Court, Wombwell, South Yorkshire

Group Businesses

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



Gleeson Homes

A housing regeneration specialist, working in challenging communities to provide new homes for sale to people on low incomes in the North of England.

Gleeson Homes continues to build significant value for shareholders as well as delivering a unique social benefit in helping people on lower incomes move from housing poverty caused by the 'rent trap' into home ownership and wealth creation.

Our homes are affordable enough to be sold to a couple on the current national living wage and quite often mortgage repayments are less than comparable council house rents.

Key features of the Gleeson Homes business model

- **COMMUNITY REGENERATION:** Over the years, Gleeson Homes has played a key role in regenerating challenging communities. Through establishing strong relationships with local authorities, Gleeson Homes has created a 'virtuous circle' in which it acquires and redevelops legacy sites where there is an obvious need for social and economic regeneration and builds homes at affordable prices, thus enabling home ownership. This 'virtuous circle' will continue to underpin the business and allows for future geographic expansion.
- **SUCCESSFUL LAND PURCHASE:** We partner with local authorities and private land owners to acquire land in socially and economically deprived areas which will benefit from community regeneration. We have a very carefully targeted land buying strategy that has clearly defined and challenging hurdle rates.
- **DRIVING DOWN BUILDING COSTS:** We build traditional two, three and four bedroom detached and semi-detached homes. We ensure that our good quality homes are built to the specification that our customers desire.
- **LOW OVERHEADS:** We ensure that overhead costs are kept low by having small and similarly structured management teams in each operating area and by continuously measuring their relative performance.
- **ENABLING THE CUSTOMER:** We offer our customers a range of bespoke financial packages, including a deposit saving scheme, to enable them to become homeowners.

Gleeson Homes builds low cost homes for people on low incomes in areas of industrial decline and social and economic deprivation.

Gleeson Strategic Land

A land promotion business that enhances the value of land by securing residential planning consents. The primary focus is on sites in the South of England likely to be attractive to a wide range of developers.

Key features of the Gleeson Strategic Land business model

- **ACHIEVING MUTUALLY BENEFICIAL AGREEMENTS WITH LANDOWNERS:** We enter into agreements with landowners to promote their land through the planning process.
- **PROMOTION THROUGH THE PLANNING PROCESS:** The business' team of land surveyors and town planners, along with legal and technical experts, steer the land through the planning process towards achieving a commercially attractive residential planning consent.
- **REALISING VALUE:** We strive to ensure that the best value is achieved for all stakeholders by managing the sale of the consented site to a developer.

Strategic Land specialises in identifying opportunities and successfully manages them through the planning system.

Key Performance Indicators (KPIs)

Gleeson Homes - Units sold

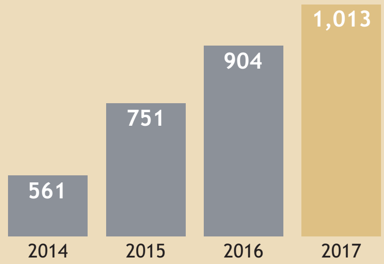
Units (homes) sold continued a strong growth trajectory.

Units sold

+12.1%

2017: 1,013 units
2016: 904 units

Units sold



Revenue measures

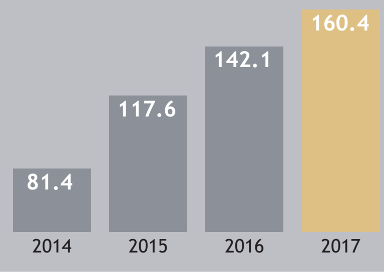
The Group's revenue has broadly doubled over the past three years.

Revenue

+12.9%

2017: £160.4m
2016: £142.1m

Revenue (£m)



Operating margin

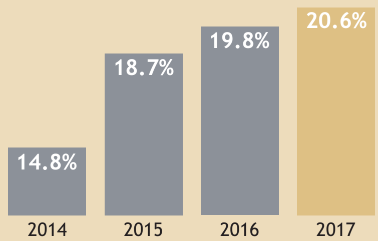
The Group's operating profit margin has shown continued improvement as both divisions improved their scale and profitability.

Operating margin

+80b.p.

2017: 20.6%
2016: 19.8%

Operating margin (%)



Profit before tax

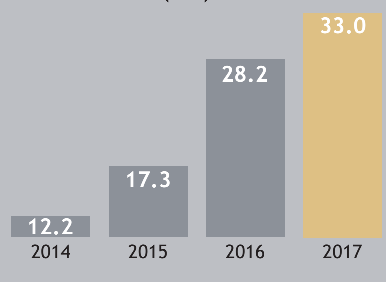
Group profit before tax has almost doubled in the past two years.

Profit before tax

+17.0%

2017: £33.0m
2016: £28.2m

Profit before tax (£m)



Cash measure

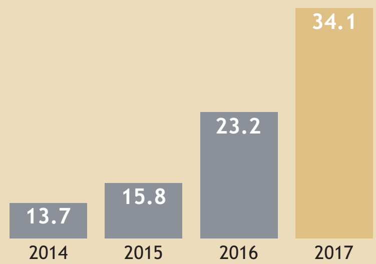
Both divisions contributed to strong cash generation.

Cash & cash equivalents

+47.0%

2017: £34.1m
2016: £23.2m

Cash & cash equivalents (£m)



Return on capital employed [1]

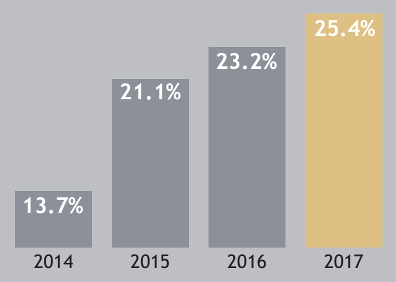
A combination of volume growth and margin improvements is delivering growth in the return on capital employed.

Return on capital employed

+220b.p.

2017: 25.4%
2016: 23.2%

Return on capital employed (%)



Gleeson Homes - land pipeline

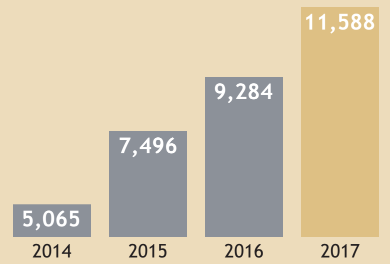
Land continues to be available to acquire at sensible prices.

Homes - land pipeline

+24.8%

2017: 11,588 plots
2016: 9,284 plots

Gleeson Homes - land pipeline (plots)



Gleeson Strategic Land - portfolio

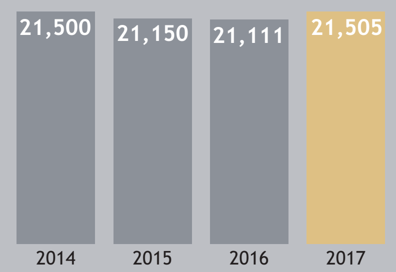
Land interests represent over 25 years of sales.[2]

Strategic Land - portfolio

21,505

2017: 21,505 plots
2016: 21,111 plots

Gleeson Strategic Land - portfolio (plots)



Gleeson Homes - forward sales

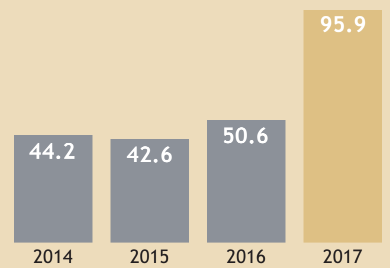
Gleeson Homes has forward sales at 30 June 2017 of £95.9m (2016: £50.6m) being the value of homes that have been reserved or exchanged. Gleeson Homes does not aggressively sell off-plan and will only accept a reservation when the unit concerned has achieved a specified level of construction.

Homes - forward sales

+89.5%

2017: £95.9m
2016: £50.6m

Gleeson Homes - forward sales (£m)



1 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.
2 Based on an average of the number of plots on sites sold over the last 3 years.

Chief Executive's Statement

> "We have plenty of land on which to build homes, people to build them and a strong management team that can grow the business in a profitable and disciplined way."

Jolyon Harrison
Chief Executive Officer

Operational performance

Gleeson Homes continued to grow volume and margins and grew operating profits by 16.9% to £22.8m. Gleeson Homes increased its land pipeline by 24.8% to the equivalent of 11.4 years sales at current build rates and active outlets increased by 23% to 59 sites. Whilst we have a growing pipeline, we always apply for planning permission at the earliest possible date and start building as soon as we receive it.

Gleeson Strategic Land increased land sales to 8 sites leading to operating profits growing by 17.6% to £12.0m.

The result of the Group's disciplined approach to investment was a £10.8m increase in our cash balances to £34.1m and a 220 basis points increase in return on capital employed to 25.4%.

Gleeson Homes

Demand for Gleeson Homes remained strong with net reservations taken during the second half of the financial year increasing by 45% compared to the same prior year period. Mortgages remain highly affordable and available to our customers. Two thirds of our customers use the Government's Help-to-Buy scheme; the highest priced home that used the scheme, at £183,445 is significantly below the current Help-to-Buy limit of £600,000. The average priced house purchased with Help-to-Buy was £122,210.

There has been a great deal of media comment about the difficulties young people face purchasing a home, but typical Gleeson Homes buyers are blue collar workers aged between 18 and 33. This year we sold 60 houses to people aged 21 or under. The Real Living Wage (of which we are great supporters) has helped the working class young to qualify for a mortgage and their ability to earn paid overtime enables them to save a deposit.

Our chosen segment of the market is large, mostly untapped and not really affected by the vagaries of politics or the general economy. This is because the outgoings relating to the purchase of one of our homes are significantly less than renting a council or housing association house. If a young blue collar couple want to reduce their outgoings they should buy a Gleeson home.

We recently announced our intention to double unit sales from our original medium term target of 1,000 units p.a. to 2,000 units p.a., within 5 years and expect to either maintain or grow margins. To achieve this, we are:

- Growing the pipeline of owned and conditionally purchased sites by acquiring land in existing and new areas; we now have 141 sites in the pipeline.
- Investing in new office locations; we now have 7 area offices in the North and North Midlands and 2 new pilot offices in Cumbria and East Yorkshire.
- Developing our management team across all levels including Build Managers and Site Managers.
- Developing our employee and key sub-contractor process for finding and retaining key people.
- Continuing our unrelenting focus on cost reduction in order to offset material and employment cost pressures.
- Continuing to listen to our customers to ensure we provide what they need to buy a Gleeson Home.

This is why we are confident that we can double the size of the Gleeson Homes business within five years. We intend expanding in an orderly manner and will put the right people in the right places to deliver that expansion.

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.

I have never understood the need to sell properties leasehold and our only two leasehold sites are part of an arrangement stipulated by Burnley Council. The ground rent is low and we have reduced it even further to a peppercorn.

We make it our priority to make the house buying process fully transparent to our customers:

- We charge a fee of £200 for covering our costs for vetting architects' drawings and giving permissions for extensions and conservatories but we do not charge for minor permissions.
- Householders on certain sites pay third parties to maintain open space areas. These charges are generally around £100 per year per house and are challengeable by residents.
- There are no other "hidden" costs or charges.

We ask our Mortgage Consultants to stay in contact with our customers for at least two years after purchase in order to help them manage their new financial environment. A two year fixed interest-mortgage can often be re-negotiated to our customer's advantage and we certainly don't want them to take out any pay-day loans.

We are accredited to and great supporters of the Living Wage Foundation which has helped many of our customers become homeowners.

We pay our suppliers and sub-contractors promptly and we reward good quality and service by paying our A* subcontractors within a week.

Gleeson Homes prides itself in being active in the communities in which it operates. We have sponsored 79 junior sports teams in the last 5 years and we are currently sponsoring 25.

We have regular community challenge makeovers where local community facilities are refurbished to give local charities and sports facilities better homes. We will be doing three this year which, with contributions from suppliers and subcontractors, will between them have a cost of around £100,000. We are proud to make a real difference and members of our staff roll up their sleeves and help at weekends.

We have registered YourWatch® as a trade name and we are now able to license it to other organisations. This is a social media platform substitute for Neighbourhood Watch which works extremely well in some of the more socially challenging areas in which we build; it contributes to a reduction in crime and gives our customers a sense of security.

My team are dedicated to all of the above and to developing the financial performance of the business unit.

Our forward order book has never been stronger and we are looking forward to another successful year.

Our unique model will continue to create thriving communities and to drive our business forward to our 2,000 units p.a. target.

"Helping young people out of housing poverty and the rent trap is very rewarding in every way and our responsible business model endeavours to work with our customers and engage with them to our mutual benefit."

Chief Executive's Statement (continued)

Strategic Land

Significant investment over the last few years has led to a growth in operating profit of 17.6% to £12.0m from 8 transactions completed in the year.

Although most major house builders have strong land banks there is always a healthy demand for good land from either major players or mid-range house builders looking for replacement sites.

We do not take the risk of purchasing land outright, preferring to take out options or similar agreements. This low risk and low cost approach has enabled us to invest heavily in the promotion of sites through the planning process and build up a strong portfolio.

Our highly skilled business unit based in Fleet in Hampshire is growing its team in order to support our recent investment which will result in even greater consistency in the flow of transactions.

Current trading & outlook

We have plenty of land on which to build homes, people to build them and a strong management team that can grow the business in a profitable and disciplined way. Demand and affordability of Gleeson Homes continues to be strong. The Gleeson Strategic Land portfolio is in good shape and demand remains strong from other housebuilders. The uplift in dividend signals our confidence in continued cash generative growth. We look forward to delivering our new target of doubling Gleeson Homes volumes to 2,000 p.a. within 5 years.

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

Jolyon Harrison
Chief Executive Officer
22 September 2017

Pont House Park, Leadgate, County Durham

Creating safe, sustainable and vibrant communities

THE GLEESON APPRENTICESHIP SCHEME

Since 2010 the Gleeson Apprenticeship Scheme has trained over 80 young people and we have a record 32 apprentices starting in September this year. The scheme provides invaluable site experience in the bricklaying and joinery trades, whilst allowing them to study for an NVQ at a local college. Find out more on page 20.

LIVING WAGE FOUNDATION

The only house-builder accredited to the Real Living Wage Foundation paying all employees and sub-contractors the Living Wage, or higher. The only exception to this is for apprentices, where we pay above the Government's guidance for apprentices. Find out more on page 68.

YOURWATCH®

Our trademarked YourWatch® scheme provides our residents with the anonymity to report their concerns without repercussion via the YourWatch® website. We then share this information and, where necessary, send warnings through instant alerts straight to residents' inboxes. Find out more on page 23.

THE GLEESON COMMUNITY SPORTS FOUNDATION

Since the inception of the Foundation five years ago we have sponsored 79 junior sports teams, providing brand new kit and funding for teams in and around our development locations. Find out more on page 22.

THE GLEESON COMMUNITY CHALLENGE

Following the success of our inaugural Community Challenge in 2015 we launched the competition again in 2017, inviting charities and non-profit organisations to apply for a makeover of their facilities. This year, three successful organisations benefited from a makeover, with Gleeson volunteers and subcontractors kindly donating their time and services. Find out more on page 24.

EDUCATION, EDUCATION, EDUCATION

As part of our Community Matters programme we work with local schools near our developments, many of which are in challenging areas, on varied projects. These include competitions with primary age children asked to design their 'dream bedroom' for re-creation in the showhomes and, this year, we have expanded the programme into secondary schools. Find out more on pages 19 and 23.

GLEESON'S BLOOMIN GREAT GARDEN COMPETITION

Every summer our homeowners can win cash prizes by sending us pictures of their front garden. The competition encourages residents to spend a little time and money on their garden which in turn keeps our neighbourhoods attractive places for all to live in.

Business Performance

Gleeson Homes

Units sold
+12.1%
2017: 1,013 plots, 2016: 904 plots

Land pipeline
+24.8%
2017: 11,588 units, 2016: 9,284 units

Operating profit*
+16.9%
2017: £22.8m, 2016: £19.5m

*2017 includes £1.0m profit on land sales (2016: £nil), of which £0.4m related to the sale of a legacy property (2016: £nil)

1,013 homes were sold during the year, an increase of 12.1% on the prior year's total of 904. During the year Gleeson Homes opened 20 new sites and had on average 50 selling outlets open compared to 43 during the prior year. The outlets are located across the North of England[1]. The number of outlets at the end of the year increased to 59 compared to 48 at the prior year end and is expected to increase to over 60 during the course of the current financial year

The average selling price ("ASP") for the homes sold in the year was £122,700 (2016: £125,700). The decrease was influenced by a combination of factors: the completion of the final legacy site which had a high ASP, mix of site locations and the mix of 2, 3 and 4 bed homes sold. Our aim is to keep ASP increases modest in order to ensure that our homes remain affordable to our customers.

Gross profit margin on units sold increased to 33.0% (2016: 31.1%) due to completion of the final low margin legacy site and a small increase in selling prices.

The increase in the volume of homes sold along with the improved gross profit margin on units sold has resulted in gross profit on units sold increasing by 15.8% to £41.0m (2016: £35.4m). In addition gross profit on land sales added a further £1.0m (2016: £nil) resulting in total gross profit of £42.1m (2016: £35.4m).

Operating profit on unit sales increased 11.8% to £21.8m (2016: £19.5m). Operating profit on land sales was £1.0m (2016: £nil). Gleeson Homes reported total operating profit of £22.8m (2016: £19.5m). Operating margin on units sold increased from 17.1% to 17.5%.

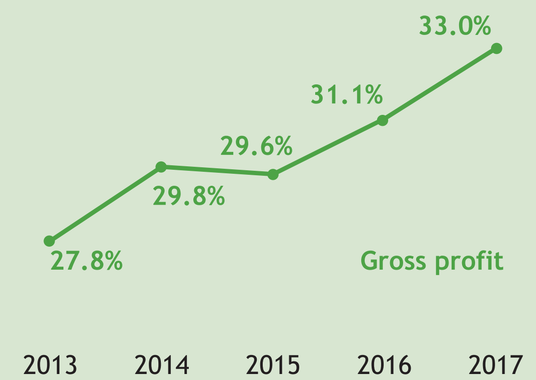
Gleeson Homes has a large range of bespoke packages to assist customers to become homeowners, including "Save and Build", "First Rung", "Advance to Buy", "Parents Invest" and "Aspire to Own". The Government's Help to Buy Scheme remains popular amongst many of our customers, with 66% of the homes sold in the year utilising this scheme.

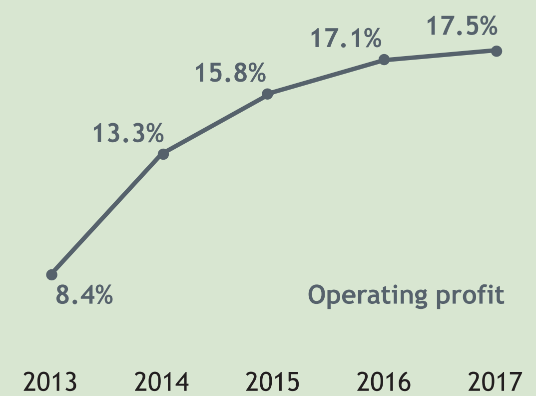
Mortgage availability and affordability continued to be strong during the year as the bank base rate remained at historically low levels. As a result, the cost of buying a Gleeson home continued to be more affordable than social rent and will remain so even in the event of modest increases in borrowing costs. We are encouraged by the Government White Paper 'Fixing our broken housing market' published in February 2017 and the definition of Affordable Homes, which should make it easier for planning authorities to provide consent for Gleeson developments.

Gleeson Homes was able to continue to acquire land in the North of England at relatively low cost. This was a busy year of land acquisition which saw the land pipeline grow by 24 sites to a total of 141 at year end; 45 new sites were added to the pipeline, while 21 sites were either completed or we did not proceed to purchase. In terms of units, the pipeline grew by 2,304 units to stand at 11,588 units at June 2017. Of these units 5,320 are owned (2016: 4,357) and 6,268 units are conditionally purchased (2016: 4,927). In addition to owned and conditionally purchased units, there are a further 465 (2016: 997) units which are being actively considered for acquisition but will only proceed to purchase if they meet our strict returns criteria.

1 Outlets located in Cleveland, County Durham, Derbyshire, Lancashire, Greater Manchester, Merseyside, Northumberland, North Yorkshire, Nottinghamshire, Tyne and Wear, South Yorkshire and West Yorkshire.

GLEESON HOMES MARGINS (%)*





*Excludes profit on land sales of £1.0m in 2017; £nil in 2016; £2.7m in 2015; and £0.3m in 2014

Business Performance

Gleeson Strategic Land

Revenue
+5.3%
2017: £29.9m, 2016: £28.4m

Operating profit
+17.6%
2017: £12.0m, 2016: £10.2m

Land sales
+14.3%
2017: 8 sites, 2016: 7 sites

Revenue from Gleeson Strategic Land grew by 5.3% to £29.9m (2016: £28.4m) as the number of successful land transactions increased to 8 (2016: 7). The sites sold, which totalled 126 acres, had the potential to deliver 841 plots (2016: 822 plots) for new housing development.

Operating profit shows the value added by Gleeson Strategic Land on land transactions through securing highly attractive residential planning consents and managing the sale to developers. Operating profit increased by 17.6% to £12.0m (2016: £10.2m) largely driven by the increase in transactions during the year and mix of sites sold.

We continue to see strong demand from a wide range of developers, looking to acquire well located land with planning consent, including both large national and mid-sized house builders. The land market, particularly for sites in prime locations, remains strong despite the uncertainties caused by Brexit and the UK General Election in June 2017, with developers still continuing to need land.

At the year end, our Strategic Land business had a portfolio totalling 65 sites (2016: 68 sites) with the potential to deliver 21,505 plots (2016: 21,111 plots) plus a 60 bed care home and 67 acres of commercial land. The portfolio comprises 1,454 plots (2016: 1,454 plots) that were wholly or part owned by the Group; 10,020 plots (2016: 10,540 plots) that were held under option; and 10,031 plots (2016: 9,009 plots) that were the subject of promotion agreements.

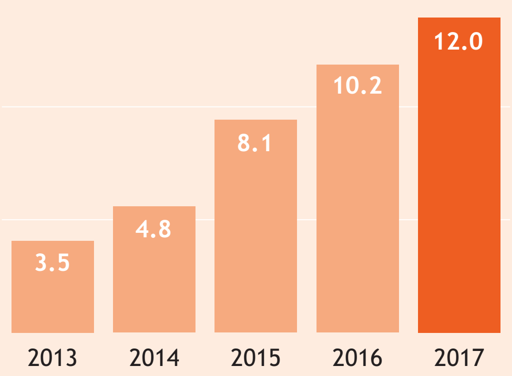
The portfolio is at varying stages through the planning system and, at 30 June 2017, we had 11 sites consented (2,353 plots plus a 60 bed care home) and ready to be sold; 14 sites had a planning application submitted or are being appealed / judicially challenged, and 15 sites had applications being worked 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 some 1,495 plots and acquired interests in 6 new sites plus additional land at an existing site. One option was allowed to lapse as it was no longer commercially viable to extend. We continue to invest in replenishing the portfolio with high quality new sites and in advancing existing sites in the portfolio through the planning process. Opportunities for new sites readily come forward and we use our expertise to select and promote those sites where we can deliver the maximum value for stakeholders.

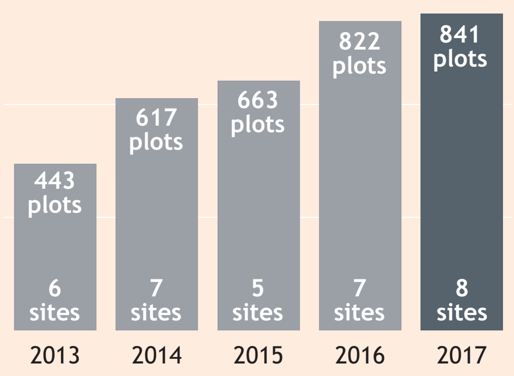
Our portfolio continues to have a geographic bias towards the South of England[1] and sites in the portfolio are forecast to realise maximum value over a mix of short, medium and long term periods.

1 Sites are located predominantly in Buckinghamshire, Devon, Dorset, Essex, Hampshire, Hertfordshire, Kent, Oxfordshire, Somerset, Surrey, Sussex and Wiltshire.

Operating profit (£m)



Sales (number of plots and sites)



Strategic Development and Priorities

The strategy of the Group is to build a larger and increasingly profitable business by increasing the number of housing regeneration sites in its target markets, increasing its housebuilding land pipeline and improving profitability on the sale of individual units and of land with residential planning permission.

Gleeson Homes has a proven and successful business model. Working alongside local authorities, Gleeson Homes has played a key role in regenerating whole communities, allowing people to continue living in, or return to, their home neighbourhoods.

Gleeson Homes is a responsible housebuilder dealing ethically with all stakeholders. Refer to the Chief Executive's Statement for further details.

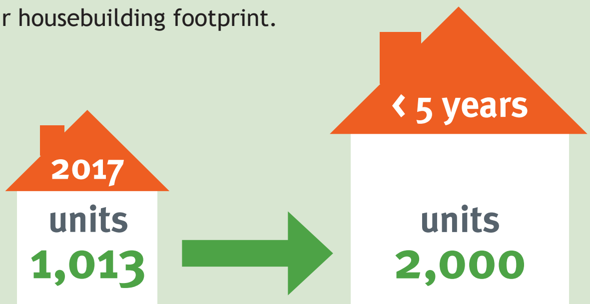
We have been growing our regional footprint for some years and we continue to do so. One new regional office was opened during the year in Nottinghamshire, taking the number of regional offices to seven (including established offices in Sheffield, Bury, Wynyard, Chester-le-Street, Wakefield and St. Helens) plus two pilot offices opened during the year in Cumbria and East Yorkshire. Gleeson Homes believes its model of providing affordable homes for people on low incomes in areas that are in need of regeneration can continue to be rolled-out in other areas in the North and Midlands.

Gleeson Homes has achieved its target of 1,000 unit completions per annum and has set a new target of 2,000 unit completions per annum within 5 years. We expect to reach this target by the financial year ending 30 June 2022.

Based on our estimate of the addressable customer base within the expanded catchment area in which we intend to grow, we believe that this business has the potential to achieve significantly more than 2,000 unit completions per annum.

DOUBLE GLEESON HOMES VOLUMES

We will increase the number of unit completions to 2,000 per annum within 5 years by increasing our housebuilding footprint.



INCREASE HOUSEBUILDING FOOTPRINT

We will increase the number of developments throughout our existing and new operating areas and particularly in communities that are in need of regeneration. Our business enables people on lower incomes to become homeowners and regenerates local communities in areas of social deprivation. This strategic benefit is recognised by local authorities and results in more opportunities for us to acquire brownfield land at sensibly low prices, leading to increased sales volumes and profitability whilst keeping average selling prices ("ASPs") low.

IMPROVE MARGINS

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

BUILD QUALITY, SUSTAINABLE HOMES

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

INCREASE LAND PIPELINE

We will continue to acquire land, at appropriate cost, in socially and economically deprived areas, which would benefit from community regeneration and we will start building as soon as we have an implementable planning approval.

PROGRESS PLANNING APPLICATIONS

We will progress planning applications on Strategic Land sites where we consider there to be strong prospects for residential housing planning permission to be achieved.

CASH GENERATION

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

ROBUST HEALTH & SAFETY

We will continue to improve our safety culture and will maintain a high level of compliance with health and safety standards.

Discontinued operations

BUILDING AND ENGINEERING CONTRACTING

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

Masefield Park, Holmewood, Derbyshire

Corporate Social Responsibility Report

The generation who CAN afford to buy!

Most of our buyers are young, working class and their parents and grandparents have always lived in social or private rented houses. They have no concept of the home buying process and have no one to turn to for advice… except us.

Education! Education! Education!

Over the past eight years we have enabled over 3,000 first time buyers achieve their dream of home ownership.

Not only have we sold them an affordable home but we have also worked closely with them, educating them on how much they can sensibly afford to borrow, how the mortgage process works and holding their hand through the legal process until they move into their home.

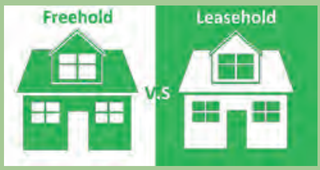
Our involvement does not stop there. Our mortgage specialists stay in contact with each buyer after completion, checking they are coping with their new financial situation and offering further assistance once the customer's initial mortgage product requires renewal.

We are now the 'go-to' housebuilder for first time buyers. No other housebuilder offers such a high level of support to these buyers, known as the generation who cannot afford to buy. Over the past 12 months we have sold 60 homes to buyers under the age of 21, many of whom never thought they would be able to ever own a home, especially not at such a young age.

We have partnered with money saving blogger Miss Thrifty to produce a range of videos featuring independent information, advice and tips which help young people gain a better understanding of the home buying process and how they can quickly save for a deposit. These videos are available to view on our website and YouTube.

We are also the first housebuilder to offer a LiveChat facility on our website with our preferred mortgage specialist. This allows customers the chance to get instant, personalised and no obligation advice on the financial aspect of the home buying process.

Our commitment to freehold



We do not agree with selling our homes as leasehold. We believe home ownership should include the land on which it is built.

Wherever possible we sell our homes as freehold. We only sell homes as leasehold when we do not own the land; this is applicable to our two developments in Burnley where the Local Authority are still the freeholder and a peppercorn ground rent is payable on these homes.

Educating the next generation

We are actively helping young people to understand the benefits of home ownership and a career in the housebuilding industry.

As part of our Community Matters programme we work with local schools near our developments, many of which are in challenging areas, on varied projects. These include our Health and Safety department undertaking talks on the dangers of trespassing on building sites, competitions with primary age children to design their 'dream bedroom' for re-creation in the showhomes, and, this year, we have expanded the programme into secondary schools.

Over the past 12 months we have partnered with secondary schools and colleges in Nottinghamshire and County Durham working with pupils to highlight the jobs available to school leavers in new homes construction. We have also carried out workshops with 14 to 16 year olds where we discuss some of their misconceptions about home ownership, advocate the affordability of buying compared to a life in rented accommodation and the simple steps they can take now to maintain a good credit rating and save a small amount in a Help to Buy or Lifetime ISA.

Corporate Social Responsibility Report (continued)

The Gleeson Apprenticeship Scheme

In September 2017 we will welcome a record 32 new apprentices to Gleeson Homes who will be employed in a variety of roles including site based bricklaying and joinery positions plus office based apprenticeships including new roles in our Land Department.

Mike commenced his apprenticeship at our Head Office Land Department in November 2016 working closely with the Land Manager and Director on all aspects of purchases and the approval process. As well as hands-on experience Mike attends the Leeds College of Building one day per week to study for his NVQ in Construction and the Built Environment.

Building a legacy in our community

Local homes for local people

Our extensive range of purchase enabling schemes together with affordable prices and developments in established communities creates home ownership opportunities even for young, single buyers who never thought they could get on the property ladder.

"I grew up in this area so I really wanted to stay near my friends and family. From the moment I visited the development Gleeson were incredibly helpful, putting me in touch with a mortgage specialist and patiently explaining my options. Buying on my own was a little daunting, but it's the best move I ever made." **Rachel McCaffrey.**

"As a 21 year old I never thought I'd be able to afford a new home. Yet with a little help with my deposit from the bank of mum and dad I was able to buy on my own and now my mortgage is £170 less than my previous rent." **Hannah Jackson**

"I can't believe I went from renting a small room in my friend's house to owning my own home in less than a year. I combined Gleeson's Save & Build with the Help to Buy scheme and ISA and watched my new home being built as my deposit grew." **James Hawksworth**

Jobs for local people

As well as providing homes for local people we create jobs for local people as well.

We give priority to labour and subcontractors who live within a two mile radius of each site. As well as adhering to industry wide initiatives such as the commitment to ensure that slavery and human trafficking is not taking place in our operations and supply chain, we also have some of the shortest payment terms in the industry and take no retention.

We work closely with our subcontractors to ensure their continued development and achievement of our 'A' Grade preferred status.

Corporate Social Responsibility Report (continued)

Community matters

Gleeson Community Sports Foundation

The Gleeson Community Sports Foundation continues to grow, providing brand new kit for junior sports teams in our development locations.

Since the inception of the foundation five years ago we have sponsored 79 teams. As our developments open in new geographical areas we have the opportunity to not only reach new communities but also diversify into new sponsorships. This year has seen us sponsor two junior girls' football teams as well as a basketball and table tennis team.

Below are just a selection of the 50 Junior Sports Teams Gleeson has sponsored over the last four years:

- Biddick FC
- Blackburn Junior Hawks
- Bolden Young People's Project
- Catchgate & Annfield Community Sports Club
- Craghead FC
- Darfield Cricket Club
- Dudley Hill Devils Rugby Club
- Chapeltown Junior FC
- Eppleton Cricket Club
- Jarrow Arrows FC
- Knottingley FC
- Mags AC
- Newton Aycliffe FC
- Saltaire Cricket Club
- Sheffield Sabres Ice Hockey Club
- St Patrick's Cobras FC
- Stranton FC
- Swinton Athletic FC
- Trimdon Juniors FC
- St Andrews Girls FC
- Marton Under 14s FC
- Leadgate Cricket Club
- Steel City Rangers Under 11s
- Junior Sharks Basket Ball Team
- Birtley Town Juniors FC
- Bishop Auckland Girls FC
- St James Catholic Primary Athletics Club
- Clowne Comets JFC
- Great Harwood Junior Cricket Club
- Bold Rangers JFC

Community involvement

Over the past year we have worked closely with Denaby Main Academy, a primary school located close to our Kilner Park development in South Yorkshire. The Academy faces a number of barriers to learning which, in part, are due to its location in one of the 10% most deprived neighbourhoods in the country.

High unemployment means parents do not have the means to financially assist with after school and social activities for the children. When the school approached us to sponsor a junior football team we were only too happy to oblige.

The school now hopes that the football team, which is currently run by the caretaker, will attract parents to become coaches, which in turn will involve them in their children's learning and lead to further groups being set up in this deprived community.

We also worked with the school on a 'dream bedroom' competition. We usually ask just the pupils to design a bedroom, however, the school asked us to invite parents to work with their child on the project at home as the teachers were keen to increase parental involvement and foster their engagement.

YOURWATCH®

Many of our developments are in challenging areas where criminality is not unusual and Neighbourhood Watch schemes do not work.

All our buyers are automatically enrolled into YourWatch®, Gleeson's neighbourhood watch online alert platform. The scheme now has over 3,000 subscribers across all our developments.

The success of YourWatch® stems from its anonymity and the ability for users to send instant alerts to us regarding crimes or disturbances on their development via the scheme's website. On receipt of the alerts we make other residents aware of the issues and ask them to remain vigilant and information is also shared with the local police.

In 2017 we registered the YourWatch® scheme as a trademark. We can now offer the platform on license to local authorities and housing bodies for use on their own developments.

YourWatch aids police with investigations in Grafton Park, Liverpool

When a resident at Grafton Park in Liverpool had footage of a bike being stolen from his driveway he sent it to YourWatch®. On receipt of the email and video we sent an alert out to all residents on the development requesting further information, asking them to be vigilant and lock away bikes to avoid further incidents. The details were also sent to the local police to assist in their investigations.

Corporate Social Responsibility Report (continued)

The Gleeson Community Challenge

Following the success of the inaugural Community Challenge in 2015 we launched the competition again in 2017, inviting not-for-profit community groups across both South Yorkshire and Teesside to apply for makeovers of their facilities.

The Winner - South Yorkshire

After carefully considering over 50 applications from groups and organisations across the region our judging panel unanimously chose Broomhall Under 3s as their winner.

The staff from this nursery, which is located in Broomhall, one of Sheffield's most deprived areas, inspired the judges with their story of saving the nursery from closure following council cuts and sacrificing their own income to keep the centre running as a not-for-profit organisation. The centre offers essential free child care for local children, many of whom have special needs or come from disadvantaged families.

The nursery applied for a makeover of their impractical and child un-friendly toilet facilities. Thanks to Gleeson's suppliers, subcontractors and hard-working staff we were not only able to provide them with a fit for purpose toilet and changing area but also re-decorate and lay new specialist flooring throughout and provide two brand new kitchen areas. Our generous staff also donated numerous games and toys to the centre.

The Winners - Teesside

This year we expanded the scope of the Community Challenge into the Teesside region with representatives from Middlesbrough MBC assisting Gleeson in judging the entries. The response from local charities was unprecedented and after a clear winner could not be identified we took the decision to offer two makeovers instead of the planned one with works to be carried out by construction teams over the coming months.

St Mary's Centre

Benefitting over 35,000 people per year this invaluable centre in the heart of Middlesbrough provides meeting space, function rooms and facilities to charitable, voluntary and community organisation. The centre, which relies heavily on grants and donations, provides a safe and secure environment for vulnerable and disadvantaged groups to meet.

A lack of funds has led to many of the centre's rooms requiring urgent renovation. Together with our construction partners we were not only able to re-decorate a vast area of the centre but also re-carpet a number of the rooms allowing them to be hired out for functions in turn increasing the centre's income.

Hemlington Lake and Recreation Centre

Located on a vast housing estate suffering from extensive socio-economic issues, this popular community centre faced closure following recent government spending cuts. Thanks to the dedication of the board of trustees and local people the facility has remained open and applied for Gleeson's makeover to transform an unused area of the centre into a community café to be used as a meeting point for local residents with any profits made ploughed back into the centre.

We are so pleased to have won the Gleeson Community Challenge; it's like winning the lottery.

All the staff, children and parents are absolutely thrilled with the makeover. Our nursery rooms are now safe, secure and full of fun.

Jill and Marilyn, Broomhall Under 3s Manager and Board Member.

Health & Safety

Health and safety is of paramount importance to the Group and is considered to be a key risk.

There have been no prohibition notices issued to the Group during the year but one improvement notice. There were two reportable injuries in the year and no dangerous occurrences under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (“RIDDOR”). In the previous three years the Group reported one, one, two injuries per year respectively under RIDDOR.

The overall Accident Incidence Rate (“AIR”) was 203 (2016: 117) in spite of a further sizable increase in construction activity and is below the housebuilding industry average of 343 injuries per 100,000 employees, as published by the HBF (Home Builders Federation) and the Health & Safety Executive. The AIR is an industry-wide indicator of health and safety performance.

Environment management systems

The Group’s business units each have an environmental management system which controls how environmental performance is managed. At the operational level, the environmental management system is contained within our construction planning.

The Group’s environmental strategy is focused on:

- minimisation of environmental risk and maximisation of environmental opportunity; and
- ensuring knowledge and understanding is at a level where all employees are aware of the environmental responsibilities involved in their job.

Waste management: minimisation and recycling

Site waste management plans are put in place at the start of each project. Suitable recovery or disposal arrangements are made for all waste. Arrangements are identified for dealing with all waste in line with environmental agency recommendations.

Timber policy

The Group has a timber purchasing policy which requires that all timber provided or used in the manufacture of its products must be obtained from a certified sustainable source. The Group complied with this policy throughout the year.

Greenhouse gas reporting

Our greenhouse gas emissions for the year ended 30 June 2017 were 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: 2017 and 2016 respectively. The calculation incorporates the six Kyoto gasses including carbon dioxide, methane, nitrous oxide and hydro fluorocarbons and reports them in terms of carbon dioxide equivalents (CO^2e).

CO^2 emissions	Tonnes CO^2e 2017	Tonnes CO^2e 2016
Scope 1: Emissions from combustion of fuel	2,147	1,562
Scope 2: Electricity, heat, steam and cooling purchased for own use	481	524
Total emissions	**2,628**	**2,086**
Emissions per £m revenue	16.39	14.68

Corporate Social Responsibility Report (continued)

Our people

It is the Group's policy to ensure that it provides a safe, professional and stable working environment that all employees are afforded equal opportunities and are free from unlawful discrimination regardless of their race, gender, sexual orientation, disability, age, religion or beliefs.

At 30 June 2017 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	18%	14	82%	17
Other employees	119	31%	267	69%	386
Total	**122**	**30%**	**283**	**70%**	**405**

The Group believes its employees are fundamental to its success and has continued to invest in them through training and development programmes. The Group actively encourages all of its employees to be fully engaged in the identification of their own training needs in order to achieve their full potential and to meet the requirements of the business.

Individual employee performance is regularly reviewed using the Group's Performance Development Review process and objectives and targets set for personal development.

We have continued to invest in new apprentices to support the Group's growth strategy. By the end of the financial year there were 30 apprentices employed by the Group (2016: 30). In September 2017, 20 apprentices will be commencing their first year of the apprenticeship programme, 7 commencing in their second year and 5 commencing in their third year.

We anticipate that further development of the apprenticeship programme will continue over future years.

All of the Group's site based employees are accredited under the Construction Skills Certification Scheme.

Charitable donations

Charitable donations in 2017 totalled £2,000 (2016: £2,000).

Blythe Court, Wombwell, South Yorkshire

Financial Review

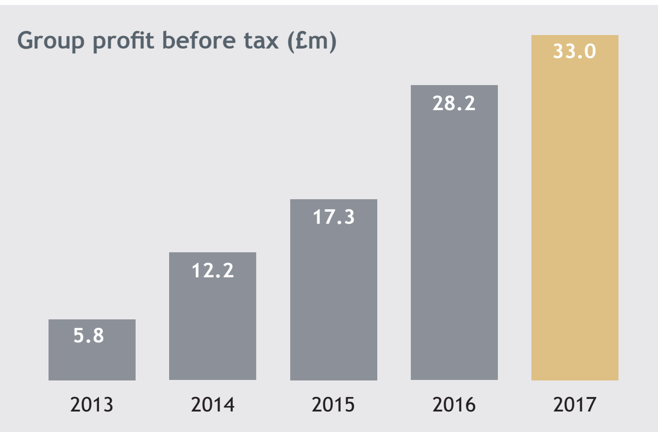
"The Group has delivered another year of strong growth with operating profit up 17.0%, cash flow up 41.7% and return on capital increasing to 25.4%."

Stefan Allanson
Chief Financial Officer

Highlights

- Revenue increased by 12.9% to £160.4m
- Gross margin on Gleeson Homes unit sales increased to 33.0% from 31.1%
- Operating margin on Gleeson Homes unit sales increased to 17.5% from 17.1%
- Profit before tax increased by 17.0% to £33.0m
- Earnings per share increased by 13.8% to 48.5 pence
- Cash flow from operating and investing activities increased by 41.7% to £19.7m
- Cash balances increased by 47.0% to £34.1m
- Return on Capital Employed (ROCE) increased by 220 basis points to 25.4%
- Total dividend for the year increased by 65.5% to 24.0 pence per share

Consolidated Income Statement



Revenue increased by 12.9% in the year to £160.4m (2016: £142.1m). The revenue of Gleeson Homes increased by 14.9% to £130.5m (2016: £113.6m) due to an increase in the number of homes sold to 1,013 (2016: 904) and including £6.2m from the sale of land and a legacy property (2016: £nil). This was partly offset by a fall in average selling price ("ASP") to £122,700 (2016: £125,700) due to a combination of the completion of the final legacy site which had a high ASP, mix of site locations and the mix of 2, 3 and 4 bed homes sold.

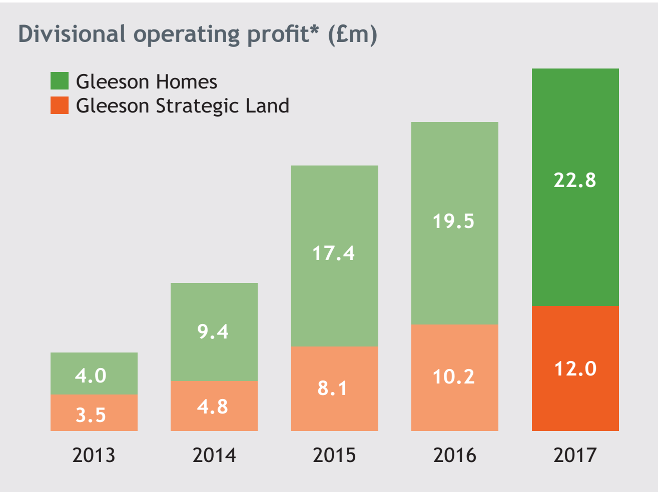
Revenue for Gleeson Strategic Land increased by £1.5m to £29.9m, due to the increased sales activity during the year and mix of sites sold.

Gross profit increased by 19.1% to £56.7m (2016: £47.6m). The gross profit of Gleeson Homes increased by 18.9% to £42.1m (2016: £35.4m) due to the increase in volume, completion of the final low margin legacy site, a small increase in selling prices and the profit on land sales. The gross profit of Gleeson Strategic Land increased by 20.5% to £14.7m (2016: £12.2m) primarily due to the increase in sites sold during the year.

Administrative expenses include sales and marketing costs for Gleeson Homes, along with the administrative overheads for Gleeson Strategic Land and the whole Group. Overall administrative expenses increased by £4.7m (24.2%), primarily as a result of further investment for growth in Gleeson Homes and wages and salary cost increases. This included investment in a new regional office that opened during the year near Nottingham and full year costs for the new regional offices at Wakefield and St. Helens, which opened during the previous year. In addition, the number of active sales outlets increased to a total of 59 from 48 at the end of the prior year.

Operating profit from continuing operations was £33.0m (2016: £28.2m), an increase of 17.0% over the previous year. Growth in operating profit was driven by strong trading results in both Gleeson Homes and Gleeson Strategic Land

OPERATING PROFIT BY DIVISION



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

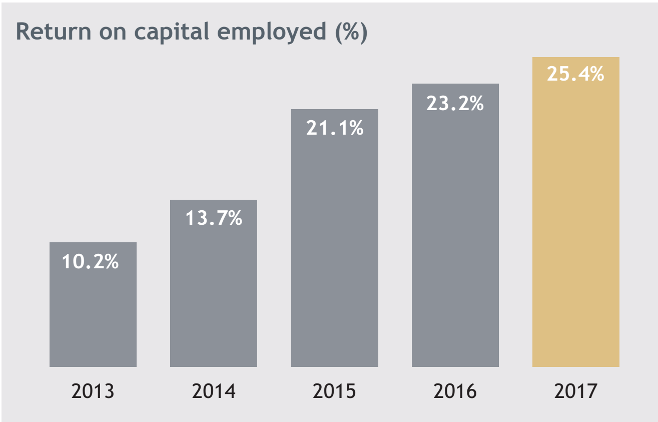
Operating profit for Gleeson Homes increased by 16.9% to £22.8m, including operating profit on land sales of £1.0m (2016: £nil).

Operating profit for Gleeson Strategic Land increased by 17.6% to £12.0m as a result of the increase in transactions during the year to 8 (2016: 7).

Discontinued operations incurred a loss of £0.3m during the year (2016: loss £0.3m). This related to the costs of Gleeson Construction Services Limited, whose only activity is limited to resolving contractual claims from the businesses that were sold in 2005 and 2006. The level of claims has now reduced to an insignificant level.

Return on capital employed

Return on capital employed increased by 220 basis points to 25.4% (2016: 23.2%) reflecting stronger earnings against capital employed, which increased from £125.1m to £132.3m.



Financing

Financial income of £0.3m (2016: £0.5m) consists primarily of the unwinding of discounts on deferred receivables on land sales and shared equity receivables. Interest earned on unwinding of discounts was lower than the prior year as a result of carrying fewer deferred receivables and shared equity receivables during the year.

Financial expenses of £0.2m (2016: £0.4m) consist of interest payable on bank loans and overdrafts, bank charges and interest and unwinding of discounts relating to deferred payments on land purchases.

Tax

A tax charge for continuing operations of £6.5m (2016: £4.9m) has been recorded reflecting the increase in taxable profits for the year.

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 £26.7m (2016: £28.3m) of gross tax losses, of which £17.8m (2016: £20.1m) is recognised in calculating the deferred tax asset.

Financial Review (continued)

The tax charge attributable to discontinued operations was £0.1m (2016: £nil).

The deferred tax asset recorded within the consolidated statement of financial position totals £5.0m (2016: £4.6m).

Profit for the year

The profit for the year attributable to equity holders was £26.2m (2016: £23.0m).

Earnings per share

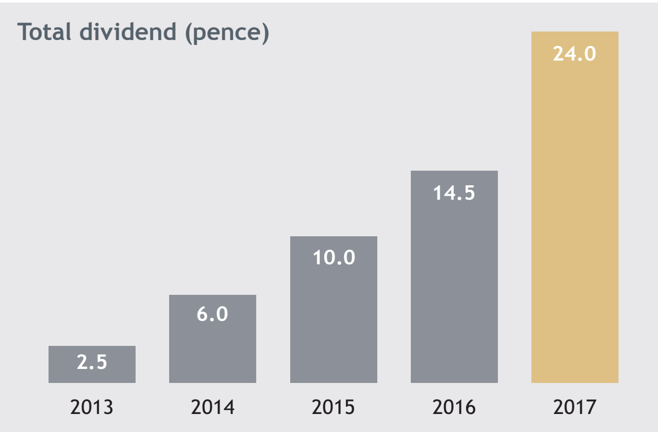
Reported basic earnings per share increased by 13.8% to 48.5 pence (2016: 42.6 pence).

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 17.5 pence per share (2016: 10.0 pence per share).

Combined with the interim dividend, the dividend for the full year totals 24.0 pence being an increase of 65.5% on the prior year (2016: 14.5 pence per share).

The Board aims to maintain ordinary dividend cover between two and three times for the foreseeable future.



Statement of Financial Position

During the year to 30 June 2017, shareholders' funds increased by 12.1% to £171.4m (2016: £152.9m). Net assets per share increased to 317 pence, an increase of 12.0% year on year (2016: 283 pence).

In the year, non-current assets increased by 6.5% to £21.2m (2016: £19.9m). The main reasons for the change are the increase in trade receivables of £1.8m offset by a £0.9m reduction of share equity receivables, in addition to £0.4m of additional deferred tax recognised.

Current assets increased by 21.0% to £194.5m (2016: £160.8m), with inventories increasing by £28.4m to £142.6m, trade and other receivables decreasing by £5.4m to £17.9m and cash balances increasing by £10.8m to £34.1m.

Total liabilities increased by 60.3% to £44.4m (2016: £27.7m). This was mainly due to trade and other payables of £41.6m (2016: £26.9m) being £14.7m higher due to higher build activity.

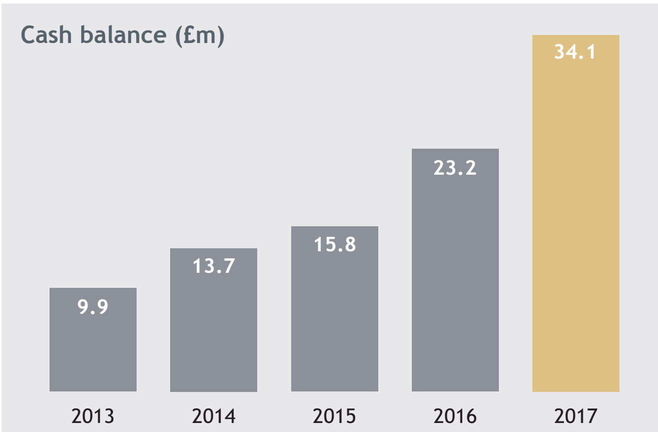
Cash flow

The Group generated £19.7m (2016: £13.9m) of cash in the year before the payment of dividends of £8.9m (2016: £6.4m), resulting in a net cash balance at 30 June 2017 of £34.1m (2016: £23.2m).

Operating cash flows before working capital movements, generated £34.1m (2016: £29.1m). Investment in working capital of £10.0m (2016: £11.6m) resulted in cash generated from operating activities of £24.1m (2016: £17.5m).

Tax and interest payments amounted to £4.6m (2016: £3.7m).

Cash generated from investing activities totalled £0.2m (2016: £0.0m). Net cash outflows from financing activities totalled £8.9m (2016: £6.4m), including £8.9m (2016: £6.4m) on dividend payments.



Treasury risk management

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

Bank facilities

The Group has maintained its £20.0m committed working capital facility with Lloyds Bank plc which currently expires in March 2019. The facility includes an un-committed accordion option that could increase the facility size to £40.0m. The facility provides the Group with additional flexibility and was undrawn throughout the year and at the balance sheet date.

Pension

The Group contributes to a defined contribution pension scheme. A charge of £0.6m (2016: £0.5m) 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
22 September 2017

Rachel & Adam, Lowfield Park, Bolton on Dearne, South Yorkshire

Operating Risk Statement

In common with other organisations, the Group faces risks that may affect its performance. The Group has established and operates a system of internal control and risk management procedures, in order to identify, control and monitor the risks at various levels within the organisation. These risks include but are not limited to the following:

Risk	Description of risk	Mitigation
Economic environment The impact of economic fragility and government austerity measures. The risk appears not to have changed as the Government negotiates the terms of exit from the EU. Demand for low cost homes remains strong.	Any uncertainty in the wider economy, including government austerity measures and interest rate rises, could affect buyer confidence and the demand for new houses. This could have a negative impact on revenues, 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 debt funding is maintained. • Gleeson Strategic Land sites are actively marketed to a wide and varied range of housebuilders.
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 and impact the Group's revenues 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.
Land An inability to source sufficient land at an acceptable cost to meet the Group's business needs. The risk has not changed. Land in the North of England remains available at relatively low cost. The Group has strengthened its land team.	Gleeson Homes needs to acquire consented land at sensible prices and in appropriate areas in the North 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 it through the planning system and subsequently sell it in order to deliver profit.	• We have a clearly defined strategy and geographic focus. • There is a formal appraisal process and rigorous adherence to margin requirements and rates of return.
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 impact on the Group's revenues 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. • We expect the Government's recent White Paper on housing to result in a change to the definition of Affordable Homes that will ease our planning applications.

Operating Risk Statement (continued)

Risk	Description of risk	Mitigation
People An inability to attract, develop or retain good people. The development of management capabilities as the Gleeson Homes business continues to expand. The 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 established a leadership development programme covering senior and mid-level management. • We have established an ongoing succession planning process. • We have programmes that appropriately reward the achievement of performance targets. • The Group encourages employee share ownership. • Our apprenticeship schemes enable 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.
Availability of raw materials and subcontractors An inability to secure materials and skilled labour on a timely basis at suitable prices. The risk appears to be increasing with certain sub-contractors becoming more difficult to attract in some areas.	Shortages or increased cost of materials or skilled labour, the failure of key suppliers, or the inability to secure supplies upon 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 sub-contractor procurement programme is employed to optimise the sourcing of scarce sub-contractor resource.
Health & Safety A failure to prevent unsafe practices within our construction activities, causing injury or death. The risk has not changed during the year.	Health & Safety breaches can result in injuries to employees, subcontractors and site visitors, delays in construction, additional cost, reputational damage, criminal prosecution and civil litigation.	• Our documented policies and procedures are regularly reviewed and modified in order to ensure continuous improvement. • Dedicated Health & Safety personnel ensure implementation and adherence to these policies and procedures. • Performance is reviewed both by local management and the main Board.
Latent defects Financial losses may arise from latent defects that may 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.

Risk	Description of risk	Mitigation
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 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 maintains regular contact with investors and lenders to ensure adequate bank facilities are in place with appropriate covenants and headroom.
Financial irregularity The Group could suffer loss from significant fraud or the misrepresentation of financial results. 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.	• The Group has financial and management controls designed to segregate duties and minimise opportunities for fraud. Financial reporting processes are the subject of rigorous and timely management reviews.
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 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 4 to 35 has been approved by the Board of Directors and is signed on its behalf by

Jolyon Harrison
Chief Executive Officer
22 September 2017

Monteney Park, Sheffield

Governance Report

Board of Directors

1 Colin Dearlove

BA, FCMA, CGMA

Non-Executive Director

Appointed to the Board in December 2007. Colin was at Barratt Developments PLC from 1981 to 2006 where he held a number of senior finance positions 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 member of the Remuneration and Nomination Committees.

2 Stefan Allanson

ACMA, CGMA, 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 Limited 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, TheSkillsMarket Limited, The Vita Group Limited and Tianhe Chemicals.

3 Jolyon Harrison

FCIOB, FIoD, FCMI

Chief Executive Officer and Managing Director, Gleeson Homes

Appointed to the Board in July 2010 and appointed Chief Executive Officer on 1 July 2012. Jolyon joined the Group in November 2009 as Managing Director of Gleeson Homes. He has nearly 50 years of housebuilding experience, most recently as founder and Chairman of Pelham Construction/North Country Homes Group and prior to that as Managing Director of Shepherd Homes and Chairman of York Housing Association. Currently Chairman of JDP Rooflines Limited, MSP Technologies Limited and the Yorkshire region of the Home

Builders Federation. Formerly a member of the North East Housing Board and a Council member of the National House Building Council. He is the Board member responsible for health and safety matters.

4 Dermot Gleeson

MA (Cantab)
Chairman

Joined the Board in 1975. Appointed Chief Executive in 1988 and Chairman in 1994. 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.

5 Christopher Mills

Non-Executive Director

Appointed to the Board in January 2009. 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 Catalyst Media Group plc, Bioquell plc, Goals Soccer Centres plc and Quantum Pharma plc.

6 Ross Ancell

CA(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). He is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Chairman's Introduction

" I am very pleased to introduce this report which describes the Group's approach to governance and explains how its application works for the benefit of the Group and its shareholders. "

Dermot Gleeson
Chairman

As a premium listed company on the London Stock Exchange, the Group is subject to the 2016 revision of the UK Corporate Governance Code. The Board believes that compliance with the Code assists it to provide the Group with effective leadership and embed good governance into the values, ethics and culture of the business.

The Board continues to take governance very seriously and this will be an important factor as the Group grows its operations. Consequently, the Board is focused on ensuring that good governance remains a fundamental pillar in everything we do and across all areas of the business. This is essential to ensure the long term success of the Group and to safeguard the interests and reputation of our business.

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 Board remains committed to ensuring that dialogue continues to be constructive and challenging. In doing so, the Board understands the importance of diversity in bringing about effective engagement with key stakeholders and in delivering the long term strategy of the business.

This report contains further details of the Group's governance arrangements, together with the narrative reporting variously required by the 2016 revision of the Code, the Listing Rules and the Disclosure and Transparency Rules.

Dermot Gleeson
Chairman
22 September 2017

Governance Statement

During the period under review, the Company, as a premium listed company, was subject to the April 2016 edition of the UK Corporate Governance 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 44.

Board composition

At the date of this report, the Board comprises six Directors, four of whom are Non-Executive. All directors served throughout the year to 30 June 2017. The Directors' biographies are set out on pages 38 and 39.

The Board believes it has 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 an appropriate balance of skills, experience and knowledge in order for it to discharge its duties and responsibilities effectively. This includes a combination of diverse 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.

Governance

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, Jolyon Harrison, 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 eleven years of service and Colin Dearlove ten years of service on the Board at the date of the 2017 AGM on 7 December 2017. The Board greatly values both Ross Ancell's and Colin Dearlove's expertise and understanding of the Group's operations and strategy. Whilst we recognise that their period of service could call into question their independence, the Executive Board remains strongly convinced that both Ross Ancell and Colin Dearlove are independent of character and judgement, and their re-appointment is in the interests of the Group and its shareholders.

Both Ross Ancell and Colin Dearlove have provided assurances to the Board of their continued independence and that there are no circumstances which are likely to affect, or could appear to affect, their judgement. We have talked extensively to our largest shareholders and they are supportive of the Board's assessment that Ross Ancell and Colin Dearlove should continue to be regarded as independent Non-Executive Directors.

Neither Dermot Gleeson, Chairman, who has previously been Executive Chairman and, prior to that, has held the post of Chairman and Managing Director, 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 our deliberations from different perspectives. This is a matter to which the Nomination Committee gives consideration in its annual review of the Board's composition.

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 individual 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

Governance (continued)

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 a decision of the Board or its committees; these include 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.

The main purpose of these meetings is to permit the Board 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.

ATTENDANCE BY INDIVIDUAL DIRECTORS AT SCHEDULED BOARD MEETINGS

	Board	Audit Committee	Remuneration Committee	Disclosure Committee	Nomination Committee
Number of scheduled meetings ●	6	4	2	1	1
Attendance					
Dermot Gleeson	6	■	■	■	1
Ross Ancell	6	4	2	■	1
Colin Dearlove	6	4	2	■	1
Christopher Mills	5	■	■	■	■
Jolyon Harrison	6	4❖	2❖	1	1❖
Stefan Allanson	6	4❖	2❖	1	1❖

■ Not a member of this Committee
❖ Whilst not a member of this Committee, the Director was in attendance at all meetings
● Additional unscheduled meetings of the Board and Committees are held throughout the year

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. Similarly, the Chairman of each of the Audit, Remuneration and Nomination Committees conducted a performance review of each Board Committee. 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 other Executive Directors. The outcome and conclusions reached from the conduct of these evaluations were discussed by the Board at its Board Meeting in September 2017. 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 52 to 56.

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 operating units is delegated to the management responsible for the operating unit, 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 Company's Board of Directors 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.

Conflicts of interest

Following the introduction of s.175 of the Companies Act 2006 on 1 October 2008 and the authority given by shareholders at the 2008 AGM to the Directors to authorise conflicts of interest, the Board has procedures in place to deal with conflicts of interest. Under s.175, all Directors are under a duty to consider their positions fully at all times. They must advise the Chairman immediately or, if the Chairman is conflicted, he must advise the Senior Independent Director.

If a conflict is identified, permission or refusal to authorise a conflict is given by the non-conflicted Directors subject to the appropriate quorum requirement being met without counting the conflicted Director. The Board may vary or terminate the authorisation should the facts change or should the Board feel it is no longer appropriate for such authorisation to be in place. A register of authorisations is maintained by the Company Secretary which includes date of authorisation, expiry and comments on any special circumstances which might include the requirement of a conflicted Director to absent himself from Board discussions or be precluded from receiving Board papers.

Shareholder relations

There is 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 and Nomination Committees, will be available to answer any relevant questions.

Governance (continued)

For investor relations the Company uses the MJ Gleeson plc section of its website, which can be found at www.mjgleesonplc.com, to publish statutory documents and communications to shareholders, such as the Annual Report and financial statements, and the interim report, as its default method of publication. The website is designed to be a communication tool for present and potential investors and includes all London Stock Exchange announcements and press releases over the past twelve months and also links to the websites of the Group's divisions.

Compliance Statement

The Company has complied with the vast majority of the provisions of the April 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. For the reasons stated the Directors believe that the Company's stance is justified in this respect.

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 post of Chairman and Managing Director. 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 are 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 MJ Gleeson plc is a smaller listed company, it is felt that this is the most appropriate approach.

Nomination Committee

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

The Committee met once during the year to 30 June 2017. Attendance at this meeting by the Committee members is shown in the table on page 42.

The principal responsibility of the Committee is to consider succession planning and appropriate appointments to the Board and to senior management, so as to maintain an appropriate balance of skills, knowledge and experience within the Company. The 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 to be necessary;
- identify and nominate for consideration candidates for any Board vacancies that may arise;
- put in place plans for succession, in particular to 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 re-appointments are considered by the Nomination Committee. In considering any new appointments to the Board, the balance of skills, knowledge and experience on the Board are evaluated, together with the role to be filled and the capabilities required to do so. All appointments are made on merit and with appropriate measures to ensure that diversity is given full consideration and UK equality legislation complied with.

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 Committee met on a number of occasions during the year to 30 June 2017, including two scheduled meetings, to consider and approve the policy and 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 2017 are set out in the Remuneration Report on pages 58 to 74.

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 Committee comprises of the Executive Directors. Other Directors, executives and external advisors may attend by invitation as appropriate. The 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 Committee met on one occasion during the year to 30 June 2017, to review the performance of the Company against its disclosure policy and compliance with MAR.

Audit Committee

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. The Chairman invites the Chief Executive Officer and the Chief Financial Officer and other senior management to attend, along with the Group's internal and external auditors, when required.

The Committee met on a number of occasions during the year to 30 June 2017, including four scheduled meetings, with both members being in attendance for all meetings. The Committee regularly meets with the auditor and the internal auditor without the presence of the Company's management.

A full report from the Audit Committee is presented separately on pages 52 to 56 and forms part of the Governance Report.

Viability Statement

In accordance with provision C2.2 of the 2016 revision of the UK Corporate Governance Code, the Directors have assessed the longer term 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 2020, 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 its assessment, the Directors have considered the business risks facing the Group and how the Group mitigates such risks, which are summarised on pages 33 to 35 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 forecast selling prices, build costs, the number of completions, 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.

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.

Knowsley Lane, Huyton, Merseyside

Directors' Report

The Directors have pleasure in presenting the Annual Report and the audited financial statements for the year ended 30 June 2017.

Strategic report

In accordance with the requirements of the Companies Act 2006, we present a review of the business during the year to 30 June 2017 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 4 to 35.

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 37 to 45.

Results and dividends

The results are set out in the consolidated income statement on page 84. The subsidiary companies affecting the profit or net assets of the Group in the year are listed in note 15 to the financial statements.

An interim dividend of 6.5 pence per share was paid to shareholders on 7 April 2017 (2016: 4.5 pence). The Board proposes to pay, subject to shareholder approval at the 2017 AGM, a final dividend of 17.5 pence per share (2016: 10.0 pence) in respect of the 2017 financial year on 14 December 2017 to shareholders on the register at the close of business on 17 November 2017. On this basis, the total dividend for the year will be 24.0 pence per share (2016: 14.5 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 2 and 3, the Chief Executive's Statement on pages 10 to 12 and the Business Performance reviews on pages 14 and 15. Details of the principal risks and uncertainties faced by the Group are set out in the Strategic Report on pages 33 to 35. The key performance indicators are set out in the Strategic Report on pages 8 and 9. The Group's policy in respect of financial instruments is set out within the Accounting Policies on pages 90 to 95 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given in note 18 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 (Chief Executive's Statement and Business Performance reviews) on pages 10 to 15. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report (Financial Review) on pages 28 to 31.

The Group meets its day-to-day working capital requirements through its cash resources and £20m revolving credit facility, which was entered into in March 2016 with an expiry date of March 2019. At 30 June 2017, the Group had a cash balance of £34.1m (2016: £23.2m) and the revolving credit facility was undrawn (2016: 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 going concern. The report arising from these discussions is made available to the auditors and the conclusion is that the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of the financial statements and thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Political donations

The Company made no political donations in the year or in the previous year.

Directors and Directors' interests

The Directors of the Company and their biographical details are shown on pages 38 and 39. There have been no changes to Directors of the Company during the year.

Details of any related party transactions with Directors of the Company are shown in note 29 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 2017 and as at the date of this report are disclosed in the Remuneration Report on page 70. Details of the interests of the Executive Directors in share options and awards of shares can be found on page 71 within the same report.

Director's Report (continued)

Appointment and replacement of Directors

The Company's Articles of Association ("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 7 December 2017. Of the Directors standing for re-election, Jolyon Harrison and Stefan Allanson hold service contracts that may be terminated by the Group with a notice period of one year.

Share capital

During the period no shares (2016: 423,015 shares) were issued to satisfy shares vesting under the Performance Share Plan.

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.

As at 22 September 2017 the Company has issued share capital of 54,120,495 ordinary shares, with a nominal value of £1.1m. Further details are given in note 26 to the financial statements.

Substantial shareholdings

At 14 September 2017, the shareholdings noted below, representing 3% or more of the issued share capital, had been notified to the Company. In addition, as at 14 September 2017, Capita IRG Trustees Limited held 202,664 ordinary shares as trustees of the Employee Share Purchase Plan.

Name of Shareholder	Number of shares	Proportion of total
Funds managed by Harwood Capital LLP	10,055,000	18.58%
Schroder Investment Management Limited	5,541,689	10.24%
BlackRock Investment Management (UK)	2,593,066	4.79%
Mrs J C Cooper & spouse*	2,353,065	4.35%
JP Morgan Asset Management	1,856,291	3.43%
Jolyon Harrison (CEO)	1,734,219	3.20%
Artemis Fund Managers Limited	1,638,262	3.03%

* of which 546,250 shares are held in discretionary trusts of which Mrs J C Cooper is a Trustee.

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.

As a result, the Company operates a Directors and Officers' liability insurance policy in order to indemnify Directors and other senior officers of the Company and its subsidiaries, as recommended by the Corporate Governance Code. 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.

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, 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, as such 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 want including the Group stakeholder pension (including life assurance arrangements), private medical insurance, childcare vouchers and income replacement (PHI) arrangements. Employee share ownership continues to be encouraged through participation in the Group Share Purchase Plan.

We are committed to developing our employees in order that they can maximise their career potential and achieve their aspirations 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 take full consideration of all applicants on their merits and have processes and procedures in place to ensure that individuals with disabilities are given fair consideration.

Every possible effort is made by the Group to retain and support employees who become disabled whilst in the employment of the Group.

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. We utilise our internal website to disseminate information and engage with our employees via manager briefings.

Health & Safety

The health and safety of our employees and others is paramount. Further information on our approach to health and safety is provided in the Corporate Responsibility Report on page 25.

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.

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.

Shareholder additional information

Following the implementation of the EU Takeover Directive in the UK, 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 ("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 of Association 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 7 December 2017 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.

Director's Report (continued)

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 Acts 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 fifteen 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 re-appointment. The Board may appoint one or more Directors to hold any office or employment under the Company for such period (subject to the Companies Acts) 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 shall retire from office. In addition, there shall also be required to retire by rotation any Director who at any AGM of the Company shall have been a Director at each of the preceding two AGMs of the Company, provided that they were not appointed or re-appointed at either such AGM and they have not otherwise ceased to be a Director and been re-appointed by general meeting of the Company at or 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 Acts, 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; and
- the £20m 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 Capita Asset Services, or to the Company directly.

Auditor

Following a competitive audit tender process, PricewaterhouseCoopers LLP were appointed as the Company's auditors at the AGM in December 2016.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the next AGM.

Annual General Meeting

The Notice of the AGM to be held on 7 December 2017, 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
22 September 2017

Kilner Park, Conisbrough, South Yorkshire

Audit Committee Report

“I am pleased to introduce the Audit Committee report for the financial year ended 30 June 2017.”

Colin Dearlove
Chairman of the Audit Committee

Statement from the Chairman of the Audit Committee

I am pleased to introduce the Audit Committee report for the financial year ended 30 June 2017. The Committee continues to have a very busy agenda and plays a key role in supporting the Board to fulfil its governance responsibilities.

The Committee undertook all of its regular activities this year including receiving and reviewing the Annual Report and Regulatory Announcements made by the Company, together with examining going concern and viability, internal and external audit findings and performance, internal controls and their effectiveness, the impact of new accounting standards on the Group and other important matters.

In addition, the Committee completed a number of other significant actions during the year. This included running a successful external audit tender process, reviewing how gross margin is being applied on a site-by-site basis, assessing Group credit risk management procedures, inventory recovery, legacy matters, and reviewing and approving a new Group accounting policies manual.

The Committee is the busiest of all the Board Committees and proactively engages with management on a wide range of matters. This will continue as the size of the Group continues to grow. The Committee serves to ensure that the relevant codes and regulations are adhered to and that the business operates in a well-controlled and financially responsible manner.

Colin Dearlove
Chairman, Audit Committee
22 September 2017

Audit Committee membership

The Audit Committee (“the 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, formerly, 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 38 and 39. 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 and the Chief Financial Officer and other senior management to attend meetings of the Committee, along with the Group’s internal and external auditor, when required. The Committee regularly meets with the Group’s internal and external auditor without the presence of the Company’s management.

Responsibilities & Terms of Reference

The role of the Committee is to:

- monitor the integrity of the financial statements of the Company 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;
- develop the policy on the supply of external audit services by the external auditor, taking into account relevant ethical guidance.

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

Following a review by the Committee at its meeting in June 2017 it was determined that the terms of reference of the Committee remain appropriate and reflect the responsibilities of the Committee under the 2016 revision of the UK Governance Code ("the Code") and related regulations.

Activities during the year

The Committee met on five occasions during the year to 30 June 2017, of which four were scheduled meetings, 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 2016 which were reviewed by the Committee at its meeting in February 2017; and
- the draft 2017 Annual Report and preliminary announcement which were reviewed by the Committee at its meeting in September 2017.

At the request of the Board, the Committee considered whether the 2017 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 2017. 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 financial year ended 30 June 2017.

The Committee was satisfied that, taken as a whole, the 2017 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.

EXTERNAL AUDIT TENDER

In October 2016, the Committee in conjunction with the Chief Financial Officer, undertook a competitive audit tender process. A number of shortlisted firms presented to the Committee and the Chief Financial Officer. The Committee conducted a rigorous assessment of each firm's proposal and after due consideration a recommendation was made to the Board for PricewaterhouseCoopers LLP to be appointed as external auditors to the Company, subject to approval by shareholders at the AGM on 8 December 2016. As detailed under 'External audit', this was subsequently approved by shareholders.

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 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 provision C2.2 of the Code, the Committee also 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 45. 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 over the three year period. This Committee recommended statements to this effect to the Board to approve for inclusion in the Annual Report.

The viability statement is shown on page 45 of the Governance report with further explanation of the timespan and variables considered.

Audit Committee Report (continued)

CREDIT RISK MONITORING

The Group carries a number of receivables for deferred payments in relation to land sales. At each of the meetings where the Committee considered going concern and viability reporting, 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 remained low overall.

PROFIT RECOGNITION

At its meeting in February 2017, the Committee reviewed the processes, controls and assumptions used for recognising margin on development sites including in three particular areas; cost inflation, selling prices and contingencies.

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 margin recognition are appropriate.

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, continue to monitor the status of claims and any liabilities.

GROUP ACCOUNTING POLICIES MANUAL

At its meeting in February 2017, the Committee reviewed and approved a new version of the Group accounting policies manual. This was expanded from the previous edition and both updated and further clarified policies in a number of areas including margin recognition and contingencies, inventory provisioning, discounting of financial assets and liabilities and various aspects of accounting for long term employee benefits. There were no material changes to the accounting policies being applied by the Group.

REVIEW OF REPORTING STANDARDS

The Committee considered the impact of the accounting standards adopted in the year and, at its meeting in June 2017, reviewed management's assessment of the impact of IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases' upon the Group's accounting policies and financial statements. Further information on the impact of accounting standards is on pages 94 to 95.

REVIEW OF THE GROUP'S RISK REGISTER

The Committee reviewed the Group's risk register at each 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.

Ross Ancell and Colin Dearlove

INTERNAL AUDIT PLAN AND FINDINGS

The Committee set the Internal Audit plan for the year ended 30 June 2017 at its meeting in September 2016. As covered under 'Internal audit', the Committee also received and reviewed reports from the Internal Auditor during the year on internal audits conducted across the business.

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 work in progress and land. 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 the 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, revenues 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 at its meeting in February 2017, reviewed the assumptions applied by management supporting the profit margin to be recognised on sale of individual homes and concluded that they are 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 business function 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.
- The Group's programme of insurance covers the major risks to the Group's assets and business and is reviewed annually.
- Procedures are in place that require operating unit 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 business function which confirm that key financial controls have been in operation throughout the year and that an effective control environment has been maintained.

Each business function 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 Operating Risk Statement on pages 33 to 35 sets out details of various 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 principle C2 of the Code.

Audit Committee Report (continued)

Whistleblowing arrangements

The Group and Company has operated a 'whistleblowing' arrangement throughout the year whereby all employees of the Group are able, via an independent external 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 every six months at its meetings in February and September.

Anti-Bribery and Corruption Policy

The Group and 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 our 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 every six months at its meetings in February and September.

Internal audit

The Audit Committee is responsible for reviewing and approving the annual Internal Audit plan. This continues to have a broad remit across the Group focused on areas of risk and management judgement.

During the year, the Committee received sixteen 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

As previously reported, the Board agreed that it would re-tender the Group audit and subsequently recommended to shareholders that PricewaterhouseCoopers LLP be appointed as auditor. PricewaterhouseCoopers LLP were appointed as the Company's auditor following approval by shareholders at the AGM on 8 December 2016.

Upon appointment PricewaterhouseCoopers LLP produced a detailed audit plan for the Committee, identifying their assessment of key risks in the Group's financial reporting. For the 2017 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. From 1 July 2016 the Company has not engaged PricewaterhouseCoopers LLP to carry out any new non-audit services. From time to time non-audit services are put out to tender to a number of other suitable firms.

The ratio of audit fees to non-audit fees paid to the external auditor, PricewaterhouseCoopers LLP, in the financial year ended 30 June 2017 was 1 to 0.6. Details of the audit and non-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 the Company's 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 its professional scepticism. 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 re-appointed will be proposed at the next AGM of the Company on 7 December 2017.

Rosebank, Huyton, Merseyside

Remuneration Committee Report

"I am pleased to take this opportunity to set out the Group's remuneration strategy and the way it has been implemented during the past year."

Ross Ancell
Chairman of the Remuneration Committee

Statement from the Chairman of the Remuneration Committee

Dear Shareholder,

Our remuneration report is split into two parts as follows:

- this letter, which provides an introduction to the remuneration report; and
- the Annual Report on Remuneration, which describes how the policy was implemented in the year to June 2017 and the plans for the year to June 2018.

There have been no changes to the Remuneration Policy since it was approved by shareholders at the December 2016 AGM and so this will not be voted on at the next AGM on 7 December 2017, but details of the policy are included in this report.

Context to the Committee decisions

The Group delivered another set of strong results during the year with profit before tax increasing by 17.0% to £33.0m. The capacity of both divisions to continue growing has been established and margin on unit sales continued to increase. Cash generation has been strong with cash flow before dividends increasing by 41.7% to £19.7m enabling total dividends to increase by 65.5% to 24 pence per share.

2017 Executive Directors' remuneration

During the financial year the Remuneration Committee ("the Committee") undertook its annual review of the Executive Directors' base salaries and agreed the performance targets for the annual bonus for 2017.

The Group continued to perform well during the year to 30 June 2017. The performance condition for two thirds of the CEOs annual bonus and the whole of the CFOs annual bonus was the achievement of Group profit before tax for both continuing and discontinued operations of between £27.0m and £31.0m. The performance condition for one third of the CEOs annual bonus was the achievement of strategic performance targets set by the Committee at the beginning of the year. The strategic performance targets are directly linked to the Group's longer term strategy and are commercially sensitive. The targets will be shared when no longer commercially sensitive. The CEO completed the strategic performance targets. The Group achieved profit before tax for both continuing and discontinued operations of £32.8m, which is an increase of 17.6% against the previous year. Accordingly, annual bonus payments for 2017 will be made at 100% of base salary for the Chief Executive Officer and 100% of base salary for the Chief Financial Officer, both to be paid in cash.

No long term incentive plan awards vested in the year ended 30 June 2017. However, the October 2014 long term incentive award for the CEO achieved the three year performance condition which ended on 30 June 2017. The performance condition was based on the total shareholder return (share price measured over the three months prior to the end of the performance period plus cumulative dividends) achieving £6.00 per share by 30 June 2017.

The performance condition was met in full. Accordingly, the 290,769 share award will vest to the CEO on 1 October 2017.

The Committee granted conditional share awards under the Remuneration Policy approved at the AGM on 8 December 2016 which will vest in whole or in part on 30 June 2019 if performance conditions have been met. The performance condition is based on total shareholder returns for the three financial years from 1 July 2016 to 30 June 2019. The award was made on 12 December 2016.

2018 Executive Directors' remuneration

The focus of the remuneration policy for the Executive Directors continues to have a significant proportion of remuneration performance-related and linked closely to the Group's long term strategy.

In recognition of the CEO leading the Group's delivery of record results and of achieving the medium term target of completing 1,000 unit sales in the year, the Committee increased the base salary of the CEO by 20% to £480,000 from 1 July 2017. This increase follows an increase of 0.75% the previous year. The CEO's single figure of total remuneration during the year reduced by 70% to £879,000.

As anticipated in the letter sent to shareholders before the December 2016 AGM it was the intention of the Committee to increase the base salary of the CFO by 20% to £300,000 subject to "continued performance and development in the role". The Committee are satisfied with the performance and development of the CFO and the increase became effective 1 July 2017.

The maximum amount payable under the annual bonus scheme will again be 100% of base salary. For the CEO, two thirds of the award will be based on profit targets and one third on personal or strategic performance targets. For the CFO, the performance condition remains wholly linked to profit targets.

The Committee intends to grant further conditional share awards at 300% of base salary for the CEO and 150% of base salary for the CFO. As in previous years the award will be conditional on Total Shareholder Return ("TSR") performance measured over a period of three financial years and will be subject to a two-year holding period following the performance period.

Activities during the year

The Committee met seven times during the year, two of which were scheduled meetings. Papers were circulated in advance of each meeting for all matters considered. The principal activities of the Committee were as follows:

- review and approval of the remuneration of the Chairman, Executive Directors, senior managers and employees including annual pay, benefits, annual bonus and long term incentives;
- review and approval of Executive Director's annual bonus and long term incentives and targets;
- review of Executive Director's performance against annual bonus and long term incentive targets;
- design and approval of the remuneration policies;
- review of gender pay across the Group;
- appointment of remuneration consultants. KPMG LLP were appointed by the Committee to advise on technical remuneration and reporting matters; and
- commissioning of benchmarking report on directors remuneration.

Ross Ancell
Chairman, Remuneration Committee
22 September 2017

Remuneration Policy Report

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. The policy has been developed taking into account the principles of the UK Corporate Governance Code and the views of our major shareholders and describes the policy that was approved by shareholders at the AGM on 8 December 2016 onwards.

Policy overview

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

- to attract, retain and motivate the best possible person for each position, while aligning remuneration with shareholder interests;
- to ensure that the remuneration packages are simple and fair in design so that they are valued by participants;
- to ensure that the fixed element of remuneration (salary, pension and other benefits) is determined in line with market rates, taking account of individual performance and experience, and that a significant proportion of the total remuneration package is determined by performance;
- to recognise the importance of rewarding exceptional performance (but not under-performance) in both the short and long term;
- to set carefully all targets and associated sliding scale ranges to ensure that performance is incrementally rewarded and that executives are not inadvertently motivated to take inappropriate business risks (including environmental, social, health, safety and governance risks); and
- to provide a significant proportion of performance linked pay in shares allowing executives to build significant shareholdings in the business, thereby, aligning the executive's interests with those of the Company's shareholders.

Components of Directors' remuneration

The key elements of the remuneration package for each Director are set out in the table below:

Element	BASE SALARY
Purpose and link to strategy	Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group's strategy.
Operation	Salaries are normally reviewed annually. Salary levels are set with reference to: • personal performance • Company performance • inflation and earnings forecasts • state of the market place generally • increases elsewhere in the Group • similar roles in the workforce generally The Committee may on occasion recognise a change in circumstances such as assumed additional responsibility or an increase in the scale or scope of the role. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved. There are no provisions for recovery or withholding of payment.
Maximum opportunity	The Committee ensures that maximum salary levels are positioned in line with companies of a similar size and complexity. Salary increases for Executive Directors will take into account the increase in salaries for all employees. The Company will set out in the section headed Annual Report on Remuneration, in the following financial year, the salaries for that year for each of the Executive Directors.
Performance targets	N/A

Element	BENEFITS
Purpose and link to strategy	Provides a benefits package in line with practice relative to comparators to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.
Operation	The Company provide 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 • reimbursement of expenses incurred on Group matters The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits may therefore be offered such as relocation allowances on recruitment. There are no provisions for recovery or withholding of payment.
Maximum opportunity	The value of benefits is based on the underlying cost to the Group and individual circumstances. There is no prescribed maximum but benefits are in line with market practice.
Performance targets	N/A

Element	PENSION
Purpose and link to strategy	Provides a pension provision in line with practice relative to comparators to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.
Operation	The Company will contribute to the Group's defined contribution pension scheme, or to personal pension arrangements at the request of the individual. The Company contributes at an agreed percentage of salary. The Company may also consider a cash alternative (e.g. where a Director has reached the HMRC's lifetime or annual allowance limit). Other than basic salary, no element of the Directors' remuneration is pensionable. Salary supplements are not included in base salary to calculate other benefits and incentive opportunities. There are no provisions for recovery or withholding of payment.
Maximum opportunity	The maximum Company contribution or pension allowance is 25% of salary. Directors who are members of the pension scheme may elect to exchange part of their salary in return for pension contributions.
Performance targets	N/A

Remuneration Policy Report (continued)

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	The Committee will determine the bonus to be delivered following the end of the relevant financial year. The Company will set out in the section headed Annual Report on Remuneration, in the following financial year, the nature of the targets and details of the performance conditions, unless they are commercially sensitive, and weightings and their level of satisfaction for the year being reported. Normally payable in cash, but Executive Directors may elect to have their bonus payable in shares. Performance targets are reviewed annually by the Committee and can include financial and non-financial targets. The Committee has the discretion to override the formulaic outturn of the bonus to determine the appropriate level of bonus payable where it believes the outcome is not truly reflective of performance and to ensure fairness to both shareholders and participants. Malus and Clawback provisions apply. The circumstances in which the Malus clause may apply include; material errors or misstatements in the audited financial statements of the Group or any Group company; discovery of errors, inaccuracies or misleading information used to achieve targets, conditions, bonus or share awards; fraud or gross misconduct; and events or behaviour leading to censure by a regulatory authority or leading to a significant reputational damage. Clawback trigger events include; material errors or misstatements in the audited financial statements of the Group or any Group company; discovery of errors, inaccuracies or misleading information used to achieve targets, conditions, bonus or share awards; fraud or gross misconduct; and events or behaviour leading to censure by a regulatory authority or leading to a significant reputational damage.
Maximum opportunity	Maximum opportunity of 150% of base salary. Percentage of bonus maximum earned for levels of performance: Threshold: 0% Maximum: 100%
Performance targets	An award under the annual bonus is subject to satisfying financial and strategic / operational performance / personal performance conditions and targets measured over a period of one financial year. A minimum of two thirds of the bonus shall be based on financial performance measures. The Committee will determine the bonus to be delivered following the end of the relevant financial year. The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the Annual Bonus in advance would not be in shareholder interests. Targets, performance achieved and awards made will be published at the end of the performance period so shareholders can fully assess the basis for any pay-outs under the Annual Bonus.

Element	ANNUAL BONUS (CONTINUED)
Performance targets (continued)	In exceptional circumstances the Committee retains the discretion to: • change the performance measures and targets and the weighting attached to the performance measures and targets part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate; and • make downward or upward adjustments to the amount of bonus earned resulting from the application of the performance measures, if the Committee believe that the bonus outcomes are not a fair and accurate reflection of business performance. Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report. The financial targets incorporate an appropriate sliding scale range around a challenging target.

Element	LONG-TERM INCENTIVE PLAN ("LTIP")
Purpose and link to strategy	The purpose of the LTIP is to incentivise and reward Executive Directors in relation to long term performance and achievement of Company Strategy. This will better align Executive Directors' interests with the long-term interests of the Company and act as a retention mechanism. The award is designed to incentivise Executive Directors to maximise Total Shareholder Return "TSR" by successfully delivering the Company's strategy and to share in the resulting increase in total shareholder value.
Operation	Awards are granted annually to Executive Directors in the form of a conditional share award, nil cost option or restricted share award. These will vest at the end of a three year period subject to: • the Executive Director's continued employment at the date of vesting; and • satisfaction of the performance conditions. Performance targets are reviewed by the Committee for each new award. Details of the performance conditions for grants made in the year are set out in the Annual Report on Remuneration. Amounts equivalent to any dividends or shareholder distributions may be made in respect of awards at vesting, if the Committee so determines. Vested shares will be subject to a two-year holding period, during which participants cannot sell their vested LTIP awards (other than to cover Income Tax and NIC). Malus and Clawback provisions apply. The circumstances in which the Malus clause may apply include; material errors or misstatements in the audited financial statements of the Group or any Group company; discovery of errors, inaccuracies or misleading information used to achieve targets, conditions, bonus or share awards; fraud or gross misconduct; and events or behaviour leading to censure by a regulatory authority or leading to a significant reputational damage. Clawback trigger events include; material errors or misstatements in the audited financial statements of the Group or any Group company; discovery of errors, inaccuracies or misleading information used to achieve targets, conditions, bonus or share awards; fraud or gross misconduct; and events or behaviour leading to censure by a regulatory authority or leading to a significant reputational damage.

Remuneration Policy Report (continued)

Element	LONG-TERM INCENTIVE PLAN ("LTIP") CONTINUED
Maximum opportunity	Awards of up to 300% of base salary for the Chief Executive Officer and 200% for other Directors. For awards made in 2017, the CEO was awarded 300% of base salary and the CFO 150% of base salary. 20% of the award will vest for threshold performance. 100% of the award will vest for maximum performance. There is straight line vesting between these points.
Performance targets	The performance condition for the 2017 LTIP awards is absolute TSR and a fairness test, which would consider the underlying financial performance of the Company, including, but not limited to, the profitability of the Company and shareholder value creation including the ability of shareholders to access this value creation through the liquidity of the shares. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. No material change will be made to the type of performance conditions without prior major shareholder consultation. In exceptional circumstances the Committee retains the discretion to: • vary, substitute or waive the performance conditions applying to LTIP Awards if the Board considers it appropriate and that the new performance conditions are deemed reasonable and are not materially less difficult to satisfy than the original conditions; and • make downward or upward adjustments to the amount vesting under the LTIP resulting from the application of the performance measures if they believe that the outcomes are not a fair and accurate reflection of business performance.

Element	HMRC APPROVED ALL-EMPLOYEE SCHEME
Purpose and link to strategy	The HMRC approved 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 maximums 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	Provides a level of fees to support 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 are set at levels with reference to sector, FTSE Small Cap and general Non-Executive Director benchmarking data as appropriate. Fees are paid in cash and are not performance related. Non-Executive Directors are paid an annual fee and additional fees are paid to the Chairmen of the Audit, Remuneration and Nomination Committees to reflect the additional responsibilities. The Chairman is part of the Group private health scheme. There are no other benefits or incentive schemes for Non-Executive Directors.
Maximum opportunity	There is no prescribed maximum annual increase. In general the level of fee increase for the Non-Executive Directors and the Chairman will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The Company will set out in the section headed Annual Report on Remuneration, in the following financial year, the fees for that year. The Company will pay reasonable expenses incurred by the Non-Executive Directors and Chairman and may settle any tax incurred in relation to these.
Performance targets	N/A

Selection of performance measures and target setting

In the selection of performance measures the Committee takes into account the Group's strategic objectives and short and long-term business priorities. The performance measures 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.

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 our senior management team is rewarded on a consistent basis. Any differences that exist arise either because of the Remuneration 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.

How the Committee will use its discretion

Incentive plans, including annual bonus and LTIP, will be operated in line with the rules of each scheme or plan together with any relevant laws and regulations. However, it is important that the Committee retains appropriate discretion (as is customary) over the administration and operation of the incentive plans.

Discretion will include, but is not limited to, the following in relation to incentive schemes:

- who is invited to participate or receive grants of awards;
- the size and timing of award grants or payments;
- discretion required when changes or adjustments are required in special circumstances (e.g. change of control, rights issues, special corporate or dividend events, or change in business strategy);
- the annual review of performance measures and targets for the annual bonus and incentive schemes (including LTIP) from year to year;

Remuneration Policy Report (continued)

- the determination of vesting (or payment), and the treatment of leavers and vesting for leavers;
- the annual review of performance measures and weighting, and targets for incentive plans over time; and
- as permitted by HMRC and other regulations, in respect of Sharesave and any Share Incentive Plans.

In relation to incentive schemes including annual bonus and LTIP, the Committee may adjust performance measures and/or targets if these have ceased to be appropriate provided that such adjusted measures or targets will not be materially less difficult to satisfy. Any use of the above discretions would, where relevant, be explained in future Directors Remuneration Reports and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Legacy arrangements

For the avoidance of doubt, in approving the Policy report, authority is given to the Company to honour any commitments entered into with current and former Directors that have been disclosed previously to shareholders. It is also part of this policy that we will honour payments or awards crystallising after the effective date of this policy but arising from commitments entered into prior to the effective date of the new policy, or at a time when the relevant individual was not a Director of the Company. The Company will also have the authority to meet any claims against the Company arising as a result of a Director's termination.

Illustration of the application of Remuneration Policy

The charts below illustrate the future remuneration packages of the CEO and CFO under the policy set for the year to 30 June 2018 onwards for three indicative levels of performance – minimum, expected and maximum:

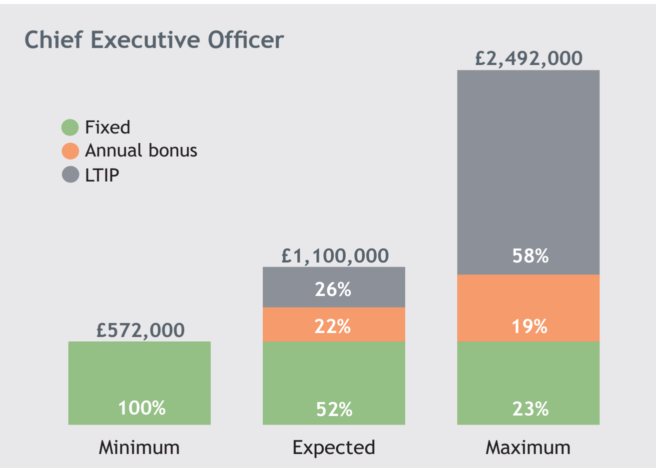
For the purpose of this analysis, the following assumptions have been made:

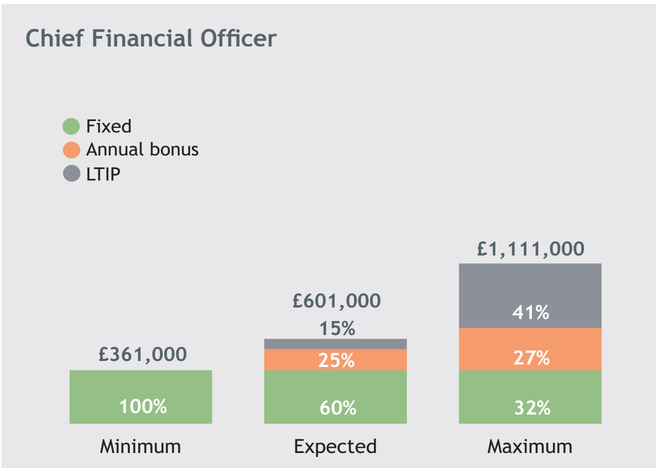
- fixed elements comprise base salary, pension and other benefits. As an example, for the Chief Executive Officer, fixed elements comprise salary of £480,000, pension of £72,000 and benefits of £20,000;
- base salary levels applying on 1 July 2017;
- benefit levels are assumed to be the same as the year ended 30 June 2017;
- minimum performance assumes no award under the annual bonus and no vesting is achieved under the performance share plan;
- expected performance assumes 50% of annual bonus is earned and threshold vesting for the performance share plan;
- maximum performance assumes full bonus pay out and full vesting under the performance share plan; and
- share price movement has been excluded from the above analysis.

Note the one-off CEO award made last year of up to £3m conditional on achieving significant shareholder value has not been included in the CEO's scenario chart as it is a one-off award and does not form part of the recurring remuneration.

Service agreements and policy in respect of loss of office

All Executive Directors' service agreements are terminable on 12 months notice. In circumstances of termination on notice, the Committee will determine an equitable compensation package, having regard to the particular circumstances of the case. The Committee has discretion to require notice to be worked or to make payment in lieu of





notice or to place the Director on garden leave for the notice period.

The dates of the Executive Directors' service agreements who served during the year are:

Executive Director	Date of service agreement
Jolyon Harrison	1 July 2012
Stefan Allanson	29 June 2015

Base salary, pension and benefits

In case of payment in lieu of notice or garden leave, base salary, employer pension contributions and employee benefits will be paid for the period of notice served on garden leave or paid in lieu of notice.

Annual bonus

Where an Executive Director's employment is terminated after the end of a financial year but before the bonus payment is made, the Executive Director may be eligible for a bonus award for that financial year subject to an assessment based on financial and personal performance achieved over the period.

Where an Executive Director's employment is terminated during a financial year, a pro-rata bonus award for the period worked in that financial year may be payable subject to an assessment based on financial and personal performance.

There is no payment in the event of gross misconduct, wilful neglect or certain other specified circumstances.

Long-term incentive plan

Awards under the Long Term Incentive Plan will be determined by the Plan rules which contain discretionary good leaver provisions for designated reasons (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). In these circumstances a participant's awards will not be forfeited on cessation of employment and instead will vest on the normal vesting date. In exceptional circumstances, the Committee may decide that the participant's awards will vest early on the date of cessation of employment. In either case, the extent to which the awards will vest depends on the extent to which the performance conditions 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 dis-apply time pro rating if the circumstances warrant it). A two-year holding period will apply in respect of shares that vest in the event of cessation of employment. "Bad" leavers forfeit their awards on cessation of employment.

In the event of a change of control or substantial exit awards will be tested against the relevant performance targets at the date of relevant event. Awards will be pro-rated for time served and no holding period will apply. If deemed appropriate, the Committee has discretion to determine whether or not vesting of an award shall be reduced on a pro rata basis to take account of the period of time that has elapsed from the grant date to the date of the relevant event.

One-off CEO award

For a "good" leaver, the award will be tested against the relevant performance targets on cessation of employment and the level of vesting determined. A "bad" leaver will forfeit their award on cessation of employment.

In the event of change of control or substantial exit within 3 years of grant which is deemed by the Committee to have delivered value to shareholders, the award will vest in full. If the Committee deems that a change of control or substantial event has not delivered value to shareholders, then the award will be forfeited.

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 Directors' original appointment are as follows:

Non-Executive Director	Date of original appointment	Expiry of current term
Dermot Gleeson	27/11/1975	30/09/2017
Ross Ancell	01/10/2006	30/09/2017
Colin Dearlove	03/12/2007	30/09/2017
Christopher Mills	01/01/2009	30/09/2017

All Non-Executive Directors have specific terms of engagement being an initial period of three years which thereafter may be extended on an annual basis, subject to re-election at each AGM. The appointment of the Chairman may be terminated on six months' notice and the appointment of the other Non-Executive Directors may be terminated on one month's notice.

Remuneration Policy Report (continued)

Recruitment policy

The remuneration of a new executive Director will include salary, benefits, pension and participation in the annual bonus and LTIP schemes normally in accordance with the policy for executive Directors' remuneration. Salaries for new hires will be set to reflect their skills and experience and the market rate for the role.

If it is considered appropriate to appoint a new 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-outs as a matter of course, the Committee may offer additional cash and/or share-based elements (on a one-time basis or ongoing) when it considers these to be in the best interests of the Group (and therefore shareholders). Any such payments would be based solely on remuneration lost when leaving the former employer and would reflect the delivery mechanism, time horizons and performance requirement attaching to that remuneration. The Committee may then grant up to the equivalent value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buy-out within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms on grant, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the first AGM following their appointment.

The Committee may also agree that the Company will compensate executives, both internal and external, for certain relocation expenses as appropriate.

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 staff throughout the Group to ensure that it is attuned to general pay and conditions when considering the remuneration of executive pay. For example, in determining salary increases for the Executive Directors the Committee looks at salary increases across the Group.

The Committee is proud of its commitment that all employees are paid no less than the Real Living Wage set by the Living Wage Foundation and to disclose the number of higher paid employees in the Group:

EMPLOYEES (EXCLUDING BOARD DIRECTORS) BY PAY CATEGORY

Pay category (base salary)	No. of employees at 30 June 2017
Exceeding £200,000 p.a.	0
Exceeding £100,000 p.a.	9
Above the Real Living Wage, below £100,000 p.a.	313
At the Real Living Wage	51
Above the Government's guidance for apprentices, but below the Real Living Wage	30
Below the Real Living Wage	0
Total employees	403

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 investors and develops and considers its proposals in light of this feedback.

Annual Report on Remuneration

The Remuneration Committee's Annual Report on Remuneration for the year ended 30 June 2017 is set out below, including remuneration for the year ended 30 June 2017 and the proposed implementation of the approved Remuneration Policy for 2018.

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

SINGLE TOTAL FIGURE OF REMUNERATION FOR EACH DIRECTOR FOR THE YEAR ENDED 30 JUNE 2017

	2017						2016					
	Salary & fees £000	Benefits £000	Annual bonus £000	Value of LTIP award vesting £000	Pension £000	Total £000	Salary & fees £000	Benefits £000	Annual bonus £000	Value of LTIP award vesting £000	Pension £000	Total £000
Chairman												
Dermot Gleeson	110	1	-	-	-	111	105	1	-	-	-	106
Executive Directors												
Jolyon Harrison	400	19	400	-	60	879	397	20	397	2,085	60	2,959
Stefan Allanson[1]	250	16	250	-	37	553	181	16	135	-	27	359
Alan Martin[2]	-	-	-	-	-	-	19	1	-	-	5	25
Non-Executive Directors												
Ross Ancell	50	-	-	-	-	50	50	-	-	-	-	50
Colin Dearlove	50	-	-	-	-	50	50	-	-	-	-	50
Christopher Mills	40	-	-	-	-	40	40	-	-	-	-	40
	900	36	650	-	97	1,683	842	38	532	2,085	92	3,589

1 Appointed to Board 31 July 2015 but joined the Group on 29 June 2015. As such the 2016 Remuneration is based on full year plus 2 days from prior year
2 Resigned 31 July 2015

During the year no Director waived his entitlement to any emoluments.

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 2017 (and their associated values) were: car allowance of £13,000 for Jolyon Harrison and £13,000 for Stefan Allanson; car fuel of £4,757 for Jolyon Harrison and £1,966 for Stefan Allanson; and private medical insurance of £1,436 for Jolyon Harrison and £748 for Stefan Allanson. This package of benefits is unchanged from 2016.

Determination of annual bonus

The CEOs annual performance-related bonus for the year to 30 June 2017 was based two-thirds upon achieving a profit related target and one third upon achieving a strategic performance target. The CFOs annual performance-related bonus for the year to 30 June 2017 was based wholly upon achieving a profit related target.

Annual Report on Remuneration (continued)

Determination of annual bonus (continued)

The profit related target for both the CEO and CFO was the Group's pre-exceptional profit before tax, for both continuing and discontinued operations in the year to 30 June 2017, (the "Profit Measure"), with the following target figures and straight line vesting between the relevant target figures.

Target	Profit measure £m	Bonus achievable as percentage of salary
Threshold	27.0	0%
Target	31.0	100%

The Profit Measure achieved for the year to 30 June 2017 was £32.8m, as per the basis of calculation above, and exceeded that of the prior year by 17.6%. The CEO fully achieved the strategic performance targets. As a result, the annual bonus payments for 2017 will be made, in cash, at 100% of base salary for the CEO and 100% of base salary for the CFO.

Long Term Incentive Plan – Performance Share Plan

The LTIP columns refer to the Company's Performance Share Plans, which delivers shares to the Executive Directors subject to performance targets being reached. The performance target is based on Total Shareholder Return over a three year period.

In the year to 30 June 2017 share awards were made to Jolyon Harrison and Stefan Allanson.

December 2016 PSP awards	Number of shares awarded	Threshold award at £5.85, 20% of award made £ *	Maximum award at £6.50, 100% of award made £ *
Jolyon Harrison	210,526	246,315	1,368,419
Stefan Allanson	65,789	79,973	427,628

* excludes dividends

Pension

The Executive Directors are eligible to participate in the MJ Gleeson Group Pension Plan, a defined contribution arrangement and both Executive Directors are members of the Plan. The Chief Executive Officer received pension contributions of 15% of salary (2017: £60,000) and Chief Financial Officer received pension contributions of 15% of salary (2017: £37,500).

Directors' shareholdings and share interests

The share interests of the Directors serving during the year and of their connected persons in the ordinary share capital of the Company are as shown below:

Director	30 June 2017	30 June 2016
Dermot Gleeson	1,086,821	1,086,821
Jolyon Harrison	1,734,126	1,732,188
Stefan Allanson	16,073	15,634
Ross Ancell	-	-
Colin Dearlove	-	-
Christopher Mills	10,055,000[1]	11,055,000[1]

1 Shares are held by funds managed by Harwood Capital LLP of which Christopher Mills is a Member/Director.

None of the shares held are subject to performance conditions.

There are no share ownership requirements for the Directors.

Directors' interest in shares under the Long Term Incentive Plan

Director	Scheme	30 June 2016	Granted during year	Exercised during year	Lapsed in year	Share price at date of grant of award	Total interests outstanding at 30 June 2017	Shares vested but not exercised	Date from which share may be exercised
J Harrison	PSP 2014	290,769	-	-	-	£3.90	290,769	-	1/10/2017
	PSP 2015	250,737	-	-	-	£4.82	250,737	-	30/09/2018
	PSP 2016	-	210,526	-	-	£5.70	210,526	-	30/06/2019
S Allanson	PSP 2015	28,421	-	-	-	£4.82	28,421	-	30/09/2018
	PSP 2016	-	65,789	-	-	£5.70	65,789	-	30/06/2019

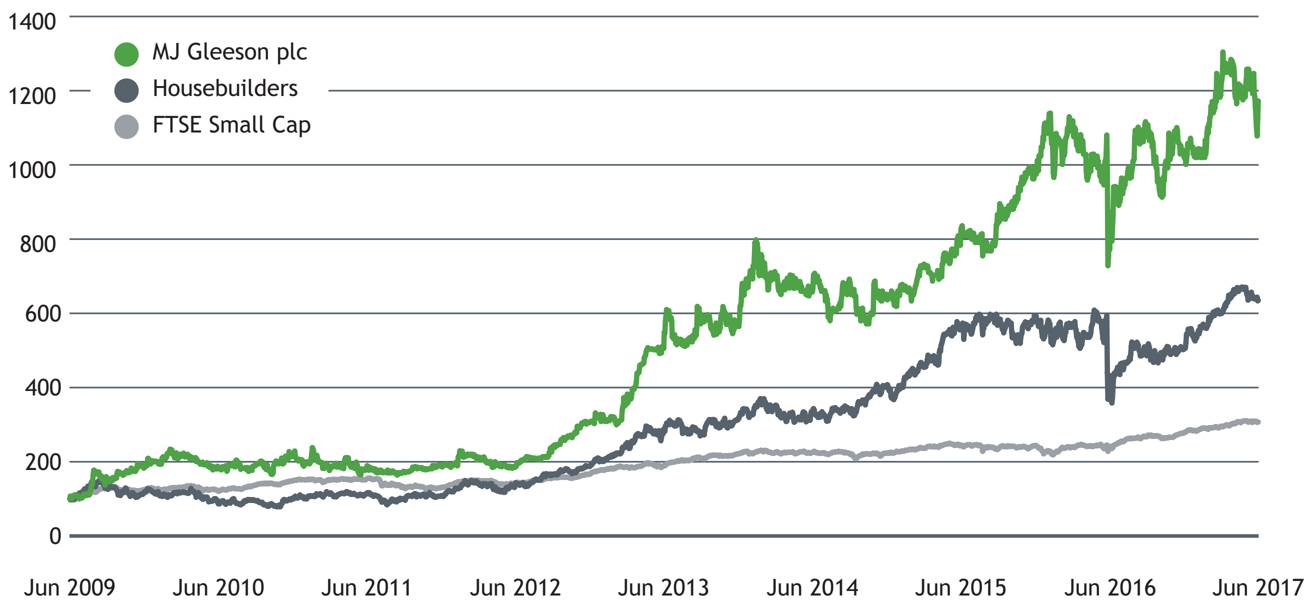
The middle market price on 30 June 2017 was £6.20 and the range during the year to 30 June 2017 was between £4.40 and £6.90.

Total Shareholder Return performance

We have chosen to compare the Company's total shareholder return performance over the last eight years with the total shareholder return 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.

Total shareholder return is the sum of share price appreciation and dividends paid during the year.

MJ GLEESON PLC TOTAL SHAREHOLDER RETURN COMPARISON TO PEER GROUP AND INDEX
30 JUNE 2009 TO 30 JUNE 2017



Annual Report on Remuneration (continued)

Chief Executive Officer's remuneration 2010 to 2017

Year	Chief Executive Officer	Single figure of total remuneration £	Annual bonus paid against maximum opportunity	LTIP awards vesting against maximum opportunity
2017	Jolyon Harrison	879,193	100%	-[1]
2016	Jolyon Harrison	2,958,638	100%	100%
2015[5]	Jolyon Harrison	1,795,453	100%	100%
2014[5]	Jolyon Harrison	793,107	100%	-[1]
2013	Jolyon Harrison [2, 3]	651,000	81%	-[1]
2012	N/A [4]	-	-	-
2011	Chris Holt[6]	416,608	0%	-[1]
2010	Chris Holt	326,388	40%	0%

Footnotes:
1. No LTIP vested during that year.
2. Jolyon Harrison appointed Chief Executive Officer from 1 July 2012.
3. The 2013 single figure total remuneration excludes £963,646 previously shown in recognising the 2010 PSP award as the vesting was deferred. This amount is included in the 2015 figure.
4. No Chief Executive Officer held office during 2012.
5. The figures above for 2015 and 2014 reflect the correction notice issued on 26 November 2015.
6. Total remuneration for Chris Holt who retired from the Board on 30 September 2010. The Board did not appoint a replacement Chief Executive Officer until 1 July 2012.

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 2016 to 30 June 2017, compared to the change in remuneration of the Group's salaried employees, excluding Executive Directors.

	Percentage change from 2016 to 2017		
	Annual salary	Bonus	Value of taxable benefits
Chief Executive Officer	0.8%	0.8%	0.0%
Average of salaried employees	5.2%	(0.1)%	(0.3)%

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.

	2017 £m	2016 £m	Difference in spend £m	Difference as percentage
Remuneration for all employees	20.3	16.1	4.2	26.1%
Total distributions paid	8.9	6.4	2.5	39.1%

Implementation of the Policy for the year to 30 June 2018

Executive Directors

BASE SALARIES

After taking into consideration the increases to Group employees' salaries on 1 July 2017 (monthly paid employees received an average 4.3% base salary increase), the Committee has awarded salary increases of 20% to the Chief Executive Officer and 20% to the Chief Financial Officer from 1 July 2017. The increase in the base salary of the Chief Financial Officer was set out in the Remuneration Policy letter to shareholders at the December 2016 AGM. In the year to 30 June 2017, the increase in the base salary of the Chief Executive Officer was 0.8% and the average annual increase over the last three years was 3.6%.

	Base salary from 1 July 2017 £	Base salary for the year to 30 June 2017 £
Jolyon Harrison	480,000	400,000
Stefan Allanson	300,000	250,000

ANNUAL BONUS

The maximum bonus that can be earned in the year will be 100% of base salary for the Chief Executive Officer and 100% of base salary for the Chief Financial Officer. This is in line with last year for both the Chief Executive Officer and the Chief Financial Officer.

The Committee has decided that the Chief Executive Officer's performance conditions for the 2018 annual bonus will be based on 2/3 profit before tax and 1/3 strategic objectives. The Chief Financial Officer's performance condition will be a profit before tax target. The profit before tax targets are commercially sensitive but will be disclosed in the next Annual Report on Remuneration. The Committee considers that the target it has set is stretching. The bonus continues to be subject to robust malus and clawback provisions.

LONG TERM INCENTIVE PLAN AWARDS (LTIP)

The October 2014 share award of 290,769 shares to the Chief Executive Officer will vest on 1 October 2017 as the performance conditions have been met in full.

The Committee proposes to make awards to the Executive Directors in the year to 30 June 2018, in line with the policy approved by shareholders at the 2016 AGM. These awards are expected to be at 300% and 150% of salary for Jolyon Harrison and Stefan Allanson respectively. The performance measures are expected to include an absolute TSR target and a fairness test which would consider the underlying financial performance of the Company, including, but not limited to, the profitability of the Company and shareholder value creation including the ability of shareholders to access this value creation through the liquidity of the shares.

PENSION

There are no changes to pension benefits for 2018 other than to increase in line with salary; current arrangements are set out on page 70.

Chairman and Non-Executive Directors fees

The Committee has agreed that the Chairman's fee for 2018 should increase by £9,500, to £120,000 with effect from 1 July 2017 which includes the additional fee of £10,500 for chairing the Nomination Committee. This increase was made to reflect the increase in workload as the Group grows and as governance requirements develop. An external benchmarking exercise was also performed. The Board as a whole determine the fees for the Non-Executive Directors. The fees for the Non-Executive Directors increased by £5,500 to £45,000 plus an additional, unchanged, fee of £10,500 for chairing a Board Committee. The increase was made again to reflect the increasing workload as the Group grows and following an external benchmarking exercise. The Non-Executive Directors did not receive a fee increase in the previous year.

Annual Report on Remuneration (continued)

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 38 and 39, and details of their attendance at the meetings of the Committee during the year ended 30 June 2017 are shown on page 42.

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 MJ Gleeson plc section of its website at www.mjgleesonplc.com, and its responsibilities include:

- recommending to, and agreeing with, 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 it appoints.

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 PricewaterhouseCoopers LLP who were paid £50,000 during the year and KPMG LLP who were paid £nil during the year as they were appointed after the year end. The Committee is satisfied that the appointment of these advisors is in accordance with the Company's policy on the provision of non-audit services to the Group and the external advice received is independent.

Statement of voting at the Annual General Meeting

At the Annual General Meeting held on 8 December 2016, votes cast by proxy and at the meetings in respect of the remuneration report and remuneration policy are shown in the table below. The Board and Remuneration Committee have taken into account shareholder feedback both before and after the AGM. In respect of the votes cast against the Director's Remuneration Policy, the Committee has actively engaged with our largest shareholders and taken their views into account.

	Votes in favour		Votes against		Total	Votes
	No.	%	No.	%	votes cast	witheld
2016 AGM: Approval of the Directors' Remuneration Report	35,800,437	88.72%	4,551,741	11.28%	40,352,178	8,902
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

Sophie & Billy, Masefield Park, Holmewood, Derbyshire

Statement of Directors' Responsibilities

Statement of Directors' responsibilities in respect of the Annual Report and 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 parent 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 parent company and of the profit or loss of the Group and parent 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 parent 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 parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent 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 also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's 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 parent 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 parent company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

J Harrison
Director

S Allanson
Director
22 September 2017

Independent Auditors' Report

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 parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's profit and the group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and 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 Report and Accounts (the "Annual Report"), which comprise: the group and parent company statements of financial position as at 30 June 2017; the group income statement and statement of comprehensive income, the group and parent company statements of cash flows, and the group and parent company statements 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

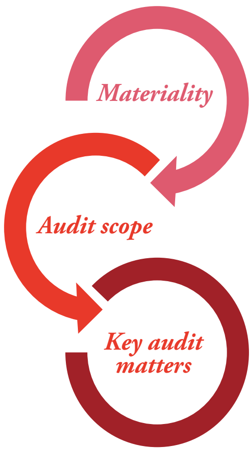
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in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

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the group or the parent company in the period from 1 July 2016 to 30 June 2017.

OUR AUDIT APPROACH

Overview



- £1,650,000 - group financial statements
- based on 5% of profit before tax.
- £1,567,500 - Parent company financial statements
- based on 1% of total assets (capped at 95% of group materiality).

- 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 (group).

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. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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.

Independent Auditors' Report (continued)

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 represent 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, whilst land valuations in the segment require provision assessments to take place to ensure that net realisable values are not below cost.	For land and work in progress in Gleeson Homes, we: • Assessed the adequacy of controls over site valuations, including costs to complete, sales prices and 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 certain costs incurred during the year included within land and work in progress 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. • Discussed a sample of sites with management in order to assess the reasonableness of net realisable values and corroborated the explanations received back to supporting documentation. • Performed an independent assessment of cost accruals and build contingency via enquiry and corroboration to supporting evidence.
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 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.

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 parent 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.

The group financial statements are a consolidation of the 8 reporting units within these two business lines and the group's centralised functions.

Of the group's 8 reporting units, we identified 8 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 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	Parent company financial statements
Overall materiality	£1,650,000	£1,567,500
How we determined it	5% of profit before tax.	1% of total assets (capped at 95% of group materiality).
Rationale for benchmark applied	The key objective of the group is to deliver profitable growth to increase long-term shareholder value. As a result, we believe profit before tax is the primary measure used by the shareholders in assessing the performance of the group and is therefore the appropriate benchmark to use in setting materiality.	The key objective of the parent company is to hold investments in the various group companies. As a result, we believe total assets is the primary measure used by the shareholders in assessing the performance of the parent company and is therefore the appropriate benchmark to use in setting materiality.

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 £73,000 and £1,567,500. 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 £82,500 (group audit) and £78,300 (Parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent Auditors' Report (continued)

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 parent 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 parent company's ability to continue as a going concern.
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 Report and Accounts 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 2017 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 parent 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 43 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 45 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 parent 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 76, 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 parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 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 parent 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 Directors' Responsibilities set out on page 76, 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report (continued)

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 parent 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 parent 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 parent 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. This is therefore our first year of uninterrupted engagement.

Ian Marsden, (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors,
Sheffield

22 September 2017

The maintenance and integrity of the MJ Gleeson plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Barnburgh View, Goldthorpe, South Yorkshire

Consolidated Income Statement
for the year ended 30 June 2017

	Note	2017 £000	2016 £000
Continuing operations			
Revenue	2	160,384	142,065
Cost of sales		(103,674)	(94,509)
Gross profit		56,710	47,556
Administrative expenses		(24,051)	(19,390)
Other operating income	5	304	-
Operating profit		32,963	28,166
Financial income	7	251	512
Financial expenses	7	(202)	(440)
Profit before tax		33,012	28,238
Tax	8	(6,488)	(4,934)
Profit for the year from continuing operations		26,524	23,304
Discontinued operations			
Loss for the year from discontinued operations (net of tax)	3	(310)	(345)
Profit for the year		26,214	22,959
Earnings per share attributable to equity holders of parent company			
Basic	10	48.49 p	42.59 p
Diluted	10	47.75 p	42.51 p
Earnings per share from continuing operations			
Basic	10	49.06 p	43.23 p
Diluted	10	48.31 p	43.15 p

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2017

	2017 £000	2016 £000
Profit for the year	26,214	22,959
Other comprehensive income/(expense)		
Items that may be subsequently reclassified to profit or loss		
Change in value of available for sale financial assets	(104)	(584)
Recognition of deferred tax on share-based payments	665	-
Other comprehensive income/(expense) for the year, net of tax	561	(584)
Total comprehensive income for the year attributable to equity holders of parent company	26,775	22,375

The notes on pages 90 to 117 form part of these financial statements.

Consolidated Statement of Financial Position
at 30 June 2017

	Note	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Non-current assets					
Plant and equipment	11	1,484	1,274	1	5
Investment properties	12	303	506	-	-
Investments in joint ventures	13	-	-	-	-
Investments in subsidiaries	15	-	-	100,800	60,800
Trade and other receivables	17	14,427	13,527	-	-
Deferred tax assets	22	5,001	4,567	202	15
		21,215	19,874	101,003	60,820
Current assets					
Inventories	16	142,550	114,238	-	-
Trade and other receivables	17	17,925	23,284	46,154	92,826
Cash and cash equivalents	24	34,052	23,244	17,247	1,359
UK corporation tax	8	-	-	3,858	3,174
		194,527	160,766	67,259	97,359
Total assets		215,742	180,640	168,262	158,179
Non-current liabilities					
Trade and other payables	19	(703)	-	-	-
Provisions	20	(110)	(100)	-	-
		(813)	(100)	-	-
Current liabilities					
Trade and other payables	19	(40,924)	(26,904)	(69,145)	(50,127)
Provisions	20	(101)	(111)	-	-
UK corporation tax	8	(2,533)	(620)	-	-
		(43,558)	(27,635)	(69,145)	(50,127)
Total liabilities		(44,371)	(27,735)	(69,145)	(50,127)
Net assets		171,371	152,905	99,117	108,052
Equity					
Share capital	26	1,082	1,082	1,082	1,082
Share premium account		-	23	-	23
Available for sale reserve		(688)	(584)	-	-
Retained earnings		170,977	152,384	98,035	106,947
Total equity		171,371	152,905	99,117	108,052

Retained earnings of the Company

The loss of the parent company in the financial year amounted to £675,000 (2016: profit of £38,254,000).

The financial statements were approved by the Board of Directors on 22 September 2017 and were signed on its behalf by:

J Harrison
Director

S Allanson
Director

Reg. No. 9268016

The notes on pages 90 to 117 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

	Note	Share capital £000	Share premium account £000	Available for sale reserve £000	Retained earnings £000	Total equity £000
GROUP						
At 1 July 2015		1,074	23	-	135,432	**136,529**
Total comprehensive income for the year						
Profit for the year		-	-	-	22,959	**22,959**
Other comprehensive expense		-	-	(584)	-	**(584)**
Total comprehensive income for the year		**-**	**-**	**(584)**	**22,959**	**22,375**
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Share issue		8	-	-	-	**8**
Purchase of own shares		-	-	-	(46)	**(46)**
Share-based payments		-	-	-	420	**420**
Dividends	9	-	-	-	(6,381)	**(6,381)**
Transactions with owners, recorded directly in equity		8	-	-	(6,007)	**(5,999)**
At 30 June 2016		1,082	23	(584)	152,384	**152,905**
Total comprehensive income for the year						
Profit for the year		-	-	-	26,214	**26,214**
Other comprehensive income		-	-	(104)	665	**561**
Total comprehensive income for the year		-	-	(104)	26,879	**26,775**
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Adjustment to share premium		-	(23)	-	-	**(23)**
Purchase of own shares		-	-	-	(22)	**(22)**
Share-based payments		-	-	-	660	**660**
Dividends	9	-	-	-	(8,924)	**(8,924)**
Transactions with owners, recorded directly in equity		-	(23)	-	(8,286)	**(8,309)**
At 30 June 2017		1,082	-	(688)	170,977	**171,371**

	Note	Share capital £000	Share premium account £000	Available for sale reserve £000	Retained earnings £000	Total equity £000
COMPANY						
At 1 July 2015		1,074	23	-	74,753	**75,850**
Total comprehensive income for the year						
Profit for the year		-	-	-	38,254	**38,254**
Total comprehensive income for the year		-	-	-	38,254	**38,254**
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Share issue		8	-	-	-	**8**
Purchase of own shares		-	-	-	(99)	**(99)**
Share-based payments		-	-	-	420	**420**
Dividends	9	-	-	-	(6,381)	**(6,381)**
Transactions with owners, recorded directly in equity		8	-	-	(6,060)	**(6,052)**
At 30 June 2016		1,082	23	-	106,947	**108,052**
Total comprehensive income for the year						
Loss for the year		-	-	-	(675)	**(675)**
Other comprehensive income		-	-	-	55	**55**
Total comprehensive income for the year		-	-	-	(620)	**(620)**
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Adjustment to share premium		-	(23)	-	-	**(23)**
Purchase of own shares		-	-	-	(28)	**(28)**
Share-based payments		-	-	-	660	**660**
Dividends	9	-	-	-	(8,924)	**(8,924)**
Transactions with owners, recorded directly in equity		-	(23)	-	(8,292)	**(8,315)**
At 30 June 2017		1,082	-	-	98,035	**99,117**

Consolidated Statement of Cashflow

for the year ended 30 June 2017

	Note	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Operating activities					
Profit/(loss) before tax from continuing operations		33,012	28,238	(857)	38,289
Loss before tax from discontinued operations	3	(228)	(336)	-	-
		32,784	27,902	(857)	38,289
Depreciation of plant and equipment	11	818	763	4	5
Share-based payments		660	420	660	420
Profit on sale of available for sale financial assets		(216)	(73)	-	-
Loss on sale of plant and equipment		147	129	-	-
Loss on sale of investment properties		9	-	-	-
Impairment of investments in joint ventures		-	15	-	-
Financial income		(251)	(512)	(445)	(40,854)
Financial expenses		202	440	135	440
Operating cash flows before movements in working capital		34,153	29,084	(503)	(1,700)
Increase in inventories		(28,312)	(6,016)	-	-
Decrease/(increase) in receivables		3,650	(604)	(126)	571
Increase/(decrease) in payables		14,633	(4,940)	(753)	(294)
Decrease in amounts due from subsidiary undertakings		-	-	23,555	48,224
Increase/(decrease) in amounts due to subsidiary undertakings		-	-	46,797	(37,010)
Cash generated in operating activities		24,124	17,524	68,970	9,791
Tax paid		(4,426)	(3,224)	(4,426)	(3,224)
Interest paid		(135)	(440)	(135)	(440)
Net cash flow surplus from operating activities		19,563	13,860	64,409	6,127
Investing activities					
Proceeds from disposal of available for sale financial assets		1,154	926	-	-
Proceeds from disposal of investment properties		194	-	-	-
Proceeds from disposal of plant and equipment		5	8	-	-
Interest received		18	-	431	856
Purchase of plant and equipment	11	(1,180)	(940)	-	-
Investments in subsidiaries		-	-	(40,000)	-
Net cash flow surplus/(deficit) from investing activities		191	(6)	(39,569)	856

	Note	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Financing activities					
Proceeds from issue of shares		-	8	-	8
Purchase of own shares		(22)	(46)	(28)	(99)
Dividends paid	9	(8,924)	(6,381)	(8,924)	(6,381)
Net cash flow deficit from financing activities		(8,946)	(6,419)	(8,952)	(6,472)
Net increase in cash and cash equivalents		10,808	7,435	15,888	511
Cash and cash equivalents at beginning of year		23,244	15,809	1,359	848
Cash and cash equivalents at end of year	24	34,052	23,244	17,247	1,359

Notes to the Financial Statements

for the year ended 30 June 2017

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. 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 parent 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"). Joint ventures are accounted for using the equity method of accounting.

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 twelve 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.

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

Revenue recognition

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

- Revenue from homes sales is recognised when contracts to sell are completed and title has passed.
- Revenue from property and land sales is recognised at the earlier of when contracts to sell are completed and title has passed or when unconditional contracts to sell are exchanged.

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

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues 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.

Impairment: Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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.

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.

Financial income and expenses

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

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

Plant and equipment

Plant and equipment are 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.

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.

Joint ventures

A joint venture is an entity over which the Group is in a position to exercise joint control through participation in the financial and operating policy decisions of the venture. The joint venture entity operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. Joint ventures are accounted for using the equity method of accounting. The Group's share of the results of joint ventures is reported in the consolidated income statement as part of the operating profit and the net investment disclosed in the statement of financial position.

Notes to the Financial Statements (continued)

Investments
Investments are stated at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

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 values at original purchase date.

Available for sale financial assets
Available for sale financial assets due after more than one year, which represent receivables in respect of shared equity properties, are recorded at fair value, being the amount receivable by the Group discounted to present day values. The difference between the amount receivable by the Group 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. Credit risk is accounted for in determining fair values and appropriate discount factors are applied. The Group holds a second charge over property sold under shared equity schemes. Changes in the fair value of available for sale financial assets are recognised in other comprehensive income. Interest calculated using the effective interest method, dividends, and impairment losses on available for sale financial assets are recognised in the consolidated income statement.

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

Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Discontinued operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, 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 and the gain or loss recognised on the remeasurement to fair value less costs to sell. If the discontinued operations are sold, the net gain or loss from the sale is also recognised in the single line entry.

Loans and borrowings
Loans and borrowings are initially measured at cost and are subsequently reviewed to ascertain whether a fair value adjustment is required.

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 following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and the Group can control the timing of the reversal. 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 unconditionally 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 share prices not achieving the threshold for vesting. 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”) as separate legal entities and as subsidiaries of the parent. Any loan made to the EBT is accounted for as an intercompany loan with the parent. These shares are not treasury shares as defined by the London Stock Exchange.

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

Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial statements in conformity with 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.

Notes to the Financial Statements (continued)

The key judgement and 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 revenues. 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.

Available for sale financial assets (shared equity)
The valuation of the available for sale financial assets 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 uncertainty.

Deferred tax
Deferred tax is only recognised on tax losses when it is probable the losses will be utilised in full in future years. The judgement to recognise the deferred tax asset is dependent upon taxable profits arising in the same company as the losses originally arose and the Group's expectations regarding future profitability including site revenue and cost forecasts for future years which contain a degree of inherent uncertainty.

Adoption of new and revised standards

For the year ended 30 June 2017, the Group has applied the following new and revised standards that were mandatorily effective for an accounting period beginning on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or the amounts reported in these financial statements.

IAS 1 (Amended)	'Presentation of financial statements'
IAS 16 (Amended)	'Property, plant and equipment'
IAS 27 (Amended)	'Separate financial statements'
IAS 38 (Amended)	'Intangible assets'
IFRS 11 (Amended)	'Accounting for acquisitions of interests in joint operations'
Annual improvements	Issued 2012 - 2014

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 2017:

Standard		**Effective for periods**
IAS 7 (Amended)	'Statement on cash flows' (issued February 2016)*	1 January 2017
IAS 12 (Amended)	'Income Taxes' (issued January 2016)*	1 January 2017
Annual improvements	Issued 2014 – 2016	1 January 2018
IFRS 2 (Amended)	'Share based payments (issued June 2016)*	1 January 2018
IFRS 9	'Financial Instruments' (issued July 2014)	1 January 2018
IFRS 15	'Revenue from Contracts with Customers' (issued May 2014)	1 January 2018
IFRS 15 (Amended)	'Revenue from Contracts with Customers' (issued April 2016)*	1 January 2018
IFRS 16	'Leases' (issued January 2016)*	1 January 2019

* not yet endorsed by the EU.

IFRS 9 introduces new requirements on the classification and measurement of financial assets and liabilities. The full impact of the new Standard is currently being assessed but it will not have a material impact on the Group; the new Standard will require the available for sale reserve that is currently classified separately in equity to be reclassified and change the treatment of shared equity receivables held by the Group. There will be no impact on the Company as a result of the new Standard.

IFRS 15 sets out new revenue recognition criteria with particular regard to performance obligations and, whilst this may have an impact on the timing of revenue recognition of certain non-core revenue items, it will not materially impact the results of the Company and Group. If the new Standard was to be applied at the balance sheet date, it would have £nil impact on the results of the Group and the Company for the year.

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 £2.1m and total liabilities would increase by £2.2m. Consequently, the net impact would be a decrease in net assets of £0.1m. 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 both IFRS 15 and IFRS 16 and these will be included in the relevant financial statements to which the Standards are effective.

The application of the remaining standards and interpretations not yet applied is not expected to have a material impact on the Company and Group'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	2017 £000	2016 £000
Revenue			
Continuing activities:			
Gleeson Homes		130,492	113,633
Gleeson Strategic Land		29,892	28,432
		160,384	142,065
Discontinued activities	3	-	-
Total revenue		160,384	142,065
Profit on activities:			
Gleeson Homes		22,760	19,465
Gleeson Strategic Land		12,040	10,163
		34,800	29,628
Administrative expenses		(1,837)	(1,462)
Financial income		251	512
Financial expenses		(202)	(440)
Profit before tax		33,012	28,238
Tax		(6,488)	(4,934)
Profit for the year from continuing operations		26,524	23,304
Loss for the year from discontinued operations (net of tax)	3	(310)	(345)
Profit for the year attributable to equity holders of the parent company		26,214	22,959

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

Notes to the Financial Statements (continued)

Balance sheet analysis of business segments:

	2017 Assets £000	2017 Liabilities £000	2017 Net assets £000	2016 Assets £000	2016 Liabilities £000	2016 Net assets £000
Gleeson Homes	133,785	(34,482)	99,303	106,440	(20,195)	86,245
Gleeson Strategic Land	47,085	(7,217)	39,868	50,633	(7,323)	43,310
Group activities/discontinued operations	820	(2,672)	(1,852)	323	(217)	106
Net cash	34,052	-	34,052	23,244	-	23,244
	215,742	(44,371)	171,371	180,640	(27,735)	152,905

Other information:

	2017 Capital additions £000	2017 Depre-ciation £000	2016 Capital additions £000	2016 Depre-ciation £000
Continuing operations:				
Gleeson Homes	1,175	811	932	757
Gleeson Strategic Land	5	3	8	1
Group activities	-	4	-	5
	1,180	818	940	763

3 Discontinued operations

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

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

	Gleeson Construction Services 2017 £000	Total 2017 £000	Gleeson Construction Services 2016 £000	Total 2016 £000
Revenue	-	-	-	-
Cost of sales	-	-	(6)	(6)
Gross loss	-	-	(6)	(6)
Administrative expenses	(228)	(228)	(330)	(330)
Operating loss	(228)	(228)	(336)	(336)
Loss before tax	(228)	(228)	(336)	(336)
Tax	(82)	(82)	(9)	(9)
Loss for the year from discontinued operations	(310)	(310)	(345)	(345)

Loss per share: impact of discontinued operations

	Note	2017 p	2016 p
Basic	10	(0.57)	(0.64)

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

	2017 £000	2016 £000
Operating activities	(441)	(47)

4 Expenses and Auditor's remuneration

Profit for the year is stated after charging/(crediting):

	Note	2017 £000	2016 £000
Staff costs	6	20,294	16,129
Depreciation of plant and equipment (continuing operations)		818	763
Loss on sale of investment properties		9	-
Profit on sale of available for sale financial assets		(216)	(73)
Loss on sale of plant and equipment		147	129
Operating lease expenses	23	717	543
Auditors' remuneration:			
• Audit of these financial statements		66	65
• Audit of financial statements of subsidiaries pursuant to legislation		13	12
• Taxation compliance services		-	30
• Other tax advisory services		-	61
• Other services		50	-

5 Other operating income

	2017 £000	2016 £000
Profit on sale of available for sale financial assets	216	-
Other operating income	88	-
	304	-

Note 18 discloses further information in relation to available for sale financial assets, which are receivables in respect of shared equity properties.

Notes to the Financial Statements (continued)

6 Staff costs

	Note	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Wages and salaries		16,584	13,415	1,880	1,271
Share-based payments	27	660	420	76	(2)
Social security costs		2,426	1,749	295	80
Other pension costs	21	624	545	53	31
		20,294	16,129	2,304	1,380

The average monthly number of employees (including Directors) during the year was:

	Group 2017 No.	Group 2016 No.
Gleeson Homes	355	299
Gleeson Strategic Land	9	9
Group activities	6	6
	370	314

The average number of people employed by the Company (including Directors) during the year was six (2016: six).

Directors' remuneration

Full details of the Directors' remuneration is provided in the audited part of the Directors' Remuneration Report on pages 58 to 74.

7 Financial income and expenses

	2017 £000	2016 £000
Financial income		
Interest on bank deposits	14	4
Other interest	1	-
Unwinding of discount on long term receivables	236	508
	251	512
Financial expenses		
Bank charges	(135)	(440)
Unwinding of discount on long term payables	(67)	-
	(202)	(440)
Net financial income	49	72

Note 18 discloses any further exposure for the Group to interest rate risk.

8 Tax

	Note	Group continuing operations 2017 £000	Group continuing operations 2016 £000	Group discontinued operations 2017 £000	Group discontinued operations 2016 £000	Group total 2017 £000	Group total 2016 £000
Current tax:							
Current year charge		6,184	3,797	-	-	6,184	3,797
Adjustment in respect of prior years		155	45	-	-	155	45
Current tax expense for the year		6,339	3,842	-	-	6,339	3,842
Deferred tax:							
Current year expense	22	88	1,335	48	7	136	1,342
Adjustment in respect of prior years	22	-	(519)	-	-	-	(519)
Impact of rate change	22	61	276	34	2	95	278
Deferred tax expense for the year		149	1,092	82	9	231	1,101
Total tax charge		6,488	4,934	82	9	6,570	4,943

Reductions in the UK corporation tax rate from 20% to 19%, effective from 1 April 2017, were substantively enacted on 26 October 2015. Corporation tax has been calculated at 20.0% of assessable profit for the year (2016: 17.7%).

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

	Note	2017 £000	2017 %	2016 £000	2016 %
Profit before tax on continuing operations		33,012		28,238	
Loss before tax from discontinued operations	3	(228)		(336)	
Profit before tax		32,784		27,902	
Profit before taxation multiplied by the standard rate of UK corporation tax 19.75% (2016: 20.0%)		6,475	19.7	5,580	20.0
Tax effect of:					
Expenses not deductible for tax purposes		37	0.1	99	0.4
Deduction in respect of share options exercised		-	-	(417)	(1.5)
Recognition of deferred tax asset on share based payments		(95)	(0.3)	-	-
Land remediation relief		(75)	(0.2)	(60)	(0.2)
Deferred tax not recognised		-	-	(74)	(0.3)
Impact of rate change on deferred tax assets		95	0.3	289	1.0
Adjustments in respect of prior years - current tax		155	0.5	45	0.2
Adjustments in respect of prior years - deferred tax	22	-	-	(519)	(1.9)
Tax not at standard UK rates		(22)	(0.1)	-	-
Tax charge and effective tax rate for the year		6,570	20.0	4,943	17.7

Notes to the Financial Statements (continued)

9 Dividends

	2017 £000	2016 £000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 June 2017 of 6.5p (2016: 4.5p) per share	3,516	2,433
Final dividend for the year ended 30 June 2016 of 10.0p (2015: 7.3p) per share	5,408	3,948
	8,924	6,381

The proposed final dividend for the year ended 30 June 2017 of 17.5p per share (2016: 10.0p) makes a total dividend for the year of 24.0p (2016: 14.5p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements. The total estimated dividend to be paid is £9,553,000.

10 Earnings per share

Continuing and discontinued operations

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

Earnings	2017 £000	2016 £000
Earnings for the purposes of basic earnings per share, being net profit attributable to equity holders of the parent company		
• Profit from continuing operations	26,524	23,304
• Loss from discontinued operations	(310)	(345)
Profit for the purposes of basic and diluted earnings per share	26,214	22,959

Number of shares	2017 No. 000	2016 No. 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	54,066	53,907
Effect of dilutive potential ordinary shares:		
• Share-based payments	834	103
Weighted average number of ordinary shares for the purposes of diluted earnings per share	54,900	54,010

Continuing operations	2017 p	2016 p
Basic earnings per share	49.06	43.23
Diluted earnings per share	48.31	43.15

Discontinued operations	2017 p	2016 p
Basic loss per share	(0.57)	(0.64)
Diluted loss per share	(0.56)	(0.64)

Continuing and discontinued operations	2017 p	2016 p
Basic earnings per share	48.49	42.59
Diluted earnings per share	47.75	42.51

11 Plant and equipment

	Group Plant and equipment £000	Company Plant and equipment £000
Cost or valuation		
At 1 July 2015	4,034	14
Additions	940	-
Disposals	(868)	-
At 30 June 2016	4,106	14
Additions	1,180	-
Disposals	(332)	-
At 30 June 2017	4,954	14
Accumulated depreciation		
At 1 July 2015	2,798	4
Charge for the year	763	5
Disposals	(729)	-
At 30 June 2016	2,832	9
Charge for the year	818	4
Disposals	(180)	-
At 30 June 2017	3,470	13
Net book value		
At 30 June 2017	1,484	1
At 30 June 2016	1,274	5
At 1 July 2015	1,236	10

The Group has recorded a depreciation charge of £818,000 (2016: £763,000), of which £136,000 (2016: £62,000) has been charged in cost of sales and £682,000 (2016: £701,000) in administrative expenses.

The Company has recorded a depreciation charge of £4,000 (2016: £5,000), which has been charged in administrative expenses.

Notes to the Financial Statements (continued)

12 Investment properties

Group	£000
At 1 July 2015 and at 30 June 2016	506
Disposals	(203)
At 30 June 2017	303

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 joint ventures

Share of results and investment in joint ventures

	£000
At 1 July 2015 and at 30 June 2016	-
Share of result in joint ventures for the year	-
At 30 June 2017	-

The following table shows the aggregate amounts in respect of Group share of joint ventures:

	2017 £000	2016 £000
Current assets	-	-
At 30 June	-	-

There are no significant contingent liabilities in the joint ventures.

Joint ventures

	Principal activity	Percentage of equity held	Class of shares	Country of incorporation	Year end date[1]
Genesis Estates (Manchester) Ltd	Residential property development	50%	Ordinary shares	England	26 March

1 Where the year end date of the joint venture is not coterminous with that of the Group, management accounts are used to incorporate the joint venture's share of results in line with the Group's year end date.

14 Other investments

Group other investments

	Other investments	
	2017 £000	2016 £000
At 1 July	-	-
Provision for diminuation in value	-	-
At 30 June	-	-

Other investments represent equity investments of £4,896,000 in GB Building Solutions Limited and GB Group Holdings Limited ("GBGH") that are fully impaired.

15 Investments in subsidiaries

	Company £000
Cost	
At 1 July 2015	20,800
Additions	40,000
At 30 June 2016	60,800
Additions	40,000
At 30 June 2017	100,800

On 28 April 2017, the Group completed an internal reorganisation and the entire issued share capital of Gleeson Strategic Land Limited was transferred to MJ Gleeson plc from Gleeson Developments Limited in consideration of £20,000,000. On the same date, a further investment of £20,000,000 was made by the Company in Gleeson Strategic Land Limited and certain trade and assets were transferred from Gleeson Developments Limited to Gleeson Strategic Land Limited at book value. No gains or losses arose on these transactions.

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. The registered address for all subsidiary undertakings of MJ Gleeson plc is 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE.

All subsidiaries are registered in England and Wales and operate in the United Kingdom.

	Principal activity
Gleeson Developments Limited	House building and housing regeneration
Gleeson Regeneration Limited	House building and housing regeneration
Gleeson Developments (North East) Limited	House building and housing regeneration
Gleeson Strategic Land Limited	Strategic land trading
Gleeson Strategic Land (Fleet) Limited[1]	Strategic land trading

1 Shares held by Gleeson Strategic Land Limited. Formerly Gleeson Homes (Holdings) Limited.

Notes to the Financial Statements (continued)

The following are the other subsidiary companies of MJ Gleeson plc:

	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

16 Inventories

	2017 £000	2016 £000
Land held for development	64,064	50,488
Work in progress	78,486	63,750
	142,550	114,238

Net realiseable value provisions held against inventories at 30 June 2017 were £2,421,000 (2016: £1,867,000).

The cost of inventories recognised as an expense in cost of sales was £103,813,000 (2016: £94,777,000).

The Company held no inventories at 30 June 2017 (2016: £nil).

17 Trade and other receivables

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade receivables	24,590	28,588	2	39
VAT recoverable	1,535	1,090	43	-
Prepayments and accrued income	558	522	120	-
Available for sale financial assets	5,669	6,611	-	-
Amount due from subsidiary undertakings	-	-	45,989	92,787
	32,352	36,811	46,154	92,826
Non-current	14,427	13,527	-	-
Current	17,925	23,284	46,154	92,826
	32,352	36,811	46,154	92,826

The Directors consider that the carrying amount of trade and other receivables approximates their fair value and includes an allowance for doubtful debts estimated by the Group's management based on prior experience and their assessment of specific circumstances.

Available for sale financial assets due after more than one year represent receivables in respect of shared equity properties.

See note 18 for reference to credit risk associated with trade receivables and further disclosures in respect of available for sale financial assets.

Amounts due from subsidiary undertakings are unsecured, repayable on demand, and incur interest of 0% to 1% plus Bank of England base rate.

18 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, principally to reduce fluctuation in interest costs.

Cash and cash equivalents

Cash and cash equivalents comprises cash and short-term deposits with a maturity of three months or less held by the Group and the Company. 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 amounts presented in the consolidated statement of financial position are net of allowance for doubtful debts, estimated by the Group's management based on prior experience and their assessment of specific circumstances.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

At 30 June 2017, the Group's most significant credit risk was to a listed housebuilder and amounted to £11,186,000 (2016: £4,550,000) 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 number of counterparties and customers.

Notes to the Financial Statements (continued)

Trade receivables ageing

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

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Not past due	24,513	28,542	2	39
Past due 0-30 days	-	-	-	-
Past due 31-120 days	8	-	-	-
Past due 121-365 days	29	-	-	-
Past due more than one year	108	65	-	-
	24,658	28,607	2	39

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 being finalised and are included at expected realisable value.

Included in trade receivables not past due are £8,758,000 (2016: £6,916,000) 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 in respect of trade receivables during the year was as follows:

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Balance at 1 July	19	-	-	-
Impairment loss recognised	49	19	-	-
Balance at 30 June	68	19	-	-

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 and, if this is significant as a result of the quantum of debt and level of interest rates, will hedge the exposure using approved financial instruments such as interest rate swaps. At the year end, the Group had no debt or related interest rate swaps.

A 1% increase in interest rates would improve the annual income of the Group and Company by £340,000 (2016: £232,000) based on the cash balance at the year end. A 1% decrease would cause income to fall by the same amount.

Liquidity risk

The Group renewed a £20,000,000 three year credit facility with Lloyds Bank plc on 18 March 2016 and all banking is conducted with Lloyds Bank plc. As at 30 June 2017 the Group had 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:

	2017 Effective interest rate %	2017 Due within one year £000	2016 Effective interest rate %	2016 Due within one year £000
Bank balances	0.00	34,052	0.25	23,244

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 mths or less £000	6-12 mths £000	1-2 years £000	2-5 years £000	More than 5 years £000
As at 30 June 2017							
Trade and other payables	(41,627)	(41,627)	(36,668)	(4,256)	(703)	-	-
	(41,627)	(41,627)	(36,668)	(4,256)	(703)	-	-
As at 30 June 2016							
Trade and other payables	(26,904)	(26,904)	(23,751)	(37)	(658)	(2,458)	-
	(26,904)	(26,904)	(23,751)	(37)	(658)	(2,458)	-

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 6 months.

Exposure to currency risk

The Group has no exposure to foreign currency risk.

Fair values

The fair value 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.

Available for sale financial assets

	Group 2017 £000	Group 2016 £000
Balance at 1 July	6,611	7,938
Additions	-	-
Redemptions	(902)	(853)
Unwind of discount (finance income)	100	110
Fair value movement recognised in other comprehensive income	(140)	(584)
Balance at 30 June	5,669	6,611

Notes to the Financial Statements (continued)

Available for sale financial assets 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 £902,000 (2016: £853,000) generated a profit on redemption of £216,000 (2016: £73,000) which has been recognised in other operating income in the consolidated income statement. In the prior year, the profit on redemption of shared equity loans was recognised in cost of sales.

In addition, a net change in the value of available for sale financial assets of £104,000 has been recognised in other comprehensive income. This is made up as follows:

	Group 2017 £000	Group 2016 £000
Fair value movement recognised in other comprehensive income	(140)	(584)
Fair value recycled through profit and loss	36	-
Total movement recognised in other comprehensive income	(104)	(584)

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% - 3.5%
- Average period to redemption: 5.5yrs
- Discount rate: 8%

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

Change in assumption	Increase/ (decrease) in fair value £000
Forecast regional house price inflation – increase by 1%	302
Average period to redemption – increase by 1 year	(295)
Discount rate – decrease by 1%	289

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 26 to the financial statements provides details regarding the Company's share capital movements in the year and there were no breaches of any requirements with regard to any relevant conditions imposed by either the UKLA or the Company's Articles of Association during the year under review.

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 to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in the 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.

19 Trade and other payables

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Trade payables	23,635	15,552	180	271
Other taxation and social security	877	437	136	150
VAT payable	-	-	-	257
Accruals and deferred income	17,115	10,915	665	1,056
Amount due to subsidiary undertakings	-	-	68,164	48,393
	41,627	26,904	69,145	50,127
Non-current	703	-	-	-
Current	40,924	26,904	69,145	50,127
	41,627	26,904	69,145	50,127

Amounts due to subsidiary undertakings are unsecured, repayable on demand, and incur interest of 0% to 1% plus Bank of England base rate.

Notes to the Financial Statements (continued)

20 Provisions

	Group Dilapidations £000	Group Onerous leases £000	Group Total £000
At 1 July 2015	201	72	273
Provisions made during the year	-	-	-
Provisions used during the year	-	(62)	(62)
At 30 June 2016	201	10	211
Provisions made during the year	10	-	10
Provisions used during the year	-	(10)	(10)
At 30 June 2017	211	-	211

	2017 £000	2016 £000
Non-current	110	100
Current	101	111
	211	211

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

Onerous leases
Where the rent receivable on properties is less than the rent payable, a provision based on present value of the net cost is made to cover the expected shortfall.

Company
At 30 June 2017, the Company did not have any provisions (2016: £nil).

21 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 £624,000 (2016: £545,000) represents contributions payable to the defined contribution pension plan by the Group at rates specified in the plan rules. At 30 June 2017, contributions of £77,000 (2016: £67,000) 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 £53,000 (2016: £31,000) represents contributions payable to the defined contribution pension plan by the Company at rates specified in the plan rules.

22 Deferred tax

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	Shared-based payments £000	Total £000
At 1 July 2015	521	5,117	30	-	5,668
Adjustment in respect of prior year	25	373	121	-	519
(Credit)/charge to income	(55)	(1,399)	112	-	(1,342)
Impact of rate change	(25)	(247)	(6)	-	(278)
At 30 June 2016	466	3,844	257	-	4,567
Adjustment in respect of prior year	-	19	(19)	-	-
(Credit)/charge to income	(22)	(461)	2	345	(136)
Charge to equity	-	-	-	665	665
Impact of rate change	(49)	(20)	(26)	-	(95)
At 30 June 2017	395	3,382	214	1,010	5,001

An analysis of the deferred tax balances for financial reporting purposes are as follows:

	Group 2017 £000	Group 2016 £000
Deferred tax assets	5,001	4,567
	5,001	4,567

Reductions in the UK corporation tax rate, to 19% with effect from 1 April 2017 and to 17% with effect from 1 April 2020, were 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 the deferred tax has been provided at a mixed rate of 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 £465,000 to £4,536,000.

At the balance sheet date, the Group has gross tax losses of £26,674,000 (2016: £28,310,000) of which £17,808,000 (2016: £20,133,000) have been recognised as a deferred tax asset. The Group has unrecognised tax losses of £8,866,000 (2016: £8,177,000) available for offset against future profits. Losses may be carried forward indefinitely against future taxable trading profits.

Notes to the Financial Statements (continued)

Company

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

	Plant and equipment £000	Short-term timing differences £000	Shared-based payments £000	Total £000
At 1 July 2015	-	-	-	-
Charge to income	15	-	-	15
At 30 June 2016	15	-	-	15
Adjustment in respect of prior year	(13)	141	-	128
(Credit)/charge to income	-	(10)	29	19
Charge to equity	-	-	56	56
Impact of rate change	-	(16)	-	(16)
At 30 June 2017	2	115	85	202

23 Operating leases

Operating leases: lessee

	Group 2017 £000	Group 2016 £000
Minimum lease payments under non-cancellable operating leases recognised as an expense for the year		
Minimum lease payments	717	543
	717	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 2017 £000	Group 2016 £000
Within one year	521	554
Within two to five years	1,426	1,153
After five years	1,285	995
	3,232	2,702

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

Land and building lease terms vary between one to ten years, depending on market conditions.

Where possible, the Group always endeavours to sub-lease any vacant space on short-term lets. An onerous lease provision is recognised where the rents receivable over the lease term are less than the obligation to the head lessor.

In the current year, onerous lease provisions of £10,000 were utilised (2016: £62,000). See note 20 for details.

Operating leases: lessor

	Group 2017 £000	Group 2016 £000
Minimum rental income under operating leases recognised for the year	192	192

The total rental income relates to properties which the Group had previously occupied as operating lease lessees and were previously sublet.

At the balance sheet date, the minimum rent receivables under non-cancellable operating leases are as follows:

	Group 2017 £000	Group 2016 £000
Within one year	-	192
Within two to five years	-	-
	-	192

24 Cash and cash equivalents

	Group £000	Company £000
At 1 July 2015	15,809	848
Cashflow	7,435	511
At 30 June 2016	23,244	1,359
Cashflow	10,808	15,888
At 30 June 2017	34,052	17,247

Cash and cash equivalents comprise cash at bank and other short term highly liquid investments.

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 2017, borrowings covered by these guarantees amount to £nil (2016: £nil). In the opinion of the directors, no loss is expected to arise in connection with these matters.

25 Bonds and sureties

Group and Company

As at 30 June 2017, the Group had bonds and sureties of £10,931,000 (2016: £9,717,000) provided by financial institutions in support of ongoing contracts.

The Directors have determined that the Group and Company require no specific provision for bonds, sureties or guarantees for subsidiary companies.

Notes to the Financial Statements (continued)

26 Share capital

	2017 No. 000	2017 £000	2016 No. 000	2016 £000
Issued and fully paid ordinary shares:				
At the beginning of the year	54,120	1,082	53,697	1,074
Shares issued during year	-	-	423	8
At the end of the year	54,120	1,082	54,120	1,082

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 as at 30 June 2017 was 54,120,495 (2016: 54,120,495).

At 30 June 2017, the Employee Benefit Trusts ("EBT") held 50,000 (2016: 60,000) shares at a value of £308,000 (2016: £251,000) which have not yet vested unconditionally. The shares are held in the EBT for the purpose of satisfying options that have been granted under the employee share ownership plans. Of these ordinary shares, the right to dividend has been waived on none of these shares (2016: nil).

All shares issued during the prior year were the result of share options being exercised; details of share options are given in note 27.

27 Share-based payments

During the year to 30 June 2017, the Group had five share-based payment arrangements in operation. The recognition and measurement principles in IFRS 2 have not been applied to those options granted before 7 November 2002 in accordance with the transitional provisions in IFRS 1 and IFRS 2.

Following the implementation of the Scheme of Arrangement (the "Scheme") on 18 December 2014, all share based payment arrangements in place at that time in respect of the shares of MJ Gleeson Group plc were replaced on a one for one basis with shares in MJ Gleeson plc. It is the intention of the directors that awards under the MJ Gleeson Group plc employee share plans will not vest early as a result of the Scheme but will continue on the same basis under the MJ Gleeson plc employee share plans, other than they will ultimately deliver MJ Gleeson plc shares rather than MJ Gleeson Group plc shares.

A summary of the share-based payment arrangements reflecting shares in MJ Gleeson plc is shown below:

Arrangement	Contractual life	Vesting conditions	Settlement basis
Share purchase plan	Rolling scheme	The Group matches shares purchased by employees on a 1 for 3 basis. The shares purchased by the employees are immediately exercisable. The Group matching shares are only exercisable after 3 years.	Equity
Performance share plan (PSP) Sept 2014	36 months	For executive directors and senior executives the award will vest in whole or in part on or after the third anniversary of the date of grant if performance conditions have been met. The performance condition is based on the total shareholder return for the three financial years from 1 July 2014 to 30 June 2017.	Equity
Performance share plan (PSP) Sept 2015	36 months	For the executive directors the award will vest in whole or in part on the third anniversary of the date of grant of 30 September 2015 if performance conditions have been met. The performance condition is based on the total shareholder return for the three financial years from 1 July 2015 to 30 June 2018.	Equity
Performance share plan (PSP) Oct 2016	36 months	For a senior executive the award will vest in whole or in part on or after the third anniversary of the date of grant if performance conditions have been met. The performance condition is based on the total shareholder return for the three financial years from 1 July 2016 to 30 June 2019.	Equity
Performance share plan (PSP) Dec 2016	31 months	For the executive directors the award will vest in whole or in part on 30 June 2019 if performance conditions have been met. The performance condition is based on the total shareholder return for the three financial years from 1 July 2016 to 30 June 2019.	Equity

Share options granted after 7 November 2002

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

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 plan
The fair value per option for the performance share plan scheme 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 30/09/14	PSP 30/09/15	PSP 04/10/16	PSP 12/12/16
The fair value model inputs were:				
• Share price at grant date	£3.90	£4.82	£5.95	£5.70
• Total shareholder return target	£4.80	£4.92	£6.50	£6.50
• Exercise price	£0.00	£0.00	£0.00	£0.00
• Expected volatility	32%	32%	30%	30%
• Expected dividends	2.00%	2.00%	3.20%	n/a*
• Expected life	3 years	3 years	3 years	3 years
• Risk-free interest rate	1.27%	0.76%	0.30%	0.60%
• Fair value of one option	£1.44	£2.37	£3.15	£2.95

* Awards made under the December 2016 PSP allow, on vesting, for an additional award of shares to be made to the option holder equivalent to the dividends paid over the vesting period on the underlying shares.

Expected volatility was determined by calculating the historical volatility of the Company's share price; volatility was measured over the previous 3 years.

Notes to the Financial Statements (continued)

Further details of the option plans are as follows:

	Share purchase plan					
	MJ Gleeson Group plan	MJ Gleeson Group 2014 plan	PSP 30/09/14	PSP 30/09/15	PSP 04/10/16	PSP 12/12/16
Date of grant	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
Outstanding at 1 July 2015	58,112	3,827	546,297	-	-	-
Granted in the year	-	6,743	-	279,158	-	-
Forfeited	(104)	(30)	(59,231)	-	-	-
Lapsed	-	-	-	-	-	-
Exercised	(10,762)	(758)	-	-	-	-
Outstanding at 30 June 2016	47,246	9,782	487,066	279,158	-	-
Granted in the year	-	6,378	-	-	14,000	276,315
Forfeited	(40)	(51)	(19,808)	-	-	-
Lapsed	-	-	-	-	-	-
Exercised	(8,280)	(1,309)	-	-	-	-
Outstanding at 30 June 2017	38,926	14,800	467,258	279,158	14,000	276,315
Remaining contractual life	Rolling scheme	Rolling scheme	3 months	15 months	28 months	24 months
Weighted average exercise price	-	-	-	-	-	-
Weighted average share price at date of exercise - current year	£5.76	£5.68	n/a	n/a	n/a	n/a
Weighted average share price at date of exercise - prior year	£3.19	£4.57	n/a	n/a	n/a	n/a

Share options granted prior to 7 November 2002

	Share purchase plan	
	MJ Gleeson Group plan	MJ Gleeson Group 2014 plan
Date of grant	No. of shares	No. of shares
Outstanding at 1 July 2015	540	-
Outstanding at 30 June 2016	540	-
Granted in the year	-	-
Forfeited	-	-
Lapsed	-	-
Outstanding at 30 June 2017	540	-
Remaining contractual life	Rolling scheme	Rolling scheme
Weighted average exercise price	n/a	n/a
Weighted average share price at date of exercise - current year	n/a	n/a
Weighted average share price at date of exercise - prior year	n/a	n/a

	MJ Gleeson Group plan	MJ Gleeson Group 2014 plan	Total
	No. of shares	No. of shares	No. of shares
Total shares outstanding under share purchase plans	39,466	14,800	54,266

The total share based payment cost charged to the consolidated income statement was £660,000 (2016: £420,000).

28 Capital commitments

At 30 June 2017, the Group had capital commitments of £49,000 (2016: £nil). The Company had no capital commitments (2016: £nil).

29 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 in the Directors' Remuneration Report on pages 58 to 74 and certain other senior managers.

In the year, the Group purchased cladding materials from a company, JDP Contracting Services Limited, in which Jolyon Harrison is a director. During the current year the Group purchased £29,000 (2016: £25,000) of goods from the company. The terms were at normal market rates and payment terms. There were no guarantees provided. The amount owed to JDP Contracting Services Limited at 30 June 2017 was £7,000 (2016: £2,000).

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

Identity of related parties with which the Company has transacted

The Company receives charges from various suppliers in respect of services for the whole Group. The Company allocates and consequently invoices these charges to subsidiaries.

Related party transactions	Administrative expenses 2017 £000	Administrative expenses 2016 £000
Subsidiaries	7,330	7,856
Joint ventures	-	-
	7,330	7,856

Related party transactions	Receivables outstanding 2017 £000	Receivables outstanding 2016 £000	Payables outstanding 2017 £000	Payables outstanding 2016 £000
Subsidiaries	45,989	92,787	68,164	48,393
Joint ventures	-	-	-	-
	45,989	92,787	68,164	48,393

Further Information

Five Year Review

	2017 £000	2016 £000	2015 £000	2014 £000	2013 £000
Revenue	160,384	142,065	117,588	81,442	60,656
Reinstatement of inventories and contract provisions	-	-	-	800	1,028
Exceptional restructuring costs	-	-	(1,236)	-	-
Operating profit	32,963	28,166	22,046	12,064	6,009
Provision for diminution in value of investments	-	-	(4,896)	-	-
Net finance income/(cost)	49	72	113	96	(230)
Profit before tax	33,012	28,238	17,263	12,160	5,779
Tax (charge)/credit	(6,488)	(4,934)	(4,848)	5,499	4,320
Profit after tax	26,524	23,304	12,415	17,659	10,099
Discontinued operations	(310)	(345)	(207)	(231)	1,344
Profit for year attributable to equity holders of the parent company	26,214	22,959	12,208	17,428	11,443
Total assets	215,742	180,640	168,592	152,577	140,112
Total liabilities	(44,371)	(27,735)	(32,063)	(24,486)	(28,023)
Net assets	171,371	152,905	136,529	128,091	112,089

	pence	pence	pence	pence	pence
Total dividend per share for the year	24.0	14.5	10.0	6.0	2.5
Earnings per share from continuing operations	49.1	43.2	23.2	33.4	19.1
Earnings per share - normalised*	48.5	42.6	34.2	17.2	13.7
Net assets per share	317	283	254	241	212

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

Further Information

Corporate directory

REGISTERED OFFICE
MJ Gleeson plc
6 Europa Court
Sheffield Business Park
Sheffield S9 1XE

REGISTERED NUMBER
9268016
Incorporated in England and Wales

COMPANY SECRETARY
Stefan Allanson

WEBSITE
www.mjgleesonplc.com

AUDITOR
PricewaterhouseCoopers LLP
St. Paul's Place
121 Norfolk Street
Sheffield S1 2LE

BANKERS
Lloyds Bank plc
14 Church Street
Sheffield S1 1HP

SOLICITORS
Simmons & Simmons
City Point
One Ropemaker Street
London EC2Y 9SS

STOCKBROKERS AND FINANCE ADVISORS
N+1 Singer
One Bartholemew Lane
London EC2N 2AX

Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London EC2Y 9LY

REGISTRARS AND TRANSFER OFFICE
Capita Asset Services
The Registry
34 Beckenham Road, Beckenham
Kent BR3 4TU

Shareholder information

SHAREHOLDER ENQUIRIES
Any shareholder with enquiries should, in the first instance, contact our registrars using the address provided in the Corporate Directory.

SHARE PRICE INFORMATION
London Stock Exchange
Symbol: GLE

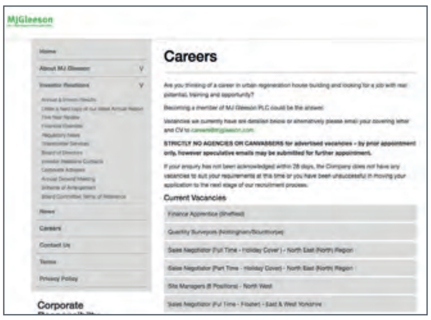
INVESTOR RELATIONS
MJ Gleeson plc
6 Europa Court, Sheffield Business Park
Sheffield S9 1XE
Email: enquiries@mjgleeson.com
Tel: 0114 261 2900 Fax: 0114 261 2939

Financial calendar

Financial year end	30 June 2017
Full year results announced	25 September 2017
Ex-dividend date for final dividend	16 November 2017
Record date for final dividend	17 November 2017
Annual General Meeting	7 December 2017
Final dividend payment	14 December 2017

Information regarding our websites

For more information on our homes, investor relations and career opportunities please visit www.mjgleeson.com.



ISO 14001
REGISTERED FIRM

FSC
Mixed Sources
Product group from well-managed forests and other controlled sources
www.fsc.org Cert no. TT-COC-002766
© 1996 Forest Stewardship Council

The paper in this report is a Forest Stewardship Council ("FSC") certified product, produced with a FSC mixed sources pulp which is fully recyclable, biodegradable and chlorine free. It is manufactured within a mill which complies with the international environmental ISO 14001 standard.

The report has been printed using environmentally friendly vegetable based inks. Formulated on the basis of renewable raw materials, vegetable oils are non-hazardous and from renewable sources. Over 90% of solvents and developers used are recycled for further use and recycling initiatives are in place for all other waste associated with this production.

The print house chosen for production of this report is FSC and ISO 14001 certified with strict procedures in place to safeguard the environment through all processes, including ongoing initiatives to reduce carbon footprint.

Thank you!

We would like to thank our employees who are essential to our success.

Their skill and dedication has been invaluable in making Gleeson what it is today.

MJ GLEESON PLC
6 Europa Court, Sheffield Business Park, Sheffield S9 1XE
Tel: 0114 261 2900 Fax: 0114 261 2939 Email: enquiries@mjgleeson.com
www.mjgleesonplc.com