gleeson

Building Homes.
Changing Lives.

MJ Gleeson plc
Annual Report and Accounts 2020

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

St. James Court, Accrington, Lancashire

Financial Highlights

REVENUE

£147.2m

2019: £249.9m

CASH & CASH EQUIVALENTS

£76.8m

2019: £30.3m

PROFIT BEFORE TAX

£5.6m

2019: £41.2m

NET ASSETS PER SHARE

366.1p

2019: 373.5p

EARNINGS PER SHARE

8.1p

2019: 61.0p

RETURN ON CAPITAL EMPLOYED

3.1%

2019: 25.9%

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Cover:
Beatrice, Kings Park, Doncaster, South Yorkshire

Building Homes.
Changing Lives.

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

We source
low-cost sites

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

NUMBER OF PLOTS IN THE PIPELINE

13,801

2019: 13,575

Photo:
St. James Court, Accrington, Lancashire

We develop
unused land

Our developments are located in areas where there is often a need for regeneration; typically brownfield sites that would otherwise remain derelict or unused. Last year we invested approximately £130m in our development sites, creating attractive and well-planned new homes for sale.

NUMBER OF ACTIVE BUILD SITES

71

2019: 69

Photo:
Carlisle Park, Swinton, South Yorkshire

We build
affordable homes

The cost of buying a Gleeson home is less than renting for most buyers and can be as low as £59 per week for one of our two-bed semi-detached homes. More than 4 out of 5 of our customers are first-time buyers and their mortgage commitments remain sensibly low at less than 2.9 times household income versus the market average of 3.3 times.

AVERAGE SELLING PRICE

£130,900

2019: £128,900

Photo:
Carrwood Park, Bradford, West Yorkshire

We create
communities

We sell our homes to local people and many of our buyers already live close to one of our sites. We build modern brick homes using local suppliers and employ local trades on our sites, bringing jobs and investment to the community. We care about creating safe and attractive communities where people want to live.

COMMUNITIES DEVELOPED
OVER LAST 10 YEARS

150+

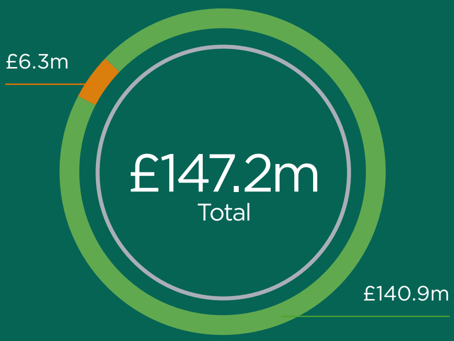
Photo:
First-time buyers, Clarence Court, Newton Aycliffe, County Durham

Building the foundations for growth

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

BY DIVISION

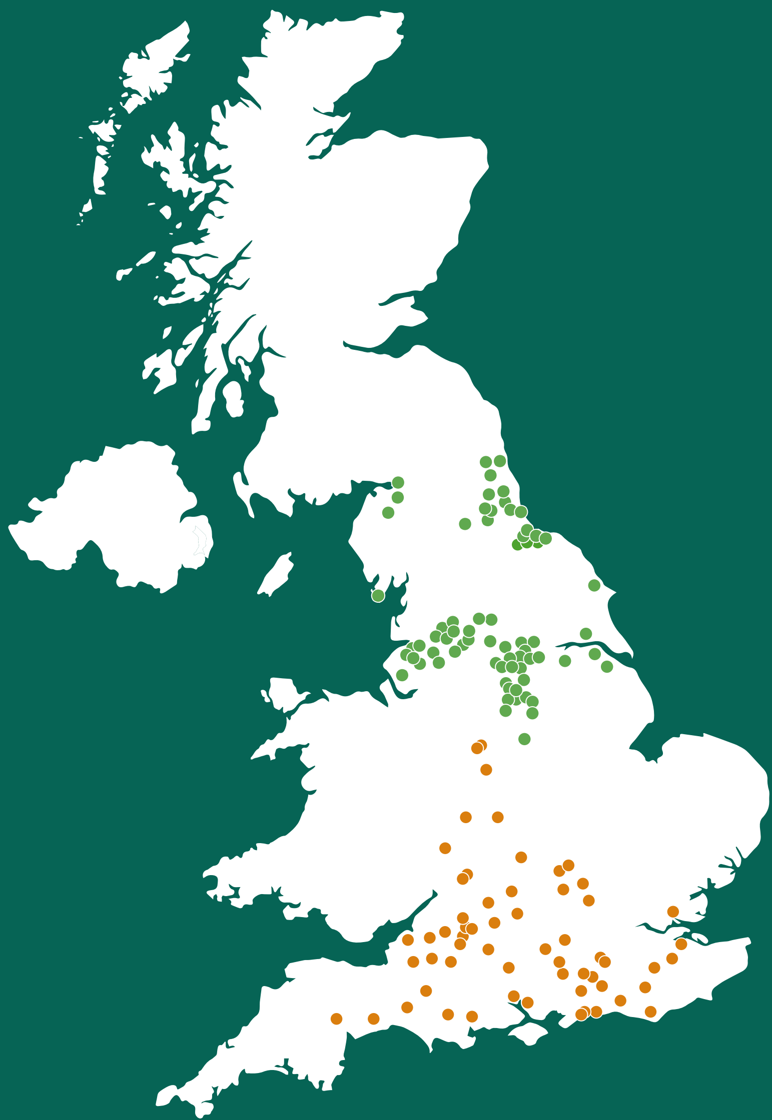
Revenue



Operating profit

Gleeson Homes
Gleeson Strategic Land
* After Group costs of £3.3m

LOCATION OF SITES



GLEESON HOMES

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

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

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

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

HOMES SOLD

1,072

2019: 1,529

GLEESON STRATEGIC LAND

We promote land, enhancing its value by securing mainly residential planning consent. We focus on sites in the South of England that are appealing to a wide range of developers.

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

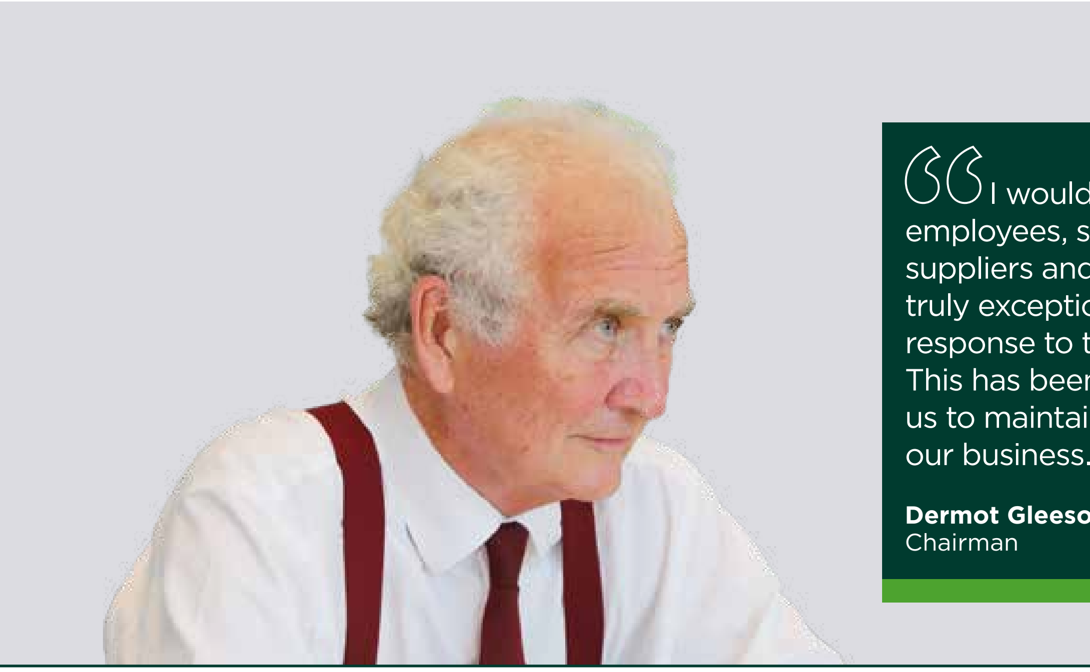
We have a long history of delivering value through securing planning consents that not only achieve the best value but ultimately help to deliver attractive residential developments in areas where housing demand is high.

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

STRATEGIC LAND PORTFOLIO (PLOTS)

23,314

2019: 21,730



> I would like to thank our employees, subcontractors, suppliers and customers for their truly exceptional support in response to the Covid-19 crisis. This has been invaluable in helping us to maintain the continuity of our business.

Dermot Gleeson
Chairman

Gleeson Homes' sites and sales offices were closed from 25 March 2020 until 14 May 2020 when we commenced a phased restart. This resulted in a 30% drop in the number of completions during the year to 1,072 new homes (2019: 1,529) and also in a reduction in the number of new sites opened.

I am delighted to report that Gleeson Homes has started the new financial year with a record forward order book and a record level of work in progress. The Board has therefore reaffirmed its target that Gleeson Homes will reach 2,000 unit completions per annum in 2022.

Since his appointment as Chief Executive Officer in 2019, James Thomson has focused on ensuring that Gleeson Homes has the platform needed to support our growth ambitions and has overseen significant changes across our organisational, build process and sales structures. We used the period of shutdown to review the division's processes, resulting in further improvements to both our health and safety regime and our operational efficiency in a number of areas.

Gleeson Strategic Land was also adversely affected by the pandemic, which caused the virtual closure of the land market. However, a number of significant land sales that had been planned for delivery during the final quarter of the year are now expected to complete in the current financial year.

Market

Despite the continuing pandemic, the fundamentals of the housing market remain strong. Demand for affordable new homes remains high and we continue to see selling prices above pre-Covid-19 levels. Mortgage finance continues to be available, supported by historically low interest rates.

Many families living in rented accommodation re-evaluated their housing needs during the lockdown and took the opportunity created by limited spending opportunities to save for a deposit on a home of their own.

Help to Buy continues to assist first-time buyers into home ownership and we welcome the announcement of the Government's decision to extend the deadline for buyers using the existing scheme to 28 February 2021. The new scheme, which comes into force from 1 April 2021, will be limited to first-time buyers and subject to regional price caps. 84% of our customers are first-time buyers and the selling price of almost all of our houses is below the proposed caps.

Around two-thirds of our customers are key workers and in recognition of the extraordinary contribution they are making we introduced the Gleeson Key Worker Priority Programme, which offers such workers a range of attractive benefits.

The strategic land market is seeing demand returning as medium and large-sized housebuilders seek to replace completed developments with good-quality consented sites.

Our people

We welcomed the support offered to businesses by the Government's Job Retention Scheme. 456 employees (76%) of our employees were furloughed, all of whom have now returned to work.

The Board and senior management accepted temporary salary reductions ranging from 5% to 30% so that more junior colleagues could continue to receive full or near-full pay. I am very grateful for the commitment to the Company that has been shown by all our employees during what has been an exceptionally challenging period.

This year we launched our "Vision, Mission and Values" initiative in which our employees sought, very successfully, to articulate and embed the key values that they believe should drive the Company's behaviour. The detailed outcome of this important exercise is set out in this Annual Report which is subject to approval by shareholders at the AGM.

The results of our latest employee survey show that the level of employee engagement and satisfaction with the Company is very high.

Board composition

We were delighted to appoint James Thomson as permanent Chief Executive Officer on 2 December 2019.

Andrew Coppel, CBE and Fiona Goldsmith joined the Board as Non-Executive Directors on 1 October 2019. Ross Ancell and Colin Dearlove stepped down as Non-Executive Directors on 30 June 2020. I would like to thank Ross and Colin for the many years during which they served the Company with great distinction.

Leanne Johnson was appointed Head of Legal and Company Secretary on 25 March 2020.

The Board has decided to initiate a search for an additional independent Non-Executive Director.

Ensuring financial resilience

As soon as the impact of Covid-19 became apparent, the Board took swift action to reinforce the Group's financial position. In April we successfully completed a share placing to raise £16.4m (gross) in proceeds. We also took the decision to draw down £60m of the available £70m bank facility, agreed to have waived and reset certain bank covenants, and to cancel the previously declared interim dividend to retain £6.6m. A further £10m overdraft facility remains undrawn and available. These actions meant that the Group finished the year with a cash balance of £76.8m. The Group's cash balance, net of borrowings, at 30 June 2020 was £16.8m (2019: £30.3m).

Whilst the Board is confident that the Group will see significant growth in the current year, our priority is to ensure the continued resilience of the business and to meet its interim target of delivering 2,000 homes per annum in 2022.

The Board has therefore taken the prudent decision not to propose a final dividend (2019: 23.0 pence per share) but, in line with its capital allocation policy, is committed to resuming dividend payments on a progressive basis as soon as it is prudent to do so.

Outlook and summary

Our unique business model is focussed on building high-quality, low-cost homes in the North of England and the Midlands and continues to deliver homes to the people who need them most. The majority of our customers are young, first-time buyers and around two-thirds are key workers, who can now benefit from our recently introduced Gleeson Key Worker Priority Programme.

We are currently seeing strong demand and expect this to continue through the year as the demographics of our customer base and the nature and price point of our product helps to insulate us from the impacts of rising unemployment, the end of the stamp duty holiday and the forthcoming changes to the Help to Buy scheme.

We have therefore reaffirmed our interim target of delivering 2,000 homes per annum in 2022.

We expect the strategic land market will continue to recover as housebuilders cautiously scale up their targets for the acquisition of new sites.

The Board recognises the uncertainties arising from both the continuing pandemic and the UK's withdrawal from the EU. Nonetheless, the Board is cautiously optimistic that the Group will resume its pre-Covid-19 trajectory and deliver significant growth in the current year and beyond.

Dermot Gleeson
Chairman
13 September 2020

OUR RESPONSE TO COVID-19

March 2020

- A controlled wind down and closure of site and sales activity.
- Office-based staff moved to working remotely.
- To support customers that had already exchanged prior to closure, we allowed a limited number to complete their purchase and, in line with Government guidance, move into their new homes.
- We drew down £60m of our £70m bank loan facility to ensure adequate cash reserves were readily available. The £10m overdraft facility remained undrawn.

April 2020

- 456 employees, representing 76% of the workforce, were furloughed under the Government's Job Retention Scheme with the Company topping up salaries of those affected up to a minimum of 80% and a maximum of 95% of salary.
- All members of the Board took a voluntary reduction in salary and fees of 30%.
- Senior management took a voluntary reduction of salary of between 5% and 20%, weighted according to salary bands.
- A successful share placement raised £16.4 million gross proceeds from existing shareholders and other high-quality institutional investors.

May 2020

- Implemented new Covid-19 safe working protocols compliant with the Government's Covid-19 secure guidance and supported by Public Health England and the Construction Leadership Council.
- Restarted activity on half of our sites with a primary focus on preparing site infrastructure and other ground-level works.
- Reopened sales offices on a regional hub basis with 19 sales offices covering all sites. Visits to these regional hubs were by appointment only.
- Gleeson Key Worker Priority Programme launched to strong interest.

June 2020

- Majority of staff returned from furlough by the end of June 2020.
- Plot build activity recommenced on the majority of sites to build out the significant forward order book.
- Sales offices and show homes reopened together with the launch of virtual show home tours on the Company's website.

SHARE PLACEMENT (GROSS PROCEEDS)

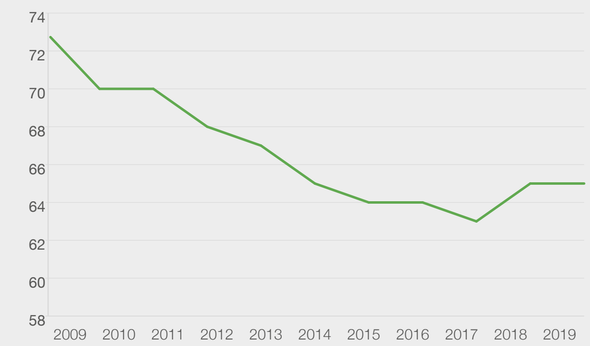
+£16.4m

The UK housing market is failing to meet the desire for home ownership

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

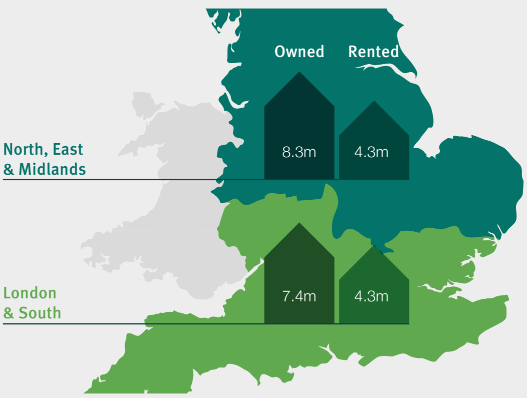
THE DESIRE TO OWN REMAINS STRONG

UK home ownership rate (%)



Home ownership has fallen from a peak of around 73% in 2009 to around 65% in 2019. Most people still want to own their own home, with 86% of the population preferring to buy than rent. Home ownership provides stability and financial security and remains the most important milestone in life for many people.

1 IN 3 HOMES IN ENGLAND ARE RENTED

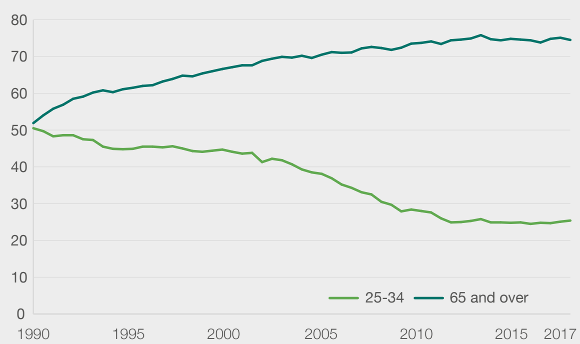


Source: Ministry of Housing, Communities & Local Government

There are now over 24 million homes in England, split almost equally between the North and South. One-third of homes across England are rented, equating to 4.3 million rented homes in the North, Midlands and East of England. Of these, around 2.1 million homes are privately rented and 2.2 million are rented from councils or housing associations.

THE OWNERSHIP AGE GAP IS WIDENING

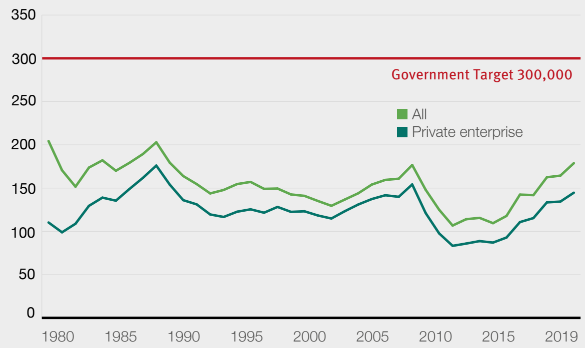
Home ownership by age group (%)



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

TOO FEW HOMES ARE BEING BUILT

House building volumes (000)

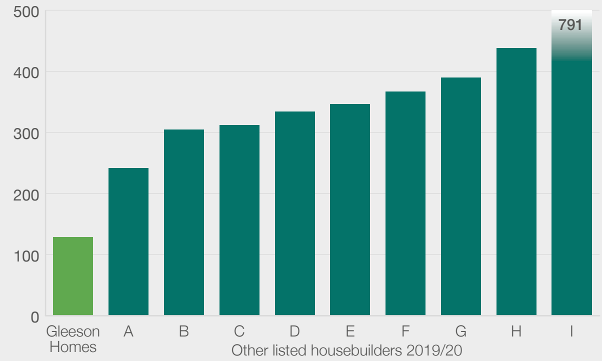


Source: Ministry of Housing, Communities & Local Government

The house building industry in England has been increasing production to try to meet demand, building around 179,000 new homes last year, up from 170,000 in the previous year. Whilst the supply of new homes has increased over the last few years, it continues to fall a long way short of the Government's target of 300,000 new homes a year.

NEW HOMES ARE BUILT FOR THOSE THAT ALREADY OWN

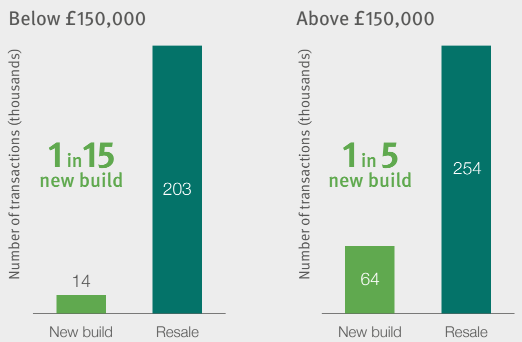
Average price of new build homes by builder (£000)



The average price of a new build home in England last year was £297,000 and the majority of other listed housebuilders have an average selling price in excess of £300,000. These prices are unaffordable to many young first-time buyers and families on low incomes.

TOO FEW NEW HOMES FOR SALE BELOW £150,000

Housing transaction volumes



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

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

Responding to change

The last 12 months represent my first full year at Gleeson and it is a business that I am passionate about. Prior to lockdown, we had been focused on ensuring that the business had the platform in place to deliver our growth ambitions.

"Whilst our financial results for this year have been heavily impacted by Covid-19, I am pleased with the positive steps that we have taken this year and I believe that, in many ways, we will emerge from this pandemic stronger than we were 12 months ago.

James Thomson
Chief Executive Officer

Consequently, it has been a year that has seen significant change in the organisational structure of the business to support our growth ambitions. Combined with the investment in safety, people and sites, this has given us the confidence, despite the disruptions caused by the pandemic, that we remain on track to meet the aim of delivering 2,000 homes a year in 2022.

Our ambition is to maintain growth well beyond 2022, driven by the underlying structural need for low-cost quality homes for first-time buyers – one that is driven by household formation, the aspiration to, and recognised benefits of, home ownership as well as the simple fact that it is substantially cheaper to buy a Gleeson home than to rent a similar property.

The last four months of the financial year, typically our strongest selling period, required us to focus on responding to Covid-19. In dealing with the impact of the pandemic, our first priority has been to protect our employees, subcontractors, suppliers, customers and the communities in which we operate.

For that reason, we took the decision in March to implement a controlled shutdown of all our sites and sales offices and placed 76% of employees on furlough, utilising the Government's Job Retention Scheme to protect jobs. Trading during the final quarter of the year, usually our strongest quarter, was almost entirely "lost" resulting in Gleeson Homes full year completions falling 29.9% to 1,072 (2019: 1,529) and Gleeson Strategic Land completing the sale of only two sites during the year.

Over the period of shutdown we took the opportunity to replan build programmes across all sites, prepare for new site openings and implement robust Covid-secure working practices. We recommenced build activity in May 2020 on a gradual, phased basis, with initial on-site activity in late May and June focused on site infrastructure and other groundworks ahead of returning to plot build activity on some sites from mid-June. All sites are now fully build active and all sales offices are open with strong interest seen from customers.

Strategic Land, which had been expecting to complete a number of significant land sales in the final quarter, did not complete any further sales. Whilst these sales have been delayed, we expect these will all still proceed to completion in this financial year as land activity picks back up.

Trading results

The impact of the shutdown and loss of fourth quarter completions meant that operating profit for Gleeson Homes fell by 70.1% to £9.0m (2019: £30.1m).

Average selling prices at £130,900 were up 1.6% driven by 3.3% higher underlying prices offset by changes in bed and site mix. Gross margin on units decreased to 27.8% (2019: 30.1%) due to the impact of Covid-19. Strategic Land had anticipated completing most of its transactions during the final quarter of the year. House building customers paused the purchase of sites during the final quarter and, as a result, the division was broadly break-even with an operating profit of £0.2m (2019: £13.0m).

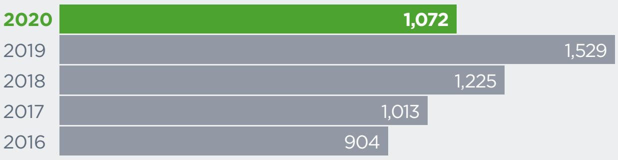
Group profit before tax for the year fell by 86.4% to £5.6m (2019: £41.2m).

The business took swift action to protect cash at the start of the Covid-19 pandemic, including cancellation of the interim dividend, pausing build activity and land acquisition, cutting discretionary expenditure, furloughing 76% of staff, a freeze on recruitment and senior managers and directors volunteering to accept significant temporary pay cuts. The Group also drew down £60m of loans from its £70m committed bank facility and raised a further £16.4m of gross funds from a successful share placing in April 2020.

As a result, the business started the new financial year with a strong balance sheet and £76.8m of cash. This will support our growth ambitions and we expect to open a significant number of new sites in the year ahead.

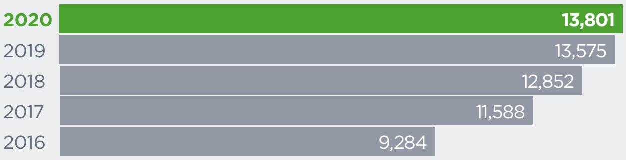
KEY PERFORMANCE INDICATORS

Gleeson Homes volumes



Units (homes) sold were heavily impacted by Covid-19.

Gleeson Homes land pipeline (plots)



Land continues to be available to buy at sensible prices.

Gleeson Homes active build sites

Gleeson Homes opened 12 sites, completed 10 sites and increased net active sites by 2 sites during the year.

Gleeson Strategic Land portfolio (plots)

Land interests represent over 12 years of normal sales activity.

Operations

Gleeson Homes strengthened its operational structure during the year by recruiting and appointing Mark Knight as Managing Director of the business. It also appointed three existing and highly experienced directors to newly created Divisional Managing Director roles for each of its newly created divisions covering the North West, the North East and Yorkshire & Midlands.

We have also invested in our Commercial, Customer Care, Marketing, HR and IT functions to strengthen the business and ensure it grows sustainably towards, and beyond, our target of 2,000 homes in 2022 which will represent a doubling of the number of homes delivered by the business in five years.

The investment that we are making in our sites is transforming their look and feel and enhancing the customer experience. Our sites, sales offices and show homes are looking better than ever.

I am pleased with the steps we have taken this year to further strengthen the business and I believe that we will emerge from this pandemic in many ways stronger than we were 12 months ago.

Quality

Buying a house is the single biggest financial transaction in most people's lives and we want our customers to be delighted with their new Gleeson home and with their experience of buying from us.

For that reason, we have invested in our Customer Care team, introduced virtual tours of our show homes, launched our new Gleeson Homes customer website, enhanced the My Gleeson portal and implemented the new Gleeson Quality Charter. This is about embedding quality across the business and into everything that we do, so we deliver what our customers want and expect from us.

We have also partnered with In-house Research, an independent customer research company, to gather feedback from our customers. Our goal is to be "five star" wherever we operate and to ensure we deliver a quality home to our customers, getting it right first time, on time. Our customer recommendation scores at 88% puts us in line with the HBF "four star" rating. Our objective is to be "five star" by the end of this year.

Sustainability

Our vision is "Building Homes. Changing Lives" and I am proud of Gleeson Homes' mission: "Changing lives by building affordable, quality homes. Where they are needed, for the people who need them most". Our vision, mission and values were developed by colleagues across the business and embody what we do every day.

At the heart of what we do is build homes that are genuinely affordable and provide our customers with the opportunity for wealth creation through home ownership. It is substantially cheaper to buy a Gleeson home than rent with a typical three-bed Gleeson home costing as little as £76 per week with a Help to Buy mortgage compared to renting a three-bed home which costs around £138 per week in the private rental market.

A working couple on the Minimum Wage can buy a home on any Gleeson Homes development site. As a result, we believe 100% of Gleeson Homes turnover is aligned with achieving "access for all to adequate, safe and affordable housing". This is the first target of the UN's Sustainable Development Goal 11: "Sustainable Cities & Communities".

The majority of our sites are on brownfield land, often in areas of deprivation and in need of regeneration. We improve the communities in which we operate and provide the opportunity for our customers to escape the "rent trap", create wealth and have the security of owning their own home.

Our belief is that everyone who is involved in or affected by our activities has the right to remain free from harm and return home safe, every day. That is why we launched our HomeSafe brand this year: "HomeSafe – everyone, every day". It is fundamental to ensuring that not only do we meet our legal and moral health and safety duties, but that we strive to go above and beyond these standards.

We are fully committed to sustainability, and social responsibility has always been at the heart of our business. We have prepared our first report on sustainability in the pages of this year's Annual Report to demonstrate our significant ongoing commitment to this important area that is now attracting greater investor interest.

Trading and outlook

Whilst the business has been challenged this year by the Covid-19 pandemic, I remain confident that we will achieve our ambition of delivering 2,000 new homes per year in 2022. We started the new financial year with a strong forward order book up 52% on prior year and work in progress up 55% as measured in terms of unit equivalents built. Reservation rates have picked up significantly post lockdown and selling prices on new reservations are above pre-Covid levels. Build rates per site are increasing and we expect to return to pre-Covid levels of build activity by January 2021.

Whilst there remains uncertainty in the short term in relation to both Covid-19 and the UK's exit from the EU, particularly in terms of unemployment, house prices and mortgage availability, the market fundamentals for our homes remain strong. These are driven by 200,000 new households which are formed each year, many of which are young people, leaving home and having families of their own and the lack of supply of affordable new homes for first-time buyers. Two-thirds of customer reservations since May 2020 are from key workers who are those that are keeping us all safe, fed and healthy at this unprecedented time.

Our Strategic Land business enters the new financial year with a strong pipeline and, as the industry picks back up, the demand for consented land is expected to return.

As a result, we maintain our focus on strong growth in the current financial year and beyond.

James Thomson
Chief Executive Officer
13 September 2020

OUR VISION, MISSION AND VALUES

OUR VISION

Building Homes.
Changing Lives.

OUR MISSION

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

OUR VALUES

We are Passionate

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

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

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

During the year, a team of brilliant and passionate colleagues from across our business joined forces in the pursuit of the "Voice Our Values" project with the aim to define our Mission, Vision and Values.

The team worked together to help define the business's core values through a series of workshops and surveys across the Group. By taking employees from different disciplines and at different stages in their careers, the insights gained reflected a true representation of the workforce and the diversity of people that we employ.

During the workshops, colleagues openly shared their views and experiences, exploring the culture and feel of life within Gleeson. Taking part in a number of exploratory tasks that encouraged open thinking, the team identified the three core values that truly reflect the behaviours and attitudes that we hold close in our dealings with colleagues, customers and stakeholders. We are:

- **Passionate**
- **Collaborative**
- **Respectful**

You will find out more about how these values are embedded across our business in the pages of this Annual Report and you can watch the video at www.mjgleesonplc.com.

We are Collaborative

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

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

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

We are Respectful

We respect safety on all our sites and are fully committed to ensuring our colleagues and those who work on, or visit our sites, return HomeSafe – everyone, every day.

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

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

Delivering sustainable growth

Our unique business model delivers value for stakeholders through close engagement with our customers and their communities, productive cooperation with local landowners, empowerment of our people and fair treatment of our supply chain.

Our two distinct divisions are complementary in generating long-term sustainable value.

WHAT WE DO

LAND ACQUISITION | PLANNING | BUILDING

GLEESON HOMES

Land acquisition

We partner with local authorities and private landowners to acquire land in areas that will benefit from investment, regeneration and development for housing.

We have a carefully targeted buying strategy with clearly defined and challenging hurdle rates to ensure we buy land at sensible prices, which is essential to help ensure our homes remain affordable.

Planning

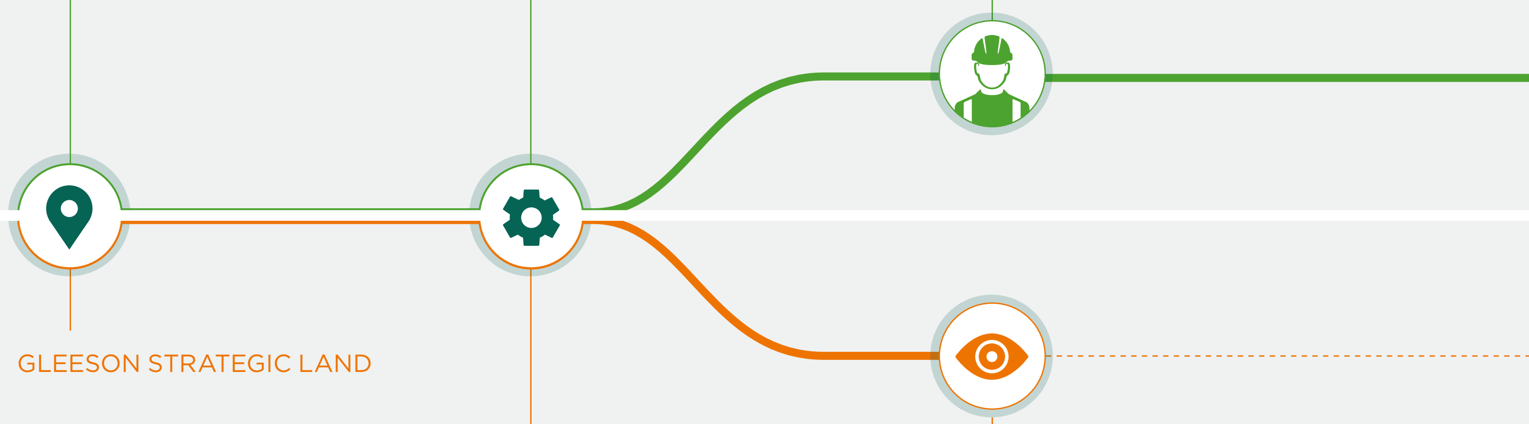
We plan and design our developments to transform areas of urban neglect into attractive, environmentally friendly and sustainable communities.

We work with local communities, local authorities and councils to ensure our developments balance the needs of all stakeholders.

Building

We prioritise partnering with local suppliers and subcontractors wherever possible, providing jobs and investment in the local communities in which we operate.

Our tightly controlled build procedures and overhead costs, coupled with our targeted land buying policy, ensure we can provide good quality, affordable housing.



GLEESON STRATEGIC LAND

Land acquisition

Where we see the opportunity for sustainable future land development, we partner with landowners to promote their land through the planning process.

Planning

We use our in-house expertise and our network of specialist consultants and legal experts to steer the land through the complexities of the planning system to achieve a viable and attractive planning consent.

REINVESTMENT

WHY WE DO IT

CUSTOMERS AND COMMUNITY

We provide high-quality, modern homes built to the specification our customers expect. Our buyers are often young individuals and couples, key workers, or families on low incomes who want access to home ownership and an escape from the "rent trap".

Over the years we have helped re-establish local communities and invested in a wide range of projects near our developments, including transforming community facilities and sponsoring local junior sports teams.

SHAREHOLDERS

Gleeson Homes generated an operating profit of £9.0m (2019: £30.1m), which was severely impacted by closing our sites for the majority of the fourth quarter in response to Covid-19.

We started the new financial year with a significant forward order book of 1,033 homes and over 1,000 homes already built or part-built.

Through careful promotion and sale, we provide high-quality consented land to a range of mid-tier and large housebuilders who ultimately deliver attractive and sustainable developments to help ease the housing shortage in the South of England.

Whilst Gleeson Strategic Land was largely break-even, generating £0.2m operating profit (2019: £13.0m), it delivered £11.2m operating cash flow from the collection of receivables on previous land sales. We started the new financial year with a strong pipeline of 11 consented sites (3,855 plots).

REINVESTMENT

Generating value for our stakeholders

Our strategy is anchored to our mission and vision – to build affordable, quality homes. Where they are needed, for the people who need them most. We also generate value for stakeholders through unlocking land for development in the South of England.

The Covid-19 pandemic severely impacted our progress this year against our current interim target to deliver 2,000 new homes per annum in 2022. As a result of the pandemic, we completed the sale of 1,072 homes compared to 1,529 in the previous year. However, the business has demonstrated its underlying resilience and demand has returned strongly. We are confident that we will deliver our target of 2,000 units per annum in 2022.

Gleeson Homes

The housing market continues to fail to serve young buyers, key workers and families on low incomes who are caught in the "rent trap" and struggling to get onto the housing ladder due to the high average price of a new home in the UK of nearly £300,000.

Gleeson Homes has a proven and successful track record in delivering new homes at affordable prices across the North of England and the Midlands. Working alongside local authorities, Gleeson Homes has led the regeneration of many underserved communities, enabling people to buy their own home and live and work in their local area.

Gleeson Strategic Land

The fragmented planning landscape and underlying inertia to new development in the South of England continues to slow the number of new homes being built.

Gleeson Strategic Land works to navigate the complexities of the planning system in order to deliver high-quality, consented land in attractive locations to developers.

These sites can typically deliver new homes for sale within 12 to 24 months of a planning consent. Where sites are not viable for residential consent, then alternative options such as consent for commercial use may provide much needed employment land.

STRATEGIC PRIORITIES

GLEESON HOMES

Provide a safe place to work for everyone involved in our sites

We take a "safety first, always" approach. Our highest priority is that everyone who is involved with or affected by our works remains free from harm and returns home safe every day.

Increase house building footprint

We will continue to increase the number of developments across the North of England and the Midlands, targeting those areas in need of regeneration.

Build quality, affordable homes

We will build good quality and energy-efficient homes to the specification that our customers require, keeping build and running costs low.

Our tight control of build costs and our efficient construction methods, coupled with our clearly defined hurdle rates on land purchases, will allow us to maintain profitability while keeping our selling prices affordable to young, first-time buyers.

Increase land pipeline

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

GLEESON STRATEGIC LAND

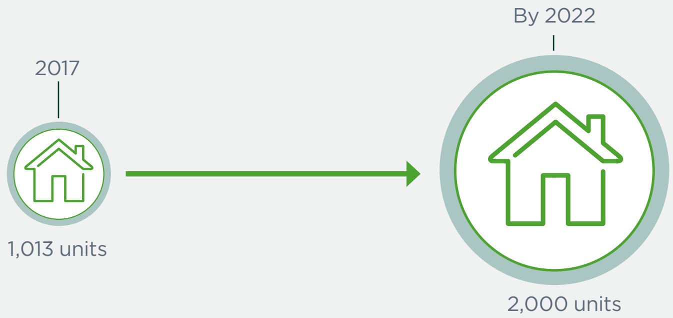
Strategic land promotion

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

CURRENT TARGET

Double Gleeson Homes volumes

2017→2022



PROGRESS IN 2019/20	PRIORITIES FOR 2020/21
During the year we launched our new health and safety brand, HomeSafe, across the business. We invested significantly in our site set-up and compounds, implementing new working protocols, working-at-height fall prevention systems and making each of our sites Covid-19 secure.	We will reduce our accident and incident rate by continuing to embed our "safety first, always" approach. We will monitor Government guidelines regarding Covid-19 and ensure that we are doing whatever is necessary to keep our employees, suppliers, subcontractors and customers safe.
We ended the year with 71 active build sites, each with full Covid-19 compliant safety procedures in place, following a phased reopening of sites in May 2020.	We plan to open 25 new sites over the next year and expect to have 80 active build sites by June 2021.
We strengthened our regional management structure, invested in our Customer Care team, introduced our new Gleeson Quality Charter and implemented enhanced quality assurance procedures to ensure that we hand over the quality of homes that our customers expect. We also partnered with In-house Research to gather feedback from our customers. Our goal is to be "five star" wherever we operate.	We will continue to embed the Gleeson Quality Charter, setting out what our customers can expect from their house buying journey with us. We will use our enhanced regional structure to focus on build efficiency and cost control so that we continue to sell affordable homes while delivering strong margins.
Our land pipeline of owned and conditionally purchased plots at 30 June 2020 increased by 1.7% compared to the prior year end, totalling 13,801 plots on 149 sites, of which 6,952 plots have been purchased subject to planning permission.	We will continue to buy land at sensible prices to support our interim target of selling 2,000 homes per annum in 2022. We will continue to seek planning consent for attractive residential developments and will start on sites as soon as this permission is granted.
As at 30 June 2020, we had a land portfolio comprising 68 sites with the potential to deliver 23,314 plots and 44 acres of commercial land. Of these, 11 sites have had planning permission granted with the ability to deliver 3,855 plots.	We will continue to invest intelligently in our land portfolio whilst progressing our current interests through the planning process. As confidence returns, we will deliver high-quality consented land to housebuilders in the South of England.

Gleeson Homes
Building a strong forward order book

Gleeson Homes enters the new financial year in a strong position with a forward order book of £145.3m on 1,033 units, work in progress well advanced and a healthy pipeline of land opportunities.

Performance in the year was heavily impacted by the Covid-19 pandemic, with the division completing the sale of 1,072 homes, a reduction of 29.9% compared to the previous year (1,529 homes).

However, we enter the new financial year with our strongest ever forward sales position of £145.3m on 1,033 units (2019: £87.6m on 677 units) and work in progress, as measured in terms of unit equivalents built, up 55% on the prior year.

We opened 12 new build sites during the year and closed the year with 71 active build sites (2019: 69), of which 65 were actively selling (2019: 69). Our average active build and sales sites were 68 and 65 respectively (2019: 65 and 65). Our sales outlets are located across the North of England and the Midlands, with plans to expand our geographical reach. The business plans to open 25 sites during the new financial year, which would be a record number, and expects to have 80 active build sites by 30 June 2021.

The average selling price ("ASP") for homes sold in the year was £130,900 (2019: £128,900). The increase was influenced by a combination of factors: house price inflation, mix of site locations and the mix of two-, three- and four-bed homes sold. Our aim is to ensure that our selling prices remain affordable for young first-time buyers and low-income families.

Gross profit margin on homes sold decreased to 27.8% (2019: 30.1%) due to costs associated with responding to Covid-19.

The reduction in the volume of homes sold resulted in gross profit decreasing by 34.1% to £39.1m, which included £0.1m in relation to land sales (2019: £59.3m, £nil land sales), and operating profit decreasing by 70.1% to £9.0m, including £0.1m in relation to land sales (2019: £30.1m, £nil land sales). Operating margin decreased from 15.3% to 6.4%.

We continue to acquire land at sensible prices. The pipeline grew by 226 plots to stand at 13,801 plots at 30 June 2020. Of these plots 6,849 are owned (2019: 6,525) and 6,952 plots are conditionally purchased (2019: 7,050). The number of sites in the land pipeline totalled 149 at year end, being five sites higher than the prior year end; 27 new sites were added to the pipeline, while 22 sites were completed or did not proceed to purchase. In addition to owned and conditionally purchased plots, there are a further 798 (2019: 473) plots which are being actively considered for acquisition but will only proceed if they meet our strict criteria.

The Government's Help to Buy scheme remains popular with many of our customers, with 66% of the homes sold during the year utilising the scheme (2019: 68%). We also continue to provide our own range of bespoke packages to assist potential customers to become homeowners and recently launched our Key Worker Priority Programme, providing a range of benefits to show our support for key workers looking to purchase a new home.

GLEESON HOMES

UNITS SOLD

1,072 units

2019: 1,529 units

AVERAGE SELLING PRICE

£130,900

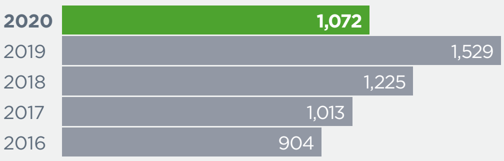
2019: £128,900

OPERATING PROFIT

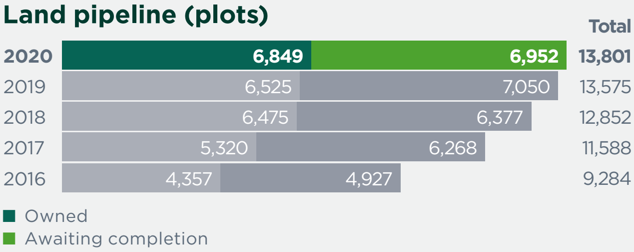
£9.0m

2019: £30.1m

Unit volumes



Land pipeline (plots)



Case study

Enabling local people to remain in the communities they love

Our new development in North Huyton, near Liverpool, has proven popular with first-time buyers and young families.

Single mum-of-three Amy Gordon was keen to stay in the Knowsley community she had called home for over seven years, having built up a support network of trusted friends and reluctant to move her children out of their school.

Amy, a self-employed driving instructor, initially purchased an existing home in the area but, unfortunately, the sale fell through when the Covid-19 pandemic hit. Amy and her children were left sleeping on a friend's living room floor during lockdown.

Eager to buy her own home, Amy approached the sales team at our Rosebank development. The sales and build teams pulled out all the stops to ensure that Amy was able to move into her new Gleeson property, a four-bedroom detached home, in record time despite the challenges from Covid-19.

Amy was one of several Gleeson customers who was able to move into their new home during the lockdown; with social distancing and safety precautions being carefully followed in line with Government guidance.

"I love my new home," says Amy. "Each of my children now has their own bedroom, which avoids many arguments! Whilst I initially purchased an older home, a new build has meant that I have a blank canvas and I can paint and decorate to my own taste. My new home also included flooring, turf and fencing to the rear garden, which meant we could move in and enjoy our new space straight away. We particularly enjoyed the use of our own garden on the sunnier days during the lockdown."

Gleeson Strategic Land

Building a strong pipeline of sites

Whilst the financial performance of the division was severely impacted by the Covid-19 crisis, we have continued to invest sensibly in our land portfolio and advance existing sites through the planning system. The business comes into the new financial year with a strong pipeline of sites ready for sale.

Revenue from Gleeson Strategic Land fell to £6.3m (2019: £52.9m) generated from the sale of two small sites during the year. The sites sold totalled 26 acres with the potential to deliver 195 plots.

A number of large transactions were delayed as a result of the Covid-19 pandemic and are now expected to complete in the new financial year. As a result, operating profit of £0.2m was significantly down on the previous year (2019: £13.0m).

As the land market takes tentative steps towards recovery, we are seeing demand returning with enquiries from a broad range of housebuilders. The land market, particularly for sites in prime locations in the South of England, is expected to recover strongly.

At 30 June 2020, we had a portfolio totalling 68 sites (2019: 60 sites) with the potential to deliver 23,314 plots (2019: 21,730 plots) plus 44 acres of commercial land (2019: 44 acres). During the year, we secured planning permissions for five sites and acquired interests in nine new sites. These new sites contributed a further 1,888 plots to the portfolio.

Despite the impact of Covid-19, we continue to see opportunities to add well-located, strategic sites to the portfolio where we see potential for future residential development and where we can deliver maximum value for stakeholders.

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

PLOTS SOLD

195 plots

2019: 1,755 plots

LAND PORTFOLIO

23,314 plots

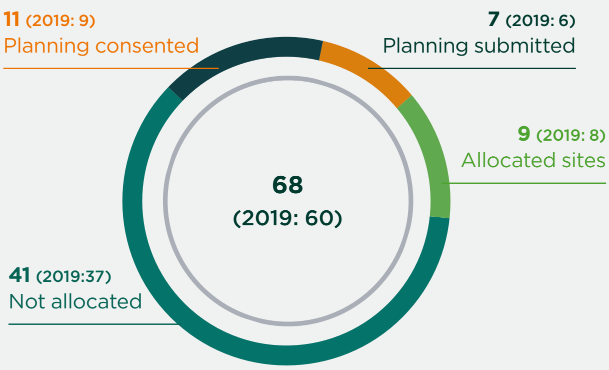
2019: 21,730 plots

OPERATING PROFIT

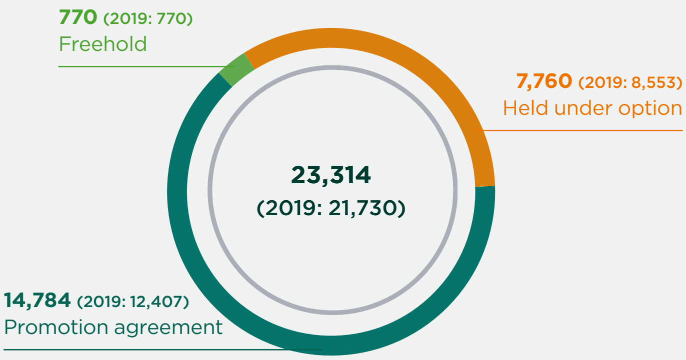
£0.2m

2019: £13.0m

AT JUNE 2020 (SITES)



AT JUNE 2020 (PLOTS)



Case study

Land at Hassocks, Mid Sussex

Outline planning consent for 500 dwellings, a primary school and community building along with improved pedestrian links to Hassocks and Burgess Hill.

During the year, Gleeson Strategic Land secured outline planning consent for a greenfield site on the edge of the existing settlement boundary. This was promoted and allocated within the Mid Sussex District Plan (adopted in March 2018) for land to the north of Clayton Mills, Hassocks for a development of 500 homes and a new primary school.

The site totals 30 hectares and incorporates 15 hectares for attractive residential development including a mix of residential accommodation to meet local needs. It also includes 10 hectares of public open space (equivalent to 35% of the total site area) plus three hectares for a new primary school and a new vehicular access point.

The site is sympathetically designed so that open space is located throughout the scheme, with residential properties orientated to front onto the open spaces to create an attractive street scene. The planning consent reflects the fact that this is a development that combines townscape and landscape, reinforcing locally distinctive patterns of development, landscape and character.

Our commitment to a sustainable future

The Board places social responsibility at the heart of everything that we do. There are many things that the Company can feel justifiably proud of:

- we transform people's lives through building and selling high-quality, low-cost homes
- we regenerate once-neglected areas into thriving communities
- we build homes for key workers
- we sell mostly to young, first-time buyers
- we are a real Living Wage employer

OUR SUSTAINABILITY REPORT FOR THE YEAR

WHAT WE DO WELL

60% brownfield
Of our active build sites, 60% were previously brownfield; we build where others won't.

84% first-time buyers
Our customers are young, first-time buyers on low-to-mid income, looking to escaping the "rent trap".

8% fewer reportable H&S incidents
Our Annual Incidence Injury Rate ("AIIR") reduced by 8% to 5 reportable injuries in the year.

64% key workers
Our Key Worker Priority Programme is designed to support those keeping us safe, fed and healthy.

96% of waste recycled
Most of our waste is either recycled directly (87%) or is converted to energy (9%).

88% customer recommendation
Nearly nine out of ten of our customers would recommend us.

Fair Tax
We have been awarded the Fair Tax Mark showing we pay our taxes fairly.

60 apprentices
We currently employ 60 apprentices across a range of disciplines in site- and office-based roles.

100% real Living Wage employer

We are accredited by the Living Wage Foundation for paying our employees the real Living Wage.

Top quartile employee engagement

We are in the highest 25% of companies for employee engagement in an independent survey.

6% median pay gap in favour of women

We do not discriminate based on gender; we encourage women into all roles and reward our employees based on their role and performance.

19 Mental Health First Aiders

We understand the importance of our employees' mental health and have a structure in place to support colleagues.

WHAT WE WANT TO IMPROVE

Health & safety
Our incident rate (AIIR), 359 per 100,000 employees, is higher than the average reported by the Home Builders Federation.

Staff turnover
Our staff turnover of 36% is higher than most other housebuilders.

CO_2 emissions
Our scope 1 & 2 emissions per house sold are higher than many other housebuilders; see page 35 for details.

Customer satisfaction
88% of customers would recommend buying a Gleeson home, which makes us a 4-star housebuilder.

OUR IMPROVEMENT TARGETS

Health & safety
We will significantly reduce our incident rate and ensure that we are a safe place to work in every regard.

Staff turnover
We will reduce staff turnover to at least the industry average or better.

CO_2 emissions
We will reduce emissions by 20% to less than 2 tonnes per home sold within three years.

Customer satisfaction
We will become a 5-star housebuilder within one year.

Our guiding principles

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

We exist to transform lives and make home ownership a reality for young people, low-income families and first-time buyers. Our approach is based around our impact on communities, people and the environment.

COMMUNITIES

We build high-quality, affordable homes. A working couple on the National Minimum Wage can afford to buy a home on any Gleeson Homes development.

Through our Community Matters programme we work closely with local residents to build and support a sense of pride and community by sponsoring local sports teams and other community activities.

We use local suppliers and trades people wherever possible and pay them promptly.

We pay our fair share of taxes. We are certified by the Fair Tax Mark for having achieved the highest standards of tax transparency and disclosure.

We arrange school visits to development sites to educate children on the value of a career in house building, health and safety and the role of women in construction.

PEOPLE

We were the first listed housebuilder to be accredited by the Living Wage Foundation for paying our employees a "real" living wage.

We are improving our health and safety culture, working practices and systems under our newly developed "HomeSafe" framework, including ensuring all of our sites are Covid-19 secure.

We are supplementing our site health and safety inspections with the use of additional and dedicated NHBC health and safety inspections.

We offer all employees access to confidential, third-party support on a range of health, wellbeing, financial, legal and counselling issues.

We value our employees' mental health as much as their physical health and have 19 trained Mental Health First Aiders across the business.

The Group is continuing to develop and encourage more women into roles that have traditionally been male occupied. This includes better provisions on site for female employees and subcontractors.

Our apprentices are tomorrow's talent. We currently employ 60 apprentices (approximately 10% of staff) across a range of disciplines.

We encourage employees to take part in the Gleeson share ownership plan which provides gifted shares.

ENVIRONMENT

We build on brownfield land – 60% of our active and pipeline sites are on brownfield sites – see pages 26 and 27 for a case study on one of our sites.

We want to improve our CO_2 emissions as reported on page 35. Our improvement plans are shown on page 25.

We divert 96% of waste generated on our sites away from landfill, and we are looking at ways of improving our waste management.

We source 99.9% of the timber we use in construction from FSC or PEFC certified sources.

SUSTAINABLE DEVELOPMENT GOALS

Our approach to sustainability is aligned with the United Nations Sustainable Development Goals ("UNSDGs") as follows:

3 GOOD HEALTH AND WELL-BEING

We promote the health and wellbeing of our employees through our Mental Health Pledge and have 19 trained Mental Health First Aiders.

We provide an employee assistance programme to support the health and wellbeing of employees.

5 GENDER EQUALITY

We do not discriminate based on gender and have a 6% median pay gap in favour of women.

Women occupy 22% of our highest-paid jobs and 15% of our lowest paid jobs.

Our improvement targets

TARGET 1:

Health and safety incident rates (AIIR) will be significantly reduced.

Actions:

Working-at-height safety systems and practices will be improved on all sites within one year.

Site compound and welfare facilities will be improved on all new sites and those with less than one year to completion.

Employee health and safety training will be reviewed, improved and the amount of training per employee increased during the year.

Digital reporting on all accidents, incidents, audits and health and safety metrics will be introduced on all sites within one year.

Independent health and safety inspections by the NHBC will be undertaken on all sites.

Two new divisional health and safety managers roles will be created.

TARGET 2:

Staff turnover will be reduced to at least the industry average or better.

Actions:

Review and improve the staff recruitment process including search, selection, interview and pre-start onboarding.

Enhance our new starter onboarding process, increase personal development reviews and introduce post-probationary period reviews.

Continue to increase our employee engagement initiatives by conducting regular management roadshows, engagement workshops and improving the frequency of staff communication.

TARGET 3:

CO_2 emissions per home sold will be reduced by 20% within three years.

Actions:

Within one year all forklift trucks will:

- be fitted with auto stop/start functions.
- have lower carbon emitting engines.
- include usage-tracking technology to monitor speed and idle time.

Reduce the use of diesel generator fuel per site.

100% of electricity used in show homes, sales offices and site cabins will be sourced from zero carbon sources within one year.

TARGET 4:

Customer satisfaction: we will become a 5-star housebuilder within one year.

Actions:

We have recently created a dedicated Customer Care team in each region.

We have launched the Gleeson Quality Charter confirming our commitment to our customers.

We will implement additional quality checklists prior to final inspection.

We have engaged third-party inspectors to undertake additional, independent quality checks.

8 DECENT WORK AND ECONOMIC GROWTH

We are an accredited Living Wage Foundation employer and were the first listed housebuilder to be accredited.

We have an active apprenticeship programme; 10% of our workforce are apprentices.

We comply with modern slavery and trafficking legislation and ensure that all workers involved in the supply chain are free from slavery.

11 SUSTAINABLE CITIES AND COMMUNITIES

100% of Gleeson Homes' turnover is aligned with achieving "access for all to adequate, safe and affordable housing". This is the first target of UNSDG 11: "Sustainable Cities & Communities".

15 LIFE ON LAND

We remediate brownfield land; 60% of our sites were previously brownfield.

We source 99.9% of our timber from FSC accredited sources.

We recycle or divert to energy 96% of our waste.

We have set a target to reduce Scope 1 & 2 carbon emissions by 20% within three years.

Case study
Carlisle Park, Rotherham, South Yorkshire

1

100 years of pollution

This site in Kilnhurst, South Yorkshire, had operated as a chemical works for over 100 years.

- It has acted as a bitumen processing plant, tar distillery, iron works and a forge. The site had been derelict for five years before Gleeson acquired it for development in 2012.

2

Heavily contaminated site

There were three major challenges to the development of the site:

- The land was heavily contaminated with non-aqueous phase liquids ("NAPL") of petroleum carbons, solvents including phenols, and other less mobile polycyclic aromatic hydrocarbons.
- There were numerous un-surveyed foundations and obstructions from the former chemical works.
- It was unclear what services were passing below the site as the buried services for water, gas and electric were not clearly set out.

3

£8.6m spent on remediation

Gleeson has spent £8.6m remediating the site over the period of development including:

- 300,000m^3 of contaminated ground was excavated, treated and stabilised.
- 25,000m^3 of derelict foundation concrete was broken out, crushed, processed and reused.
- A proprietary geosynthetic clay layer, incorporating a bentonite clay layer, was placed over the whole site.
- The site was then capped with a 1.7 meter thick layer of clean material placed as a foundation above the capping layer.

4

High-quality, affordable homes

As a result of the remediation we:

- Cleaned the site.
- Stabilised the contamination.
- Reused all the stabilised materials on site.
- Exported and recycled for scrap the waste metals from the structure of the chemical works.

All works were supervised by third-party consultants and approved by both the regulators of Rotherham Borough Council and the Environment Agency.

Building Homes. Changing Lives.

Emily and Stephen, ages 19 and 22, Plot 35, Carlisle Park

On Carlisle Park we are building 381 high-quality, affordable 2, 3 and 4 bedroom homes.

These are modern, energy-efficient homes, and all have a front and rear garden and a driveway.

To date we have provided homes for 260 people and families.

Carlisle Park in numbers:

£140,000
Average selling price

51%
Used help to buy

£18,000
Average salary of buyers

69%
First-time buyers

28
Median age of buyer

11%
Nurses or care workers

86%
Previously rented or lived at home

83%
Under the age of 35

17%
Teachers

Non-financial reporting

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

EMPLOYEES

STATEMENT	WAYS WE ENGAGE	READ MORE
We are committed to ensuring that all our employees and stakeholders are treated fairly and equitably. We have an organisational culture that values passion, collaboration and respect.	• Policy on diversity, recruitment, equality and how we engage with our employees	→ Page 77
	• Approach to employee relations and the involvement of our Workforce Representative	→ Page 53
	• Health and safety reporting and the investment that we are making in our health and safety team and culture	→ Pages 25 and 36
	• Gender pay gap reporting	→ Page 33 and www.mjgleesonplc.com
	• Commitment to employing local people, training and developing our apprentices, raising awareness about mental health and promoting women in construction	→ Pages 24, 32–33, and 36

ANTI-BRIBERY AND CORRUPTION

STATEMENT	WAYS WE ENGAGE	READ MORE
We are committed to the highest standards of ethics, honesty and integrity and expect the same from all parties we engage with.	• Whistleblowing policy and monitoring of malpractice reporting	→ Page 61
	• Anti-bribery and corruption policies	→ Page 61
	• Reporting of registers of gifts and hospitality given or received by Directors and employees of the Group	→ Page 61

HUMAN RIGHTS AND SOCIAL MATTERS

STATEMENT	WAYS WE ENGAGE	READ MORE
We are committed to upholding basic human rights across our business and with all our stakeholders. Our employee policies cover all aspects of basic human rights and our grievance and fair treatment at work policies ensure anyone connected with our business can speak up about concerns without fear of retribution.	• Policy and controls preventing modern slavery and human trafficking	→ Page 36 and www.mjgleesonplc.com
	• Payment terms and performance in relation to payment practice	→ www.gov.uk and www.mjgleesonplc.com
	• Commitment to pay the real Living Wage or higher to our employees	→ Page 24 and 66
	• Commitment to provide freehold ownership, selling our customers the land on which their home is built and not under leasehold	→ Page 34

COMMUNITY AND ENVIRONMENT

STATEMENT	WAYS WE ENGAGE	READ MORE
We are committed to creating more sustainable ways of undertaking our operations to conserve energy, reduce waste and minimise our impact on the environment. We also invest in the communities, local areas and the supply chain around our development sites.	• Focus on using sustainably sourced timber	→ Page 24
	• Performance in relation to greenhouse gas emissions as the scale of our operations increase	→ Page 35
	• Investment in the communities, schools and areas in which we operate	→ Pages 24–25 and 34–35

Engaging with our stakeholders

We are committed to building positive relationships with all our stakeholders and to reflecting their needs in our decision-making processes.

Section 172 statement

As required by s172 of the Companies Act 2006 ("the Act"), a director of a company must act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In so doing, the director must have regards, amongst other matters, to the:

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

The following table identifies where in this report the Board has considered our stakeholders in key decision-making in compliance with s172 of the Act.

REQUIREMENT		
Long-term consequences of any decisions	• Chairman's Statement • Chief Executive's Statement • Viability Statement	→ Page 6 → Page 10 → Page 62
Interests of our employees	• Sustainability Report • Employees pages in this section	→ Pages 22–25 → Pages 32–33
Interests of our suppliers, customers, and others	• Customers pages in this section • Subcontractors and suppliers page in this section	→ Pages 30–31 → Page 36
Impact on our community and environment	• Sustainability Report • Community pages in this section	→ Pages 22–27 → Pages 34–35
Maintaining a reputation for high standards of business conduct	• Sustainability Report • Whistleblowing policy • Anti-bribery and corruption policy • Shareholder page in this section	→ Pages 22–27 → Page 61 → Page 61 → Page 35
Need to act fairly between members of the Company	• Board leadership and Company purpose section • Shareholder page in this section	→ Pages 52–53 → Page 35

Customers

Key Worker Priority Programme
At the start of the lockdown period we promised that we would prioritise key workers once we got building again, and in May we launched our Key Worker Priority Programme to fulfil that promise and acknowledge the work they do to keep us safe, fed and healthy.

Every key worker who registers with our Programme will be entitled to a range of benefits and packages that will make moving into their dream home even easier, including*:
- 48-hour priority access to new site openings and selected plot releases
- Exclusive preview appointments and viewings

And, one of the following key options:
- £1,000 voucher to spend on our Options Range, plus grass to rear garden and fencing
- Your mortgage paid for six months
- Carpets and vinyl throughout the home

* These offers may change but were accurate at the date of these accounts; terms and conditions along with the current offers can be found at www.gleesonhomes.co.uk/key-workers

Virtual tours
As part of our efforts to keep both our customers and employees safe, we have launched virtual tours so customers can browse at their leisure from the comfort and safety of their own home. Virtual tours are currently available for six of our most popular house types, with more being rolled out soon.

The virtual tours have a Virtual Reality mode for a more immersive experience.

My Gleeson
My Gleeson is our online portal dedicated to customer care. Customers are able to log defects via an app or website 24/7 without having to wait for opening hours. This information is given to site teams to liaise directly with customers to remedy the issue, and customers can then sign off on completion through the app. We are moving forward on using this data to monitor defects across the business and to spot emerging trends early in order to continue improving our customers' experiences.

> It's so nice to know it's our own home. It's been really nice to decorate and do all the things we have dreamed of and make it our own. We've made friends with neighbours and felt part of a little community. It's been a really good first year!
>
> Marc and Karl, Middlestone Meadows, Spennymoor, County Durham

88%
of our customers have or would recommend Gleeson to their friends and family.

Mrs. Fiass and son, Oswald Park, Burnley, Lancashire

Customer satisfaction surveys

We use an independent agency to contact every customer who buys a Gleeson home, inviting them to complete a customer satisfaction survey. These surveys help us to understand what our customers think about our service, our communication, and our homes, in order to better meet their needs going forward.

Customer care continues to be an area of focus for us and is one of our sustainability targets outlined on page 25.

Strategic Land customers

In our Strategic Land division we maintain close connections with our customers, primarily mid-tier and large housebuilders. Through these connections we are confident that we understand what they are looking for: good quality, well-located, attractive residential sites that will enable them to build communities and provide housing in parts of the country where the housing shortage is acute. We know that sustainability is a key element of a successful planning consent, and there must be access to community facilities such as shops and schools, good transportation links with access to public transport as well as roads, and well-defined open or green space.

Gleeson Quality Charter

During the year we focused on creating the Gleeson Quality Charter, which was successfully launched in July 2020. The Quality Charter confirms our commitment to our customers to instil confidence in their purchase and the customer experience journey that follows. Our aim is to hand over a home that our customers are not only happy with, but proud of.

We are also creating a Gleeson Subcontractor Quality Charter which all our subcontractors will be required to agree to. This will let both our customers and our subcontractors know what to expect in their relationship with Gleeson.

GQC
Gleeson Quality Charter

Our commitment

When you buy with Gleeson, you can expect a quality home and quality service all the way through your buying journey and beyond.

We are committed to building quality, affordable homes and delivering a service to you from the moment you meet us, to the moment we hand over your keys. After key handover, we also commit to a two-year Gleeson warranty which is backed by the NHBC Build Mark Warranty, to give you absolute trust, peace of mind and comfort in your new home.

Employees

Your Voice employee engagement survey

YOUR VOICE EMPLOYEE SURVEY gleeson

Our first employee engagement survey, Your Voice, was launched in June 2019 with a follow up survey completed in February 2020. These surveys helped us to identify key focus areas for the business, understand what is really important to our employees and determine where to focus our efforts for improvement.

We have analysed the results and held discussions with the senior leaders in each division to understand the results. We have used the data and these discussions to share best practices across the Group and really focus on our strengths, as well as identifying areas for improvement.

As a direct result of these surveys we are currently creating "Engagement Teams", whereby colleagues from different disciplines will be attending engagement workshops to delve deeper into the themes that have arisen. The Engagement Teams will be working together to explore and suggest solutions and ideas for improving key areas in the business. We look forward to completing our next survey in early 2021, which will hopefully demonstrate how much progress has been made.

Elenya McCue, Operations Support Manager

Mental health

We signed the "Time to Change" employers pledge to end mental health discrimination. 19 mental health first aiders have been trained throughout the year. We also held "Time to Talk" days across all offices during Mental Health Week to promote mental health wellbeing throughout the organisation.

Declan Waugh, Joiner

@Home

Building Homes. Changing Lives.

@Home

When James Thomson became Interim Chief Executive Officer in June 2019, he immediately started sharing a weekly newsletter with the business called @Home. The newsletter consists of weekly updates on the latest developments across the business and recognises outstanding performance from individual employees. The newsletter is a positive opportunity to update employees each week on our successes and on changes across the business, as well as allowing for colleagues to get to know one another through our "In the Spotlight" feature where we interview employees.

Employee focus groups defined our Vision, Mission and Values

In late 2019, a team of brilliantly passionate colleagues from different disciplines and areas of the business joined together in pursuit of the "Voice our Values" team project to define our values as a company.

The process involved workshop meetings with small groups allowing colleagues to speak openly and review the information that had previously been collected from the wider employee group. The team worked together to really think outside of the box to define "us" and ultimately came up with three core values that reflect the behaviours and attitudes we want to see towards our colleagues, customers and external partners. The team presented these core values, along with their suggested Vision and Mission statements, to the senior leadership team. The final product can be seen on pages 12 and 13 of this Annual Report or you can view a video recorded by our Chief Executive Officer, James Thomson, and employees at www.mjgleesonplc.com.

We are extremely proud of what we stand for and how our Vision, Mission and Values were created as it demonstrates the real views of the people that work for us. Our values are reflected in our day-to-day behaviours and in our interactions with one another.

Roadshows

Early in 2020 the senior leadership team took to the road to hold local "roadshows" for all our employees, communicating half-year results and the strategy of the business, with a significant portion of time allowed for Q&A sessions with the Executive Directors and senior management team. The roadshows proved to be a great success and we hope to continue to hold these in the coming year if we can do so safely in the context of Covid-19.

STAR Awards

Our employees are at the very heart of our success as a business, and recognising the Passion, Collaboration and Respect that they show on a daily basis is crucial. The STAR awards were developed as a way to praise our STAR employees for their commitment, drive and willingness to work above and beyond expectations. Colleagues nominate one another on a monthly basis and one apprentice and one employee are selected in each division. STAR winners get to spin the "Wheel of Glee" to win a prize!

We recognised a record number of employees during the lockdown period of March thanks to our employees' passion and commitment in response to such a challenging situation.

Closing the gap

Gleeson is an equal opportunities employer and we strive to pay our employees equally for the same or equivalent work, regardless of their gender.

We will continue to carry out pay and benefits audits at regular intervals and managers who are involved in these audits understand the background to pay and benefits and how it impacts their staff.

We take part in and sponsor Women in Construction and Women in Property networking events where we gain more insight into how we can encourage more females into construction.

We reinforce the message with our internal recruitment team to seek ways of recruiting more females into the construction industry. We continue to look at roles that females occupy and review how our succession planning programme fits in with these roles.

We are also reviewing all of our current job descriptions to make sure that they are all inclusive. Further details can be found in our Gender Pay Gap Report on our website, www.mjgleesonplc.com.

Gender breakdown

Male		Female
5	Non-Executive Directors	1
2	Executive Directors	0
21	Senior management	4
386	Other employees	192

Community

Sports Foundation
Our Sports Foundation provides sponsorship opportunities for local junior sports clubs and teams in the areas in which we are building. This year alone we spent almost £4,000 on junior sports sponsorship, and in the history of the programme we have sponsored over 100 clubs and teams including netball, football, rugby, tennis, cricket, athletics, ice hockey, and boxing!

Fair Tax Mark
We have met the standards to be granted the Fair Tax Mark. This accreditation is provided to companies who pay the right amount of tax, at the right time and in the right place. We pay our tax fairly and in line with what we owe and are open and transparent over our tax affairs and our tax strategy, a copy of which can be viewed on our website, www.mjgleesonplc.com.

Engagement with local schools
We have always worked closely with schools close to our developments and engage with them in many ways, including:
- holding health and safety talks to discuss the dangers of building sites;
- inviting pupils to visit our sites to talk to the sales and build teams to gain an understanding of what goes into creating a Gleeson development; and
- holding "Design a Bedroom" competitions with the winning entry being recreated in one of our show homes.

This year we also launched a competition to allow students at a local school to name our development in Egremont, Cumbria. Pupils at Bookwell Primary were tasked with creating a new name for the 29-plot site, which is adjacent to the school. There were some fantastic entries, but the winning entry was submitted by Joel Pickering, a Year 4 student, who chose "Florence Drive" — inspired by the now defunct Florence Mine, which is now home to an arts centre. Joel was awarded with a personal £50 book token and £150 worth of book tokens for his school library.


Kellie's Angels netball club, Hapton, Lancashire

Sustainable planning
We work with local residents, specialists and local councils to ensure we are properly considering the needs of the community and the environment. We hold public consultations or attend parish or other local events to understand the views of local people and we strive to take these into account in developing sustainable and sensitive planning applications. We work very closely with specialist ecology consultants to ensure we are being respectful of the environment including local wildlife, water needs, carbon emissions and more.

Pride in home ownership
We foster a sense of pride in home ownership and engagement in the local community by only selling to residents; we do not sell to investors or landlords. We also believe that, wherever possible, home ownership should include the land on which it is built, and we sell our homes as freehold wherever possible. The only times we sell homes as leasehold is when we do not own the land ourselves, and a peppercorn ground rent is payable on these homes.


School Court, Pegswood, Northumberland

> Having those new houses coming in... it has given that bit of civic pride to people living there, living locally. Very much more positive, people taking pride. This new housing really has given a boost to that area.
>
> Councillor Mathieson, Cottingham North, East Riding of Yorkshire Council in response to our application for a second phase of development at Dane Park, Hull

Blooming Great Garden Competition

We hold an annual "Blooming Great Garden Competition" across our sites for Gleeson homeowners to send in photos of their gardens. A panel of Gleeson employees then selects the winner, which is never an easy choice with so many fantastic entries submitted! The competition helps to increase community spirit whilst encouraging homeowners to maintain and show off their gardens and build that sense of pride in their homes and communities.

David Johnston, winner, Rosebank, Knowsley, Merseyside

Carbon emissions

The following table contains details of our energy usage and carbon emissions for the Group in line with the newly enacted Streamlined Energy and Carbon Reporting ("SECR") requirements. All energy usage and carbon emissions originate in the UK. Our carbon emissions for the year are calculated in accordance with the requirements of the Greenhouse Gas Protocol – a Corporate Accounting and Reporting Standard.

	2020		2019	
Total emissions	**Tonnes CO_2e 2020**	**Global energy usage**	Tonnes CO_2e 2019	Global energy usage
Car fuel	**427**	**176,650 Litres**	587	236,090 Litres
Gas	**149**	**810,795 KwH**	213	1,156,808 KwH
Liquid petroleum gas (LPG)	**45**	**210,968 KwH**	60	278,317 KwH
Gas oil/diesel	**2,071**	**750,974 Litres**	2,499	905,937 Litres
Electricity	**331**	**1,420,709 KwH**	397	1,552,443 KwH
Total	**3,024**		3,755	
Per unit completion	**2.8**		2.5	

Scope analysis per unit completion	**Tonnes CO_2e 2020**	Tonnes CO_2e 2019
Scope 1 — burnt fuels	**2.5**	2.2
Scope 2 — electricity	**0.3**	0.3
Total	**2.8**	2.5

Our emissions per house built are higher than many other housebuilders. Our newly established Sustainability Committee has set a target to reduce carbon emissions by 20% to less than two tonnes per home sold within three years. Further details are found on page 25 of the Sustainability Report.

Shareholders

Investor meetings

The Executive Directors, Chairman and Senior Independent Director regularly meet and talk with shareholders. Those meetings provide an opportunity to both set out the Company's performance, during interim and full-year result roadshow presentations, and to discuss shareholders' views on risk, governance and sustainability. During the year over 60 meetings and calls were held with shareholders and investors.

Investor presentations provide an opportunity for engagement.

Subcontractors and suppliers

Local jobs for local people

We are not just committed to building communities, but involving the communities in which we build by employing individuals who live within the local area of our developments. We want to ensure that we are making a real and lasting contribution to the local community and economy. When we open a new development, we target recruitment for all employees and contractors within close proximity of the site so that we can provide employment opportunities as well as access to affordable homes.

Michael Crowley, Forklift TruÔck Driver

Safe and secure sites

In January 2020 we launched our new health and safety brand "HomeSafe" reflecting our belief that everyone who is involved in, or affected by, our development work has the right to remain free from harm and return home safe every day.

During the year we standardised our site compound set-up, reducing the risk of injury, increasing efficiency, and setting the tone of the quality and professionalism that we expect on our sites.

We took these changes further to ensure that every site was Covid-19 secure before allowing build to recommence following the shutdown period. We implemented Covid-19 operating procedures across all of our sites, sales areas, and offices, including social distancing measures, appointing Covid-19 social distancing marshal roles on site, increasing hand washing facilities and enhancing cleaning regimes.

We will monitor the Covid-19 situation as it continues to evolve and ensure that not only do we follow latest Government advice, but that we are putting our employees and contractors safety at the heart of our decisions.

Modern slavery and human trafficking policy

We recognise modern slavery and human trafficking as important human rights issues and we are committed to taking appropriate and proportionate steps to ensure human rights are fully upheld within our Group and our supply chain. We confirm that all our existing suppliers and subcontractors have appropriate policies and procedures in place to manage their own risks, and we require all new suppliers and subcontractors to make the same confirmation and agree to our modern slavery statement before we agree to deal with them.

Our Build Managers, Site Managers and Assistant Site Managers are most likely to spot issues and have all been trained on what signs to look out for. Additionally, our HR department has been trained on modern slavery relating to the construction industry and all employees have been updated on "spotting the signs" in our weekly newsletter. We will continue to issue updates and reminders via internal communications including site noticeboards and the weekly newsletter.

Specialist consultants

In both Gleeson Strategic Land and Gleeson Homes we work closely with specialist consultants who understand the needs and requirements of planning committees. Their expertise help us to achieve planning consent on well-planned and attractive developments. In Strategic Land, we work closely with landowners in order to maximise land value whilst balancing their needs with other stakeholders.

HomeSafe
everyone, every day

Greymoor Meadows, Carlisle, Cumbria

Lizzie Fidler and Rachael Webb, Monteney Park, Sheffield

> Despite the significant challenges surrounding the Covid-19 pandemic, we responded swiftly and decisively to protect value and ensure that we have the working capital needed to finance our growth plans.
>
> **Stefan Allanson**
> Chief Financial Officer

COVID-19 – FINANCIAL RESPONSE AND IMPACT

The results for this year have been heavily impacted by the Covid-19 pandemic, with low levels of completions during our final quarter, which is historically our strongest. Having sold 811 homes in the first half of the year, we were comfortably on track to deliver more than 1,700 completions for the full year, but ended with 1,072 unit completions compared with 1,529 in the prior year. Operating profit in Gleeson Homes fell by 70.1% to £9.0m.

Similarly, Gleeson Strategic Land was heavily impacted and completed only two land sales during the year. Divisional operating profit was £0.2m (2019: £13.0m). Our focus now is on completing the land sales brought forward into the new financial year.

Our response to the pandemic included the following:

Share placement
We raised £16.4m gross funds through a share placement to existing shareholders and other high-quality institutional investors.

Loan facility draw down
We drew down £60m of our £70m bank loan facility to ensure adequate cash reserves were readily available. The £10m overdraft facility remained undrawn.

Job Retention Scheme
We furloughed 76% of the workforce, making use of the Job Retention Scheme grants to protect jobs, and topped up the grants to between 80% and 95% of salary.

At 30 June 2020 only 14% remained on furlough.

Land and other spend
Land and other discretionary spend was paused during the period of shutdown.

Pay reductions
All members of the Board took reductions in salaries or fees of 30% from 6 April to 30 June.

Senior management took reductions in salary of between 5% and 20% for the same period.

Covid-19 impacted results
As a result of the Covid-19 pandemic, the results for the Group are significantly below those reported for the previous financial year. Revenue reduced by 41.1% to £147.2m (2019: £249.9m).

Gleeson Homes revenue fell 28.5% to £140.9m (2019: £197.0m) with its final quarter of completions almost entirely wiped out. As a result, there was a 29.9% decrease in the number of homes sold to 1,072 (2019: 1,529). Selling prices, however, held up strongly with an increase to average selling price ("ASP") for the year to £130,900 (2019: £128,900).

Gleeson Strategic Land sold only two small sites during the year generating revenue of £6.3m (2019: £52.9m). The land sales that were planned in the final quarter are now expected to complete in the new financial year.

Gross profit for the Group fell by 46.1% to £40.4m (2019: £75.0m). The gross profit of Gleeson Homes decreased by 34.1% to £39.1m (2019: £59.3m). Gross profit margin also reduced, as expected, from 30.1% to 27.8%. The impact of Covid-19 related costs and provisions totalled £2.9m. This includes non-productive site overhead costs incurred during the controlled closure and lockdown period which would otherwise have been added to work in progress; additional costs incurred due to extended site durations resulting from reduced productivity levels impacting site margins; increased provisions for abortive land bid costs on sites not yet owned which may no longer be viable to purchase as a result of heightened uncertainty; and additional costs associated with operating under Covid-19 guidelines. The gross profit achieved on sales in Gleeson Strategic Land was £1.3m (2019: £15.7m).

Administrative expenses increased by £0.2m (0.5%) in the year as investment to support the underlying growth of the business continued. This investment was partially offset by £1.4m furlough grant income under the Government's Job Retention Scheme during the months of April to June 2020. During the year, settlement was also reached with the former Chief Executive Officer on the terms of his departure.

Operating profit from continuing operations was £5.9m (2019: £41.0m), a reduction of 85.6% on the previous year. Gleeson Homes contributed £9.0m (2019: £30.1m) and Gleeson Strategic Land contributed £0.2m (2019: £13.0m), with Group overheads being £3.3m

Net finance expenses of £0.4m (2019: £0.2m income) consisted of finance expenses of £1.1m (2019: £0.7m) being interest payable on bank facilities, bank charges and the unwinding of discounts on deferred payables partly offset by finance income of £0.7m (2019: £0.9m) consisting of the unwinding of discounts on deferred receivables on land sales and shared equity receivables.

As a result, the Group delivered profit before tax of £5.6m (2019: £41.2m).

Tax

A total tax charge, including discontinued operations, of £0.7m (2019: £7.7m) has been recorded, reflecting an effective rate of tax of 14.1% (2019: 18.8%). This reflects a lower profit before tax, the use of Land Remediation Relief available to the Group and the impact of the change in the tax rate from 17% to 19% on the value of deferred tax assets.

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 £12.7m (2019: £13.0m) of gross tax losses, of which £3.8m (2019: £4.1m) are recognised in calculating the deferred tax asset. The deferred tax asset recorded within the consolidated statement of financial position totals £2.2m (2019: £2.7m).

Discontinued operations

Discontinued operations incurred a loss after tax of £0.3m during the year (2019: £0.3m). This related to the costs of Gleeson Construction Services Limited, whose activity is limited to resolving claims from the legacy businesses that were sold in 2005 and 2006. The level of claims has now reduced to an insignificant level.

Profit for the year

The profit after tax for the year was £4.5m (2019: £33.3m).

Earnings per share

Reported basic earnings per share from continuing and discontinued operations decreased by 86.7% to 8.1 pence (2019: 61.0 pence).

Return on capital employed

Return on capital employed reduced to 3.1% (2019: 25.9%) reflecting significantly lower returns this year due to the impact of Covid-19.

Dividends

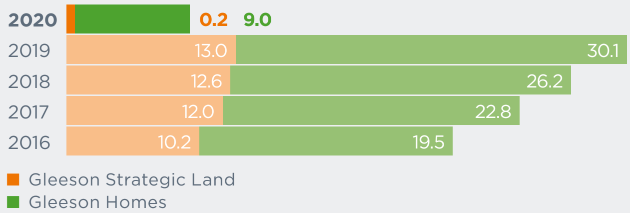
In response to the Covid-19 crisis, the Board took the decision in March 2020 to cancel the interim dividend of 12.0 pence per share (2019: 11.5 pence per share). The interim dividend would have equated to £6.6m.

As a result of the ongoing uncertainty and the impact of Covid-19, the Board has also taken the decision not to propose a final dividend for the year (2019: 23.0 pence per share), but, in line with its capital allocation policy, is committed to resuming dividend payments on a progressive basis as soon as it is prudent to do so.

Despite the remaining uncertainties and the impact of Covid-19 on this year's result, the Board maintains its interim target that Gleeson Homes will deliver 2,000 homes per annum in 2022. The Group, as a whole, expects to return to delivering significant growth in the current year and beyond.

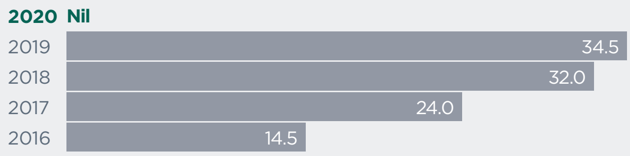
KEY PERFORMANCE INDICATORS

Divisional operating profit[1] (£m)

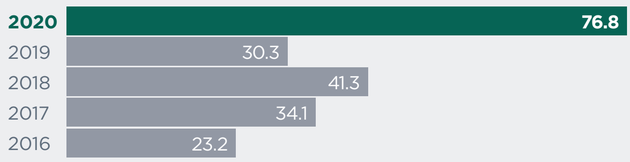


Group profit before tax (£m)

Total dividend (pence)



Cash balance (£m)



Return on capital employed[2] (%)

Normalised earnings per share (pence)

1 Gleeson Homes operating profit includes profit on land sales of £0.1m in 2020; £nil in 2019; £nil in 2018; £1.0m in 2017; and £nil in 2016.
2 Return on capital employed is calculated based on earnings before interest and tax ("EBIT") from continuing and discontinued operations before exceptional items expressed as a percentage of the average of opening and closing net assets after deducting deferred tax balances and cash net of borrowings.

Statement of financial position

During the year to 30 June 2020, shareholders' funds increased by 4.3% to £212.6m (2019: £203.9m). Net assets per share decreased to 366 pence, a reduction of 2.1% year on year (2019: 374 pence).

In the year, non-current assets decreased by 7.7% to £20.3m (2019: £22.0m). Property, plant and equipment balances increased in the year mainly due to the recognition of right-of-use assets under IFRS 16 "Leases", but this increase was more than offset by the reduction in long-term debtors (£4.6m) and deferred tax assets (£0.5m).

Current assets increased by 16.4% to £301.7m (2019: £259.2m), with inventories increasing by £33.2m to £216.3m and trade and other receivables decreasing by £37.5m to £8.3m. Cash balances of £76.8m include the funds received from drawing down £60m of the Group's £70m committed bank facility in March 2020, which remained drawn at 30 June 2020.

Total liabilities increased by 41.5% to £109.4m (2019: £77.3m). Trade payables were significantly lower than the previous year at £25.4m (2019: £49.3m) reflecting the reduced level of build activity during May and June. In addition, £3.1m of lease liabilities have been recognised under IFRS 16 (2019: £nil).

Cash flow

The Group's cash outflow before financing activities was £15.9m, compared to cash generated in 2019 of £7.8m.

In March 2020, in response to the Covid-19 crisis, the Group drew down £60m from its £70m committed bank facility. In April 2020, the Group undertook a successful share placing to add a further £15.9m, net of costs, to cash reserves.

After payment of the final dividend for 2019 (£12.6m) in December 2019, the Group increased cash balances by £46.5m.

Bank facilities

In October 2019, the Group increased its bank facility from £40m to £70m and extended its maturity to October 2024. Of the facility, £60m was fully drawn at the balance sheet date with the £10m of overdraft facility remaining unutilised and available.

As set out in note 1 of the financial statements on page 93, the bank facilities contain two covenants that are aligned to profit generation on a 12-month rolling basis. As a result of the financial modelling and risks to profitability against budget, the Group has sought and agreed a waiver for certain covenant test dates in the next 12 months. In their place a liquidity covenant has been introduced.

Pension

The Group contributes to a defined contribution pension scheme. A charge of £1.0m (2019: £1.0m) was recorded in the consolidated income statement for pension contributions. The Group has no exposure to defined benefit pension plans.

Stefan Allanson
Chief Financial Officer
13 September 2020

Broad Park, South Elmsall, West Yorkshire

How we manage risk

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

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

Our risk management framework consists of the following components:

THE BOARD

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

AUDIT COMMITTEE

- Monitors the Group's financial control systems and the integrity of reporting
- Approves and advises on the internal audit plan
- Monitors the performance, effectiveness and independence of external audit
- Monitors the management of key risks

DIVISIONAL MANAGEMENT TEAMS

- Monitors and manages day-to-day operational and financial performance
- Responsible for the identification of operational and strategic risks
- Ensures internal control policies set by the Board are implemented

INTERNAL AUDIT

- Performs a risk-based internal audit programme
- Provides assurance to the Audit Committee
- Manages the Group's insurance policies and procedures

We identify our risks into three sources:

External – outside of our direct control with mitigation measures built into strategy

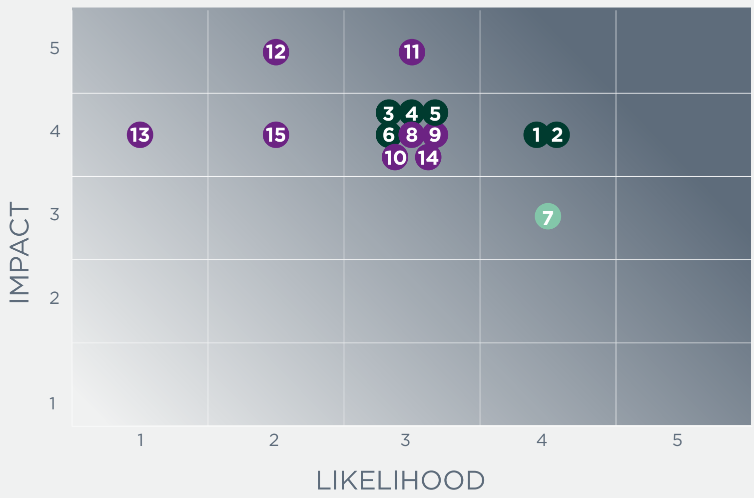
Strategic – directly related to the strategy of the Group

Operational – risks related to the day-to-day operation of the divisions

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

Changes in how the Board have assessed the risks during the year are seen in the economic environment and the mortgage markets, primarily driven by the Covid-19 pandemic and the ongoing uncertainty over withdrawal from the EU.

The table on pages 43 to 45 is provided to ensure stakeholders appreciate those risks that the Board has identified that will have a material impact on the business should they arise.



COVID-19 RISK IMPACT

The Board did not identify the Covid-19 pandemic, or any future pandemic, as a specific risk item, but instead took it into consideration when assessing the principal risks shown in the table below.

	Risk	Assessment of Covid-19 impact
COVID-19	**Economic environment**	The risk has increased this year as the Covid-19 pandemic has caused heightened uncertainty in the housing and strategic land markets and increased the potential for a prolonged economic downturn. This would impact customer demand, affordability and house prices.
	Mortgage availability	The risk has increased this year as the impact of Covid-19 on levels of employment and lending could reduce mortgage availability and have a detrimental impact on potential customers being able to purchase our homes.
	Land availability	The availability of land in our target areas has not been significantly impacted by Covid-19 and land continues to be available at sensible prices.
	Build costs and availability	The pandemic may still have a delayed effect on our supplier base as the Job Retention Scheme and other Government support measures come to an end. However, the Group has a policy of utilising a wide supplier base and is, therefore, not overly reliant on any single provider by region or trade.
	Health and safety	We undertook a rigorous review of all our site and sales office procedures in line with relevant Government advice and social distancing guidelines and are confident these measures will enable us to operate and build in a safe manner. For further details on our health and safety actions in response to Covid-19, please see page 36.

	Risk	Description of risk	Change in year	Assessment	Mitigation
EXTERNAL	**1** **Economic environment** Residual risk: High	An economic downturn or uncertainty in the wider market could affect buyer confidence and the demand for new houses. This could have a negative impact on revenue, profit, cash generation and the carrying value of the Group's assets.	^	Covid-19 and the UK's withdrawal from the EU have created heightened uncertainty in the housing and strategic land markets and increased the risk of a prolonged economic downturn.	• Lead indicators of the economy and housing market are closely monitored. • A cautious approach to funding is maintained. • Visitor and reservation rates, prices and incentives are regularly reviewed. • Investment in new sites and spend are carefully monitored.
	2 **Mortgage availability** Residual risk: High	The availability of mortgage finance, particularly the deposit requirements for first-time buyers, is crucial to customer demand. Restrictions on mortgage funding could reduce demand for new homes and strategic land sites and negatively impact the Group's revenue and profit.	^	The impact of Covid-19 on levels of employment and lending could reduce mortgage availability and have a detrimental impact on potential customers being able to purchase our homes.	• Lead indicators of mortgage availability are closely monitored. • Gleeson Homes provides a range of customer assistance packages. • Continually innovate to find additional ways to support customers. • Work with key lenders to ensure products are appropriate and available.
	3 **Land availability** Residual risk: Medium	An increase in land prices would reduce the viability of sites in Gleeson Homes given the high hurdle rates internally set, and would increase competition for promotional opportunities in Gleeson Strategic Land, driving down profitability and cash flow.	—	Land continues to be available at sensible prices to support the growth of Gleeson Homes. There are opportunities to promote good quality land for development in the South of England.	• We have a clearly defined strategy and geographic focus. • We work closely with local authorities to identify and purchase otherwise unwanted land at sensible prices. • There is a formal appraisal process and rigorous adherence to margin requirements and rates of return.
	4 **Planning policy and regulations** Residual risk: Medium	Planning regulation changes due to changes in Government policy or complexities within the system may affect the Group's ability to secure planning consent on a timely basis, increasing the cost of delivery of consented land for development. Other Government policy changes, including on Help to Buy, may adversely impact the Group.	—	Many local authorities now hold virtual planning committees so that the planning process can continue despite the impact of Covid-19. We await to see the impact of the Government's White Paper on reforming the planning landscape but we welcome the intention to simplify and speed up the process.	• Our planning experts monitor changes to planning processes and legislation. • We consult with central Government, Parliament and local authorities, directly and through industry bodies, to understand proposed changes and highlight potential issues. • Changes to Help to Buy will not adversely impact the Group, as the majority of our homes are below the regional caps.
	5 **Build costs and availability** Residual risk: Medium	Shortages or increased cost of materials or skilled labour, the failure of key suppliers or the inability to secure supplies on appropriate credit terms could increase costs and delay construction.	—	Whilst the full impact of Covid-19 on the supply chain is yet to be realised, we have not seen a major impact on material or labour availability to date.	• The Group has multiple suppliers for both labour contracts and material supplies. • The Group seeks to partner with the supply chain and has systems in place to monitor and control their performance. • Where appropriate, Group purchasing arrangements are in place to ensure the supply of materials at competitive prices. • A dedicated subcontractor procurement programme is used to optimise the sourcing of subcontractor resource.

	Risk	Description of risk	Change in year	Assessment	Mitigation
EXTERNAL	**6** **Credit risk** Residual risk: Medium	The Group has exposure to receivables on deferred payment terms, particularly on certain land sales. These receivables could not be collected due to customer default, resulting in a reduction of cash flow and profit.	—	The risk to counterparty solvency is closely monitored and, given the size and nature of those customers, the Group does not expect any to default.	• 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.
STRATEGIC	**7** **Geographic balance** Residual risk: Medium	Too much focus in specific geographic areas increases exposure to localised downturns and saturated markets.	—	There are still too few homes being built for those wanting affordable homes in the North of England and the Midlands. Our target areas and sector of the housing market continues to offer significant opportunities for growth.	• Land is being acquired over a wide geography of Northern England and the Midlands. • House types have been aligned to a standard product. • We continue to grow our footprint into an expanding geographic area where land prices remain viable.
OPERATIONAL	**8** **People** Residual risk: Medium	Failure to attract, develop and retain good people with the right skills may result in demotivated staff, decreased productivity or quality and stifled growth opportunities. The lack of leadership arising from the sudden loss of senior management could lead to a lack of direction and a breakdown of the Gleeson "model", leading to inefficiencies and demotivated staff.	—	The increased focus on recruitment, development, and recognition of our people has improved employee engagement. The leadership development and succession programme put in place has continued to enhance the depth of senior leadership. It is expected that these changes will help us to continue to attract, develop and retain good quality people.	• We have regular performance and development reviews. • Our staff remuneration policy is regularly reviewed and benchmarked against peers to ensure it remains attractive and performance-based. • Employee share ownership is encouraged. • We have an established leadership development and succession planning programme covering senior and mid-level management.
OPERATIONAL	**9** **Cyber and IT systems** Residual risk: Medium	Failure of the Group's IT systems or unauthorised access to systems due to inadequate protection, controls, processes or cyber attack could result in data loss, business disruption, reputational damage or financial loss.	—	Covid-19 has forced the majority of our office-based employees to work from home. New working protocols are in place to mitigate the risk of fraud and cyber crime. We are investing significantly in our IT systems and networks so these remain secure and up-to-date.	• 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. • IT Disaster Recovery Plan in place and regularly reviewed. • Regular testing has been conducted, in particular during remote office working.
OPERATIONAL	**10** **Health and safety** Residual risk: Medium	Health and safety breaches can result in injuries to employees, subcontractors or site visitors, delays in construction, additional cost, reputational damage, criminal prosecution or civil litigation.	—	The health and safety of our people and anyone associated with our developments is paramount to our business. We responded quickly and robustly to address the challenges of Covid-19 and are confident that our employees and contractors can operate safely in their working environments.	• Experienced Head of Health and Safety in place and investment in personnel to provide regional support and guidance in all health and safety matters. • Our documented policies and procedures are regularly reviewed and modified in order to ensure continuous improvement. • Launched "HomeSafe – everyone, everyday" to promote health and safety awareness across the Group.
OPERATIONAL	**11** **Uninsured loss and latent defects** Residual risk: Medium	Inadequate insurance cover where loss exists, including latent defects that could arise on completed projects during the liability period could lead to financial loss.	^	Insurance cover, in particular in relation to liabilities relating to historic claims, has become more difficult to obtain and more costly.	• Reputable brokers are utilised to support and advise on levels of cover required and emerging areas of risk. • Insurance policies are reviewed annually to ensure sufficient cover is in place. • We have experienced personnel dedicated to dealing with latent defect claims. • 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	Change in year	Assessment	Mitigation
OPERATIONAL	**12** **Corporate liquidity** Residual risk: Medium	An inability to meet obligations as they fall due as a result of insufficient cash or the bank facility being unavailable due to either breach of covenant or bank failure could result in insolvency. Lack of liquidity may also limit the Group's ability to take advantage of business opportunities as they become available and consequently be a possible impediment to future growth.	—	The Covid-19 pandemic will make banks and lenders more nervous about increasing the levels of credit in the system. The Group maintains a strong relationship with its investors and lenders.	• The Group has committed facilities of £70m secured until October 2024. • Cash is controlled by robust budgeting, forecasting and cash management. • The Executive Directors maintain regular contact with investors and lenders to ensure adequate bank facilities are in place. • The Group completed a share placement raising £16.4m of gross funds. • Dividends, land spend and discretionary spend have been cut to preserve liquidity.
	13 **Financial irregularity or fraud** Residual risk: Low	The Group could suffer loss from financial fraud and the wilful or negligent misstatement of financial results.	—	The Group monitors the risk and new protocols are implemented if there is a perceived risk from existing or new working practices.	• 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.
	14 **Tax control environment** Residual risk: Medium	Inadequate tax accounting arrangements in the Group due to either poor control or poor understanding across the business could lead to inaccurate invoicing, incorrect payroll treatment, fines, or criminal conviction in the case of a breach of the Corporate Criminal Offences Act.	—	Although the tax environment continues to evolve as a result of changing legislation, the Group has adequate knowledge and experience to maintain compliance with tax legislation, supported by third-party tax advisers.	• Clear control procedures are documented and reviewed regularly. • External experts are employed to support the production of corporation tax and other returns. • Regular reviews are carried out by external experts to ensure systems and policies are operating effectively. • A Group tax risk register is maintained and regularly reviewed by the Audit Committee. • Staff training is conducted on compliance with laws and regulations including relevant tax legislation.
	15 **Customer service** Residual risk: Medium	A failure to build new homes to the standard and quality that our customers expect, to not treat our customers fairly, or to not respond adequately to complaints or rectify defects in a timely and professional manner. Damage to our reputation and adverse publicity from perceived poor build quality that would lead to reduced confidence would impact future revenues in a customer driven environment.	—	We are embedding quality at the heart of what we do. We will not hand over a new home to a customer where it does not meet with our strict quality requirements.	• Standardised house types and a considered build rate reduce errors. • An improved final inspection process identifies issues and allows us to remedy them before handing over to customers. • Implemented the "Gleeson Quality Charter" setting out what our customers can expect in terms of quality assurance with regards their new home purchase. • Mapped out our "Customer Journey" laying out key milestones in buying from us and what should be done, and when. • Invested in Customer Care teams across the business.

Strategic Report approval statement

The Strategic Report, contained in pages 1 to 45, has been approved by the Board of Directors and is signed on its behalf by:

James Thomson
Chief Executive Officer
13 September 2020

we build opportunity

The Copley Family, Kings Park, Doncaster, South Yorkshire

Chairman's introduction

“It is my pleasure to introduce the Governance Report, the Group's first under the new UK Corporate Governance Code 2018.

Dermot Gleeson
Chairman

Principal responsibilities

Overall leadership
- Responsible for direction, management, performance, and long-term success of the Group
- Set the strategy and objectives of the Group
- Assess risks and opportunities relating to the future success of the business
- Monitor internal control and risk management
- Oversee the sub-committees: Nomination, Audit, Remuneration, and Disclosure Committees

Board leadership and Company purpose

The year to 30 June 2020 has been a year of significant change in the Group's governance: a new Chief Executive Officer was appointed in December 2019; two new independent Non-Executive Directors joined the Board in October 2019; and a new Company Secretary was appointed in March 2020.

Board changes

Following a rigorous and extensive search process, James Thomson, who joined the Group as interim Chief Executive Officer in June 2019, was appointed Chief Executive Officer on a permanent basis in December 2019.

Fiona Goldsmith and Andrew Coppel, CBE joined the Board as independent Non-Executive Directors in October 2019. Following a period of handover, Colin Dearlove and Ross Ancell resigned from the Board with effect from 30 June 2020. We have benefited tremendously from their commitment and wise counsel, and, on behalf of the Board, I would like to express our sincere thanks to both of them.

Following a period of handover, Fiona has now been appointed as Chair of the Audit Committee and the Company's Workforce Representative, and Andrew has been appointed as the Company's Senior Independent Director and Chair of the Remuneration Committee.

Leanne Johnson was appointed Head of Legal and Company Secretary in March 2020, taking over from Stefan Allanson, who remains Chief Financial Officer.

Culture

Earlier in the year we launched Our Vision, Mission, and Values initiative, which is described in detail on pages 12 and 13. It is pleasing that the results of our latest employee engagement survey, Your Voice, indicates that levels of employee engagement and overall satisfaction are very high following the actions that have been taken this year.

Engagement with stakeholders

The Board embraces the ethos behind the requirements of Section 172 of the Companies Act. Information on how we engage with our stakeholders is set out in our Section 172 Statement on page 29.

The Governance Report below sets out our governance structure and processes and the key activities undertaken by the Board and its Committees during the financial year. As always, we would welcome feedback about governance from our stakeholders.

We are closely monitoring the ongoing impact of Covid-19 and developments in UK regulation in relation to how AGMs may be held at this time. Further details about the AGM will be provided in the Notice of AGM. In the meantime, I would encourage shareholders to submit any questions they may have for the Board in advance by contacting the Company Secretary and we will ensure the questions are answered in due course.

Code compliance

During the period under review, the Company, as a premium listed company, was subject to the 2018 edition of the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council ("FRC").

The Board and its Committees are responsible for ensuring that, wherever possible, compliance with the Code is achieved. This is demonstrated throughout this Governance Report and, of particular note, are the Code principles as set out below with references to further information.

Key sections within the Governance Report

Board leadership and Company purpose – page 48

Division of responsibilities – page 54

Composition, succession and evaluation – page 56

Audit, risk and internal control – page 58

Remuneration – page 64

Compliance statement

The Company has complied with all the principles of the Code for the year ended 30 June 2020 and the vast majority of its provisions. However, as in previous years, there are some instances where the Company has chosen to take advantage of the flexibility offered with the "comply or explain" principle when applying certain provisions. The Code recognises that good governance can be achieved by other means and the Board believes the approach taken is the most appropriate for the Company and its shareholders, whilst remaining consistent with the spirit of the Code.

Provisions 9 and 19

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

Provisions 10 and 11

As covered under "Board independence", Ross Ancell and Colin Dearlove had both served on the Board for more than nine years from the date of their first election. Whilst the Board was satisfied that they remained independent in character and judgement and there were no relationships or circumstances which otherwise affect, or could appear to affect, their independence, they have each retired from the Board effective 30 June 2020.

Christopher Mills represents a major shareholder, Harwood Capital LLP, and is therefore not considered to be "independent" within the definition of that term contained in the Code.

As a result, less than half of the Board, excluding the Chair, are Non-Executive Directors who are considered to be independent under the terms of the Code. This position has been reviewed by the Board and whilst this was considered to be appropriate for the business, the Board has decided to initiate a search for an additional independent Non-Executive Director.

Provision 38

As disclosed in previous Annual Reports, the Chief Financial Officer received pension contributions of 15% of salary. As reported on page 65, the Chief Financial Officer has agreed to a voluntary reduction over three years to 6.5%, bringing his contributions into line with the maximum level available to the majority of the workforce.

Dermot Gleeson
Chairman
13 September 2020

The Board of Directors

Dermot Gleeson MA (Cantab)
Chairman

N

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

James Thomson MA (Oxon), ACA
Chief Executive Officer

D

Appointed to the Board in June 2019 as interim Chief Executive Officer and appointed to the role permanently on 2 December 2019. James was previously Chief Executive of Keepmoat Homes. Prior to Keepmoat, James was Group Finance Director and Chief Operating Officer of DTZ (now part of Cushman & Wakefield). He qualified as a Chartered Accountant with PricewaterhouseCoopers and spent ten years in investment banking with HSBC and Deutsche Bank. James is a local authority councillor for the City of London and the Chairman of the City of London Police Authority Board.

Stefan Allanson ACMA, FCT
Chief Financial Officer

D

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

COMMITTEE KEY

- N Nomination Committee
- A Audit Committee
- R Remuneration Committee
- D Disclosure Committee
- Committee Chair

Andrew Coppel CBE, FCA
Independent Non-Executive Director and Senior Independent Director

N A R

Appointed to the Board in October 2019. Andrew is currently Chairman of Dolphin Capital Investors, Arcadia Group, and Shooting Stars Children's Hospices. Following his executive career, including roles at Queens Moat Houses and De Vere Group, Andrew has undertaken a number of non-executive positions including Crest Nicholson. Following seven years as Chairman of Tourism Ireland, Andrew was appointed CBE in 2008 for services to Irish Tourism.

Fiona Goldsmith FCA
Independent Non-Executive Director and Workforce Representative

N A R

Appointed to the Board in October 2019. Fiona is currently Non-Executive Director and Chair of the Audit Committee at Safestyle UK plc and was formerly Non-Executive Director and Chair of the Audit Committee at Walker Greenbank plc. Following qualification at KPMG, Fiona held senior finance roles at First Choice Holidays plc and Land Securities Group plc.

Christopher Mills
Non-Executive Director

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

Leanne Johnson
Head of Legal and Company Secretary

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

The role of the Board

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

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

Matters reserved for the Board or its Committees

- Strategy and financial policy
- Banking arrangements
- Approval of the interim and annual financial statements
- Risk management and internal control policy
- Major capital expenditure
- Acquisition of land
- Material investments or disposals
- Board structure and composition
- Terms of reference of the Board's subcommittees
- Entering into or amending pension arrangements
- Approval of contractual arrangements which fall outside authority delegated to Executive Directors
- Dividend policy
- Pledging security over assets and providing Parent Company guarantees

In addition, the Board receives updates on governance, regulatory and legal matters to assist the Board in maintaining compliance with the legislative requirements and best practice.

The Board has established certain principal Board Committees to assist it in fulfilling its oversight responsibilities, providing dedicated focus on particular areas, as set out on page 55. These Committees play an important governance role through the work they carry out to fulfil the responsibilities delegated by the Board.

Board and Committee meetings

Board and Committee attendance at scheduled meetings during the year is shown in the table below. Board packs, which include a formal agenda, are circulated in advance of such meetings. The main purpose of these meetings is to permit the Board and Committees to receive regular reports on the performance of the Group and address a wide range of matters, including health and safety, operational performance, risk management and corporate strategy. 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 at scheduled Board and Committee meetings	Board	Audit Committee	Disclosure Committee	Remuneration Committee	Nomination Committee
Dermot Gleeson	5 / 5				1 / 1
Ross Ancell (resigned 30 June 2020)	5 / 5	4 / 4		2 / 2	1 / 1
Colin Dearlove (resigned 30 June 2020)	5 / 5	4 / 4		2 / 2	1 / 1
Christopher Mills	4 / 5				
Fiona Goldsmith (appointed 1 October 2019)	4 / 4	3 / 3		1 / 1	1 / 1
Andrew Coppel (appointed 1 October 2019)	4 / 4	2 / 3		1 / 1	1 / 1
James Thomson	5 / 5		2 / 2		
Stefan Allanson	5 / 5		2 / 2		

Unscheduled meetings

Additional unscheduled meetings were held throughout the year in response to specific circumstances.

Shareholder relations

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

The Board also welcomes the interest of private investors and believes that, in addition to the Annual Report and the Company's website, the AGM is an ideal forum at which to communicate with investors and encourage their participation. We are closely monitoring the ongoing impact of Covid-19 and developments in UK regulation in relation to how AGMs may be held at this time, and further details will be provided in the Notice of AGM. In the meantime, I would encourage shareholders to submit any questions they may have for the Board in advance by contacting the Company Secretary and we will ensure the questions are answered in due course.

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

Employee relations

Colin Dearlove was the Company's appointed Workforce Representative for the majority of the year. In June 2019, the Group launched its new employee engagement survey, Your Voice, in order to better understand the views of our employees, levels of engagement and areas for change, with a follow-up survey conducted in February 2020. Colin received and reviewed the results of these surveys and met with staff members and the HR Director to understand the outputs and actions being taken.

Fiona Goldsmith has been appointed Workforce Representative from July 2020, and further engagement opportunities are being planned for the upcoming year.

Photo: Petersmith Park, Ollerton, Nottinghamshire.
L to R: Steve Preece, Site Manager, James Thomson, Chief Executive Officer, Allen Marshall, Operations Director, Jo Fletcher, Assistant Site Manager

Division of responsibilities

Board composition

At the date of this report, the Board comprises six Directors, four of whom are Non-Executive. The Directors' biographies are set out on pages 50 and 51.

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

Division of roles

The roles of the Chairman, Dermot Gleeson, and the Chief Executive Officer, James Thomson, are clearly defined and they act in accordance with the main and supporting principles and provisions 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 and Chief Financial Officer to discuss current matters and has visited Group operations outside the Board meeting calendar to meet divisional directors and managers.

The responsibilities of the Board, Chairman of the Board, Chief Executive Officer, Senior Independent Director, and the Terms of Reference of each of the Committees can be found on our website www.mjgleesonplc.com.

Board independence

The Code states that at least half the Board, excluding the Chair, should be Non-Executive Directors whom the Board considers to be independent. For the majority of the year, excluding the Chairman, there were five Non-Executive Directors, two of whom are considered independent under the terms of the Code.

Ross Ancell and Colin Dearlove have both served on the Board for more than nine years from the date of their first election. Whilst the Board was satisfied that they remained independent in character and judgement and there were no relationships or circumstances which otherwise affect, or could appear to affect, their independence, they have each retired from the Board effective 30 June 2020.

Christopher Mills represents a major shareholder, Harwood Capital LLP, and has been a Board member for more than ten years. The Board remains fully satisfied that he continues to perform effectively as a Non-Executive Director.

The Board believes there is an appropriate balance, but has decided to initiate a search for an additional independent Non-Executive Director.

Resources for the Board

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

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

CORPORATE GOVERNANCE STRUCTURE

The Board

Nomination Committee

Committee Chair
Dermot Gleeson

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

Succession
- Consider succession plans for the Board and senior management
- Identify and nominate candidates for Board-level positions

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

→ Further details can be found on pages 56 and 57

Audit Committee

Committee Chair
Fiona Goldsmith

Financial reporting
- Monitor the integrity of the financial statements, including any significant financial reporting judgements
- Advise the Board on whether, taken as a whole, the Annual Report is fair, balanced and understandable

Risk management and internal audit
- Monitor the effectiveness of the Company's internal controls and risk management systems
- Monitor the effectiveness of the Company's internal audit function including approval of the annual internal audit plan
- Review the procedures for detecting fraud, preventing bribery and ensuring appropriate whistleblowing procedures in place

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

→ Further details can be found on pages 58 to 61

Remuneration Committee

Committee Chair
Andrew Coppel

Setting remuneration
- Recommend to the Board the policy for Executive Directors and senior management remuneration
- Set the remuneration of the Chairman and the Board
- Agree terms and conditions of employment for Executive Directors and senior management
- Approve measures and targets for any performance-related bonus and share schemes and monitoring outturn
- Approve share awards granted under long-term incentive arrangements, including the outturn on such awards
- Agree terms of any termination arrangements for Directors and senior management
- Review and approve proposals for staff pay and bonuses, including examining market data and benchmarking

→ Further details can be found on pages 64 to 66 and 74 to 75

Disclosure Committee

Committee Chair
Stefan Allanson

Inside information
- Monitor 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

Disclosure policy
- Review the adequacy of the Company's disclosure policy, including, where appropriate, arranging for the dissemination of guidelines and training

Compliance of all public disclosures
- 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

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

"The Nomination Committee has had a busy year and I am delighted to report on a number of new appointments to the Board. These will enable the Board to continue to fulfil its duties effectively and bring fresh perspectives and challenge to its dialogue.

Dermot Gleeson
Chair of the Nomination Committee

Principal responsibilities

Board structure
- Review the structure, size and composition of the Board and its Committees, to ensure they remain appropriate with regard to maintaining a balance of skills, experience, knowledge and diversity and to make recommendations to the Board accordingly
-

Succession
- Consider succession plans taking into account challenges and opportunities facing the Company and the skills required
- Identify and nominate candidates for the approval of the Board to fill Board vacancies

Effectiveness
- Review the time commitment required of Non-Executive Directors
- Review the independence of Non-Executive Directors

Nomination Committee Report

Composition, succession and evaluation

Dear Shareholder,
I am pleased to introduce and present the Nomination Committee Report for the year ended 30 June 2020.

Members and attendance

Committee member	Scheduled meetings attended
Dermot Gleeson (Chair)	1 / 1
Ross Ancell [1]	1 / 1
Colin Dearlove [1]	1 / 1
Fiona Goldsmith [2]	1 / 1
Andrew Coppel [2]	1 / 1

1 Resigned from the Committee 30 June 2020.
2 Appointed to the Committee 21 May 2020.

Operation of the Committee
The Committee comprises Non-Executive Directors of the Board. The Chief Executive Officer, Chief Financial Officer and Company Secretary may attend meetings at the invitation of the Committee.

Committee meetings
The Committee is required, in accordance with its terms of reference, to meet at least once a year. During the year, the Committee formally met once and held additional meetings in person and via e-mail to discuss additional matters.

Activities during the year
This year the Committee's main activity was Board and senior leadership succession planning, in particular the search for and appointment of a new Chief Executive Officer and two Non-Executive Directors. This was achieved through a mixture of formal meetings and frequent informal exchanges. Further detail on the process involved is set out under Board changes.

Other areas of focus included:
- Review of the composition of the Board and the range of skills and experience on the Board
- Board and management succession and approval of divisional senior management
- Review of Board diversity and independence
- Review of the composition of Board Committees and approval of changes
- Review of the Terms of Reference

Board changes
The Committee's main activity in the year was the search for and appointment of a new Chief Executive Officer and two Non-Executive Directors. These vacancies were extensively advertised with the assistance of an external search firm to help reach the widest possible pool of eligible candidates and to identify the individuals best qualified for the role.

Fiona Goldsmith and Andrew Coppel were appointed as Non-Executive Directors in October 2019 following the recommendation of the Nomination Committee to the Board. Their biographies can be found on page 51. Fiona has subsequently been appointed as the Workforce Representative, Chair of the Audit Committee and member of the Nomination and Remuneration Committees. Andrew has been appointed as the Senior Independent Director, Chair of the Remuneration Committee, and member of the Nomination and Audit Committees.

In December 2019, James Thomson was appointed Chief Executive Officer following a six-month search process during which time he filled the role of interim Chief Executive Officer. Having carefully considered his existing time commitments, the Committee determined he was able to provide appropriate time and energy to the Group and his permanent appointment was confirmed.

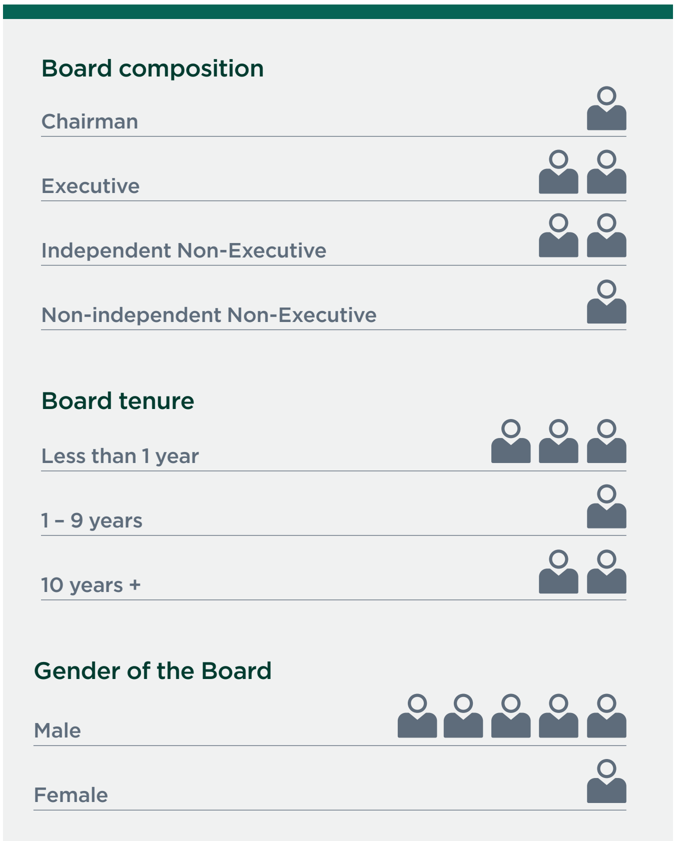
The Committee also instructed the search for a Head of Legal and Company Secretary to split the role from Chief Financial Officer where it had been previously. In March 2020, Leanne Johnson joined the Group as Head of Legal and Company Secretary.

Board and Committee composition

The Committee reviewed the composition of each of the Board subcommittees and recommended changes based on the new Non-Executive Directors' appointments.

Nomination Committee's role

The Nomination Committee is responsible for considering succession planning and appointments to the Board and senior management, ensuring the appropriate balance of skills, knowledge and experience within the Group. As of the date of this report, the Board composition is as follows:



When considering the appointment of new Directors, the Nomination Committee determines the skills and experience which would be of benefit to the composition of the Board and then evaluates candidates against that list to determine which candidate would be most suitable. All nominations by the Committee are made on the basis of merit and overall suitability, taking into consideration the diversity of the Board.

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, therefore the Board does not set specific targets for boardroom diversity. We are unreservedly opposed to discrimination on the grounds of race, gender, sexual orientation, disability, age, religion or beliefs.

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

Board evaluation

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

Re-election of Directors

The Company's Articles of Association ("the Articles") provide that at each AGM at least one-third of the Directors shall retire from office and shall be eligible for reappointment. However, the Board has determined that all Directors will be subject to annual re-election by shareholders and will do so at the next AGM. James Thomson and Stefan Allanson each hold service contracts that may be terminated by the Group with a notice period of one year.

Dermot Gleeson
Chair of the Nomination Committee
13 September 2020

Audit Committee Report

Audit, risk and internal control

Dear Shareholder,
I am pleased to introduce the Audit Committee Report for the financial year ended 30 June 2020, which has been another busy year for the Committee.

Members and attendance

Committee member	Scheduled meetings attended
Colin Dearlove[1]	4 / 4
Ross Ancell[1]	4 / 4
Fiona Goldsmith[2]	3 / 3
Andrew Coppel[2]	2 / 3

1 Resigned from the Committee 30 June 2020.
2 Appointed to the Committee 31 October 2019.

> Having been a member of the Audit Committee following my appointment to the Board in October 2019, I am very pleased to take up the reins as Chair from Colin Dearlove. I would like to thank Colin for his support during the handover period.

Fiona Goldsmith
Chair of the Audit Committee

Principal responsibilities

Financial reporting
- Monitor the integrity of the financial statements of the Group and any formal announcements relating to its financial performance, including any significant financial reporting judgements
- Advise the Board on whether, taken as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy

Risk management and internal audit
- 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

External audit
- Oversee the relationship with the external auditors 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 auditors, taking into account relevant ethical guidance

Operation of the Committee
All members of the Committee are Independent Non-Executive Directors. The Board is satisfied that the membership of the Audit Committee meets the requirement for relevant and recent financial experience. The biographies and professional qualifications of the members are shown on pages 50 and 51.

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

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

Activities during the year
During the year, the Committee dealt with the following key matters:
- The Group's interim and annual financial reporting
- Principal accounting matters and judgements
- Going concern and viability
- Credit risk monitoring
- Profit recognition
- Work in progress
- Tax affairs of the Group
- Legacy matters
- Compliance with Group policies and whistleblowing arrangements
- External auditor effectiveness, independence, and fees
- Risk and assurance matters including reviewing:
  - The Group risk register
  - Internal audit plans and reports
  - Internal control effectiveness

Activities during the year

Set out below are details of the matters undertaken by the Committee during the year:

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 interim results for the six months to December 2019; and
- the 2020 Annual Report and preliminary announcement.

At the request of the Board, the Committee considered whether the 2020 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 2020. It also reviewed the annual compliance procedures and management returns that support the Group's financial reporting governance framework and risk management process for the year ended 30 June 2020.

The Committee was satisfied that, taken as a whole, the 2020 Annual Report is fair, balanced and understandable and provides sufficient information for shareholders to assess the Company's performance, business model and strategy. The Committee recommended as such to the Board.

Going concern and viability reporting

As described under "Significant issues considered during the year", the Committee satisfied itself that, based on the financial modelling undertaken, the Company and Group have adequate resources to continue in operation for the foreseeable future and operate in compliance with their bank facilities.

This was considered in respect of both the going concern period and a longer three-year viability period, as set out in the viability statement on page 62 of the Governance Report.

Credit risk monitoring

The Group carries a number of deferred receivables mainly relating to Gleeson Strategic Land in relation to land sales. At each of the meetings where the Committee considered going concern and viability, the Committee also separately examined the significant balances due, the level of security held and the performance of the respective counterparty to date. The Committee satisfied itself that the level of credit risk faced by the Group remains low overall, even in light of Covid-19.

Profit recognition

Throughout the year the Committee reviewed the processes, controls and assumptions for recognising margin on development sites including three particular areas: cost inflation, selling prices and contingencies.

As described under "Significant issues considered during the year", the Committee satisfied itself that the associated processes and controls have continued to operate effectively across the Group and the assumptions applied by management in relation to profit recognition are appropriate.

Work in progress

The Committee reviewed reports from the Group's internal auditor on the carrying value and recoverability of land and work in progress on selected Gleeson Homes sites. The Committee also received reports on the recoverability and carrying value of work in progress in Gleeson Strategic Land.

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

Tax affairs of the Group

At its meetings in February and July 2020 the Committee received a comprehensive update on the tax affairs of the Group. These covered all aspects of Group taxes including VAT, corporation tax, the Construction Industry Scheme ("CIS"), employment taxes, off-payroll working rules ("IR35") and other updates.

The Committee also reviewed the Group's Tax Strategy statement for the next financial year and recommended its approval to the Board. This can be found on the Company's website, www.mjgleesonplc.com.

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 ten years ago. Whilst the level of claims has reduced to an insignificant level, the Committee, in conjunction with the Chief Financial Officer, continues to monitor the status of claims and any liabilities.

Review of the Group's risk register

The Committee reviewed the Group's risk register at three of its meetings during the year such that, as the operational, political and economic environment changes including as a result of Covid-19, the Committee understands the risks faced by the Group and how these are addressed. This enables the Committee and the Board to ensure that the major risks facing the Group are monitored and that appropriate controls and mitigations are in place. As a result, the Committee and the Board understand and manage the balance of risks in the business.

Internal audit plan and findings

The Committee set the internal audit plan for the year ended 30 June 2020 at its meeting in July 2019. As covered under "Internal audit", the Committee received and reviewed reports from the internal auditor throughout the year on internal audits conducted across the business.

Other activities

During the year, the Committee also reviewed reports on IT and cyber crime updates, corporate criminal offence, anti-bribery, and malpractice monitoring, and a review by internal audit of VAT returns and related processes.

Significant issues considered during the year

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

Carrying value of land and work in progress

The most significant asset carried by the Group is inventory, which includes land and work in progress. The Group carries inventories at the lower of cost and net realisable value, which is dependent on estimates of total build or land promotion costs and future selling prices. There is, therefore, a risk that land and work in progress is held at a value in excess of the lower of cost and net realisable value.

In addition, the allocation of inventories to cost of sales on the sale of individual homes is dependent on estimates of total build costs and future selling prices for each site as a whole. These estimates, therefore, impact on the timing and amount of profit margin recognised on sales of individual homes.

The Committee monitors the effectiveness of internal controls exercised over the key processes employed by the Group in site development activities and the forecasting of future costs, revenue and profits.

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

The Committee also receives regular reports on the carrying value of land and work in progress in Gleeson Homes and Gleeson Strategic Land. The Committee reviewed these reports and debated them with the internal auditor and with management. The Committee satisfied itself that the carrying value of land and work in progress across the Group remained appropriate.

Going concern and viability reporting

The Committee examined the financial forecasts for the Group including the impact of a severe but plausible downturn in the housing and strategic land markets as a result of the Covid-19 pandemic. These were examined by the Committee in conjunction with its review of this Annual Report. The Committee satisfied itself, and subsequently the Board, that the going concern basis of preparation continues to be appropriate in the context of the Group's banking and liquidity position. Further details can be found in note 1 of the financial statements on page 93.

In accordance with the provisions of the Code, the Committee considered the time period over which it could reasonably assess the Group's ability to continue to trade, taking into account the Group's financial budget period and operational forecasts. It concluded that this should remain a three-year period as explained in the viability statement on page 62. The Committee received detailed financial analysis based on the Group's latest budgets with a severe but plausible scenario applied over the three-year period and determined that there was a reasonable expectation that the Group will be able to continue in operation, meet its liabilities as they fall due and maintain compliance with its revised banking covenants. The Committee recommended statements to this effect to the Board to approve for inclusion in this Annual Report.

Carrying value of investments

As a result of the impact of Covid-19 on the underlying trading performance of Group subsidiaries, the Committee satisfied itself that the carrying value of investments held in the parent Company, remains appropriate at the balance sheet date with no indicators of impairment.

Effectiveness of internal controls and risk management systems

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

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

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

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

Each divisional management team also completes an annual risk assessment. The results of this are reviewed by the Committee and risks identified are incorporated into the Group risk register. The Risk Management section on pages 42 to 45 sets out details of the key risks that the business may face and how it mitigates them.

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

Whistleblowing arrangements

The Company has in place a whistleblowing policy, internal whistleblowing mailbox (monitored by the Head of Legal and Company Secretary) and an independent external whistleblowing helpline. This enables all employees of the Group to confidentially report any malpractice or matters of concern they have regarding the actions of employees, management and Directors, any unlawful behaviour or breaches of the Company's policies or practices. The Head of Legal and Company Secretary keeps and maintains a register of reports received through both internal and external processes.

During the year, employee awareness was enhanced on the Company's whistleblowing policy through the induction process, newsletters, posters and other reminders that, "If you see something, say something".

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

Anti-bribery and corruption policy

The Company values its long-standing reputation for ethical behaviour and integrity. Conducting its business with a zero tolerance approach to all forms of corruption is central to these values, the Group's image and reputation. The Company policy sets out the standards expected of all Group employees in relation to anti-bribery and corruption and the Board has overall responsibility for ensuring this policy complies with the Group's legal and ethical obligations and that everyone in the organisation complies with it.

This policy is also relevant for third parties who perform services for or on behalf of the Group. We require those parties to adhere to this policy or have in place equivalent policies and procedures to combat bribery and corruption.

The Committee reviews a report on the registers of gifts and hospitality given or received by Directors and employees of the Group at least every six months.

Internal audit

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

During the year, the Committee received seven 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 monitored the follow-up on actions identified.

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

External audit

PricewaterhouseCoopers LLP was first appointed as auditors to the Group in December 2016 following a competitive audit tender and was most recently reappointed following approval by shareholders at the AGM on 5 December 2019.

The new lead audit partner for the year ended 30 June 2020 is Andy Ward, following a period of handover with his predecessor.

In February 2020, the auditors presented their audit strategy memorandum to the Committee, identifying their assessment of key risks in the Group's financial reporting. In July 2020, the auditors updated the Committee on changes to their audit approach and strategy in response to the impact of the Covid-19 pandemic. For the 2020 financial year, as in prior years, the primary risk identified was in relation to the carrying value of land and work in progress. Additionally, as a result of the Covid-19 pandemic on underlying trading performance, the carrying value of investments in subsidiaries was identified as a primary risk in relation to the Company only.

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

For the year to 30 June 2020, there were no non-audit fees paid to the external auditors. Details of the audit fees incurred are disclosed in note 4 to the financial statements.

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

The Committee concluded that the audit process had been conducted robustly and PricewaterhouseCoopers LLP's performance as auditors to the Company was considered to be satisfactory. As the auditors have indicated their willingness to continue in office, a resolution that they be reappointed will be proposed at the next AGM of the Company on 3 December 2020.

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

Fiona Goldsmith
Chair of the Audit Committee
13 September 2020

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 58 to 61.

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

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

During the year being reported, and in making this statement, the Board carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten the Group's business model, future performance, solvency and/or liquidity. The Board is of the view that there is an adequate ongoing process for identifying, evaluating and managing the Group's significant risks. 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 external auditors.

Viability statement

The Directors have assessed the viability of the Company and the Group over a period longer than the 12 months required by the going concern principle.

The Directors conducted their assessment over a period of three years to 30 June 2023, which is in line with the Group's financial budget approved by the Board in July 2020. It is also aligned to the operational period of a number of Gleeson Homes developments. This has enabled a meaningful assessment of viability to be undertaken, utilising detailed Board approved financial budgets which incorporate individual site cash flow forecasts. These also include the impact of Covid-19 on current operations and reflected a prudent view on recovery with a corresponding impact on volumes and selling prices.

The Directors have considered sensitivities from the impact of a severe but plausible downturn in the housing and strategic land markets as a result of the Covid-19 pandemic including the potential scenario of a second lockdown. Further details can be found in note 1 of the financial statements on page 93.

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

For Gleeson Strategic Land, the Directors have considered the impact of extended delays to the completion of land sales and a reduction in land selling prices. The business model is such that it has the flexibility to reduce expenditure on progressing new and existing sites, together with overheads in order to scale the business accordingly.

A core principle of the Group is to maintain a cautious approach to debt funding. The Group has a committed bank facility of £70m available until October 2024, with £60m of the revolving credit facility fully drawn at 30 June 2020 resulting in a cash balance of £76.8m. The available £10m overdraft facility remained unutilised. Based on these facilities, the Group continues to have a high level of liquidity, including under the severe but plausible scenario, to continue in operation and meet its liabilities as they fall due.

As set out in note 1 of the financial statements on page 93, the bank facilities contain two covenants that are aligned to profit generation on a 12-month rolling basis. As a result of the financial modelling and risks to profitability against budget, the Group has sought and agreed a waiver for certain covenant test dates in the next 12 months. In their place a liquidity covenant has been introduced.

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 viability period.

Briar Lea Park, Carlisle, Cumbria

“On behalf of the Board, I am pleased to present the Annual Report on Remuneration for 2020, my first report as the Chair of the Remuneration Committee. I would like to take this opportunity to thank Ross Ancell for his dedicated contribution and service as the previous Chair of the Committee for nine years to 30 June 2020 when he retired from the Board.

Andrew Coppel
Chair of the Remuneration Committee

Principal responsibilities

Setting remuneration

- Recommend to the Board the policy for Executive Directors and senior management remuneration
- Set the remuneration of the Chairman and the Board
- Agree terms and conditions of employment for Executive Directors and senior management
- Approve measures and targets for any performance-related bonus and share schemes, and monitoring outturn
- Approve share awards granted under long-term incentive arrangements, including the outturn on awards
- Agree terms of any termination arrangements for Directors and senior management
- Review and approve proposals for staff pay and bonuses, including examining market data and benchmarking

Remuneration Committee Report

Remuneration

Dear Shareholder,

The report is split into two sections:

1. This statement, which provides an overview of the key decisions made on Directors’ remuneration during the year; and
2. The Annual Report on Remuneration, which provides details of the remuneration earned by Directors during the year to 30 June 2020 and how we intend to apply the Directors’ Remuneration Policy during the year to 30 June 2021.

The Directors’ Remuneration Policy (the “Policy”) was approved by shareholders at the AGM on 5 December 2019 (with 98.2% of votes cast in favour) and became effective from that date. There are no proposals to amend the Policy at the 2020 AGM. The Committee addressed the factors in Provision 40 of the 2018 UK Corporate Governance Code when determining the Policy (see below).

The full Policy can be found in the 2019 Annual Report and Accounts which is available to download from the Company’s website, www.mjgleesonplc.com.

Permanent appointment of Chief Executive Officer

James Thomson made a significant positive impact as interim Chief Executive Officer and was appointed to the role on a permanent basis on 2 December 2019.

It was agreed at the outset of James Thomson’s appointment that, if he was appointed as Chief Executive Officer on a permanent basis, his salary and annual bonus opportunity would be reviewed. Therefore, with effect from 2 December 2019, James Thomson’s annual salary was increased from £485,000 to £500,000 and his maximum bonus opportunity was increased from 100% of salary to 125% of salary. Further details are set out on page 68. For reference, the previous Chief Executive Officer salary was set at £505,000.

James Thomson’s pension opportunity remains at 6.5% of salary, in line with the level available to the majority of the workforce.

Pay and performance outcomes for 2020

The year to 30 June 2020 has been heavily impacted by the Covid-19 pandemic leading to a minimal level of completions during the shutdown and final quarter. The number of units completed fell from 1,529 in the prior year to 1,072 this year with operating profit in Gleeson Homes falling by 70.1% to £9.0m. This includes the impact of certain costs directly related to the Covid-19 pandemic.

Similarly, Gleeson Strategic Land was heavily impacted and only completed two land sales during the year. Divisional operating profit fell to broadly break-even at £0.2m (2019: £13.0m) with the focus now on the deals carried forward into the new financial year.

As a result, the Group's profit before tax from continuing operations fell by 86.4% to £5.6m. After discontinued operations, Group profit before tax was £5.3m (2019: £40.9m).

Group liquidity remains strong with a cash balance of £76.8m at 30 June 2020, including £60m drawn down on the Group's revolving credit facility, and the Group has a further £10m overdraft available on its committed bank facility. The Group has a strong balance sheet and, despite the severe impact that the Covid-19 pandemic has had on results, the Group is well positioned for future growth.

Annual bonus

As referenced in the 2019 Annual Report on Remuneration, James Thomson's award was based on Group profit before tax performance (as regards 50% of the potential award) and strategic and personal performance (similarly as regards 50% of the potential award). Stefan Allanson's potential award was based wholly upon Group profit before tax performance.

The Group achieved profit before tax for both continuing and discontinued operations of £5.3m for the year ended 30 June 2020. This was below the threshold target of £43.6m and the profit related element of the bonus award lapsed in full.

As regards to the proportion of James Thomson's award based on strategic and personal performance, taking into account the impact of Covid-19 on underlying financial performance, the Committee considered it appropriate to assess the vesting outcome as 90% of the bonus achievable. The Committee considered that this struck a fair and equitable balance between recognising James Thomson's exceptional performance since his appointment and taking into account feedback from shareholders and employees.

Accordingly, James Thomson earned a bonus equal to 45% of the maximum amount payable under his total bonus potential. Stefan Allanson did not earn a bonus in respect of the year. Further details are set out on pages 68 and 69.

Approximately 7% of employees based at head office and area offices received a discretionary bonus at the year end, reflecting their exceptional contribution in the most difficult of circumstances. The Company also has a policy of paying 50% of full-year bonuses to staff in January, based on progress against the full-year forecast. Approximately 63% of employees were paid a bonus in January 2020 on this basis.

Long Term Incentive Plan ("LTIP")

The 2017 LTIP awards were subject to performance targets based on Total Shareholder Return ("TSR"). TSR is defined as the average share price measured over the three months prior to the end of the performance period (1 April 2020 to 30 June 2020) plus cumulative dividends per share paid over the performance period.

As with all listed housebuilders, the Group's share price was adversely impact by the Covid-19 pandemic during the three months to 30 June 2020. During the 11-month period prior to March 2020, the Group's share price was consistently in excess of £8.00 and, therefore, the 2017 LTIP awards would have been on track to vest in full. The Committee felt that, given the purpose of the LTIP award is to motivate and reward performance over a longer term, it was appropriate to adjust the performance target to take account of the impact of Covid-19.

As such, it was agreed that the definition of TSR be adjusted for the 2017 LTIP awards to take the average share price measured over the six months prior to the end of the performance period (1 January 2020 to 30 June 2020). The decision to adjust the definition of TSR for all participants, including Stefan Allanson, was agreed at a Committee meeting in May 2020 prior to the end of the performance period.

Based on the adjusted definition of TSR, the Group achieved a three-year TSR of £8.69 against a target range of £7.20 to £8.00 per share. The 2017 LTIP award therefore vested in full. The vested award (net of tax) is subject to a two-year holding period.

For completeness, if no adjustment had been made to the definition of TSR then 80% of the LTIP award would have vested. Further details are set out on pages 69 and 70.

Covid-19 pandemic – salary and fee reductions

Around 76% of the Group's workforce were furloughed under the Government's Job Retention Scheme for a period of at least six weeks. To align the Board with employees and retain cash within the business, the Board agreed to a 30% reduction in salary and fees for the period from 6 April 2020 to 30 June 2020. Senior management also agreed to temporary reductions in salary of between 5% and 20%.

Remuneration in 2021

Salary

No salary or fee increases have been awarded to the Directors for the year to 30 June 2021 (2019: no salary or fee increases awarded in respect of the year to 30 June 2020).

Pension

Reflecting best practice and the expectations of shareholders and proxy voting agencies, Stefan Allanson volunteered to reduce his pension from 15% to 6.5% of salary, in stages over the next two years. With effect from 1 July 2020 his pension will reduce to 12%, from 1 July 2021 it will reduce to 9% and from 1 July 2022 it will reduce to 6.5%. This will bring it in line with the level available to the majority of the workforce.

Annual bonus

The maximum bonus that can be earned in the year will be 125% of salary for both Executive Directors. The Committee has increased Stefan Allanson's maximum bonus opportunity (from 100% of salary for the year ended 30 June 2020) to recognise his experience and contribution to the business, and to provide alignment with James Thomson's maximum bonus opportunity. The Committee will also ensure that the performance targets are appropriately stretching and reflective of the increase in maximum bonus opportunity.

Of the award, 80% will be based on profit performance and 20% will be based on strategic and personal performance. Details of the profit, strategic and personal performance targets will be fully disclosed in the Annual Report on Remuneration for the year ending 30 June 2021.

The Executive Directors will be required to accept one-third of any bonuses earned in the form of shares to be held for a minimum two-year period.

LTIP

The maximum LTIP opportunity will be 150% of salary for both Executive Directors with 50% of the award based on EPS performance and 50% based on relative TSR performance measured over a period of three financial years ending 30 June 2023. Any awards that vest will be subject to a minimum two-year holding period.

The Committee will consider the share price at the grant date when deciding the share price to be used to determine the number of shares to be granted and what provisions to include to mitigate the potential risk of "windfall gains" if and to the extent caused by the current Covid-19 pandemic impact on share price.

Further details are set out on page 74.

Gender pay gap

During the year, the Committee reviewed the gender pay gap statistics for the Group. The Group's median gender pay gap is -6.03%, indicating women are paid more than men, versus the national average of 17.9% in favour of men. Women occupy 22% of the highest paid jobs and 15% of the lowest paid jobs.

The Group is continuing to develop and encourage more women into roles that have traditionally been male occupied. This includes better provisions on sites for female employees and subcontractors. In respect of pay, the Group does not discriminate on the grounds of gender and operates an equal pay policy.

Further details are set out in the Group's Gender Pay Gap Report which can be found at www.mjgleesonplc.com.

Real Living Wage

The Group was the first major housebuilder to be accredited by the Living Wage Foundation. Other housebuilders have now followed our lead and the Group believes that all employees in all sectors should be paid the real Living Wage or higher. The only exception to this is for apprentices, where the Group pays above the Government's guidelines.

The Committee looks closely at market data when it comes to approving employee pay and rewards to ensure that these remain competitive and enable the Group to attract, motivate and retain high-quality staff.

How the Committee addressed the factors in Provision 40 of the 2018 UK Corporate Governance Code when determining the Policy

Our Directors' Remuneration Policy is designed to support an effective pay-for-performance culture which enables the Company to attract, retain and motivate Executive Directors who have the necessary experience and expertise to deliver the Group's objectives and strategy. The Policy has been determined based on the following principles taking into account Provision 40 of the 2018 UK Corporate Governance Code.

Clarity and simplicity – the Committee ensures that remuneration packages are simple and transparent and take into account remuneration and related policies for the wider workforce. Performance targets are set in line with Group budgets and plans and reviewed and tested by the Committee.

Risk – we promote long-term sustainable performance through sufficiently stretching performance targets, whilst ensuring that the incentive framework does not encourage Executive Directors to take inappropriate business risks (including environmental, financial, social, health, safety and governance risks).

Predictability – detailed information on the potential values that may be earned through the remuneration arrangements are set out in the Directors' Remuneration Policy.

Proportionality – to ensure that total remuneration delivered fairly reflects Company and individual performance. The Committee has the discretion to override formulaic outturns where it believes the outcome is not truly reflective of underlying performance during the performance period and to ensure fairness to both shareholders and participants.

Alignment to culture – when determining the Policy, the Committee was clear to make decisions to drive the appropriate behaviours and ensure alignment with the Company's culture and long-term strategy.

Stakeholder engagement

The Committee consults with major shareholders and their representative bodies on remuneration matters, particularly if any material changes are proposed to the remuneration policy. In these instances, the Committee seeks feedback from shareholders and develops and considers its proposals in light of this feedback. The Committee also takes remuneration advice from Deloitte LLP.

The Committee does not consult with employees on Directors' remuneration but regularly reviews the remuneration of the wider workforce to ensure that it is attuned to general pay and conditions when considering Directors' remuneration (e.g. in determining salary increases for Executive Directors the Committee reviews salary increases across the Group).

Conclusion

We are committed to a responsible approach to executive pay and I trust that our Annual Report on Remuneration reflects this. I will be available at the AGM to respond to any questions and discuss any aspects of the Annual Report on Remuneration or the Committee's activities.

Andrew M Coppel CBE
Chair of the Remuneration Committee
13 September 2020

Annual Report on Remuneration

The Remuneration Committee's Annual Report on Remuneration for the year ended 30 June 2020 is set out below, including remuneration for the year ended 30 June 2020 and the implementation of the Directors' Remuneration Policy for 2021.

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

Single total figure of remuneration for each Director for the years ended 30 June 2020 and 30 June 2019

	2020								2019							
	Fixed Pay				Variable Pay				Fixed Pay				Variable Pay			
	Salary & fees[1] £000	Benefits £000	Pension £000	Subtotal £000	Annual bonus £000	Value of LTIP awards £000	Subtotal £000	Total £000	Salary & fees £000	Benefits £000	Pension £000	Subtotal £000	Annual bonus £000	Value of LTIP awards[2] £000	Subtotal £000	Total £000
Chairman																
Dermot Gleeson	116	1	–	117	–	–	–	117	125	1	–	126	–	–	–	126
Executive Directors																
James Thomson[3]	458	24	32	514	255	–	255	769	28	1	2	31	–	–	–	31
Stefan Allanson	293	18	47	358	–	535	535	893	315	18	47	380	–	588	588	968
Non-Executive Directors[4]																
Ross Ancell	54	–	–	54	–	–	–	54	58	–	–	58	–	–	–	58
Colin Dearlove	54	–	–	54	–	–	–	54	58	–	–	58	–	–	–	58
Christopher Mills	44	–	–	44	–	–	–	44	47	–	–	47	–	–	–	47
Andrew Coppel	32	–	–	32	–	–	–	32	–	–	–	–	–	–	–	–
Fiona Goldsmith	32	–	–	32	–	–	–	32	–	–	–	–	–	–	–	–
Total	**1,083**	**43**	**79**	**1,205**	**255**	**535**	**790**	**1,995**	**631**	**20**	**49**	**700**	**–**	**588**	**588**	**1,288**

1 The Board agreed to a 30% reduction in salary and fees for the period 6 April 2020 to 30 June 2020 in response to the Covid-19 pandemic. The salaries and fees disclosed in the 2020 column are after the 30% reduction.
2 The value of the LTIP award in the 2019 column has been restated to reflect the actual number of awards which vested on 11 November 2019, including dividend equivalents, using the share price on the date of vesting (£8.00).
3 James Thomson was appointed as interim Chief Executive Officer on 10 June 2019. On 2 December 2019 he was appointed to the role on a permanent basis and his salary was increased from £485,000 to £500,000 per annum.
4 Ross Ancell and Colin Dearlove stepped down from the Board on 30 June 2020. Andrew Coppel and Fiona Goldsmith were appointed to the Board on 1 October 2019.

Notes to the single total figure of remuneration

Salary and fees

Details of annual salaries for Executive Directors for the years ended 30 June 2020 and 30 June 2019 are set out below.

	Rate of salary from 2 December 2019[2] £000	Rate of salary from 1 July 2019[2] £000	Rate of salary from 1 July 2018 £000
James Thomson[1]	500	485	485
Stefan Allanson	n/a	315	315

1 James Thomson's salary was increased to £500,000 per annum on 2 December 2019 following his appointment to the role of Chief Executive Officer on a permanent basis.
2 The Board agreed to a 30% reduction in salary and fees for the period 6 April 2020 to 30 June 2020 in response to the Covid-19 pandemic.

Details of fees for Non-Executive Directors for the years ended 30 June 2020 and 30 June 2019 are set out below.

	Rate of fees from 1 July 2019[2] £000	Rate of fees from 1 July 2018 £000
Chairman[1]	125	125
Non-Executive Director fee	47.25	47.25
Fee for chairing a Committee	10.5	10.5

1 Includes a fee of £10,500 for chairing the Nominations Committee.
2 The Board agreed to a 30% reduction in salary and fees for the period 6 April 2020 to 30 June 2020 in response to the Covid-19 pandemic.

Taxable benefits provided to Executive Directors

The main benefits available to the Executive Directors during the year ended 30 June 2020 (and their associated values) were: car allowance of £13,000 for James Thomson and £13,000 for Stefan Allanson; car fuel of £5,000 for James Thomson and £3,000 for Stefan Allanson; £5,000 received in respect of the sale of annual leave for James Thomson; private medical insurance of £1,000 for Stefan Allanson; and matching shares granted under the HMRC tax-qualifying all-employee scheme of £1,000 for James Thomson and £1,000 for Stefan Allanson.

Pension

The Executive Directors are eligible to participate in the MJ Gleeson Group Pension Plan, a defined contribution arrangement. During the year ended 30 June 2020, James Thomson received cash in lieu of pension contributions of 6.5% of salary (2020: £32,000) and Stefan Allanson received pension contributions and cash in lieu of pension contributions of 15% of salary (2020: £47,000).

Determination of annual bonus

James Thomson was initially awarded a maximum bonus opportunity of 100% of salary following his appointment as interim Chief Executive Officer. This was increased to 125% of salary following his appointment to the role on a permanent basis. James Thomson's maximum bonus opportunity is therefore calculated as follows:

		Maximum opportunity £000
Interim Chief Executive Officer	100% of £485,000 salary prorated over the period 1 July 2019 to 1 December 2019	202
Permanent Chief Executive Officer	125% of £500,000 salary prorated over the period 2 December 2019 to 30 June 2020	365
		567

As referenced in the 2019 Annual Report on Remuneration, James Thomson's award was based on Group profit before tax performance (as regards 50% of the potential award) and strategic and personal performance (as regards 50% of the potential award).

Stefan Allanson was awarded a maximum bonus opportunity of 100% of salary based wholly upon Group profit before tax performance.

Profit performance

The Group achieved profit before tax for both continuing and discontinued operations of £5.3m for the year ended 30 June 2020. This was below the threshold target of £43.6m and the profit-related element of the bonus award lapsed in full.

Target	Profit measure £m	Bonus achievable as percentage of maximum
Threshold	43.6	20%
Target	44.6	50%
Maximum	46.6	100%

Straight-line vesting between threshold and maximum.

Chief Executive Officer: Strategic and personal performance

James Thomson's performance against his strategic and personal performance objectives for the year ended 30 June 2020 is detailed below.

Objective	Performance
Develop, propose and implement an organisational structure that is able to support business growth towards 2,000 plots per annum by 2022.	New regional structure implemented in Gleeson Homes with the appointment of a new Homes Managing Director, Divisional Managing Directors for each region and an underlying reporting structure that will support growth.
Develop plans for the senior management team, including an assessment of their ability for taking on wider responsibilities within the business and their development needs. Includes building on the work of, and working in conjunction with, third-party advisers.	Plans are in place for senior management who in turn have assessed the competence and capability of their own teams. This has been supported through collaboration with third-party advisers to help develop the management team and develop succession plans.
Take the lead on the possible sale of the Strategic Land division with Group advisers and implement the Board's decisions.	The possible sale was re-assessed in the early part of the financial year and it was appropriately concluded in September 2019 that the business was to be retained. The sale process was, therefore, aborted by a decision of the Board.

The Committee considered it appropriate to assess the vesting outcome as 90% of the bonus achievable on these objectives. The Committee considered that this struck a fair and equitable balance between recognising James Thomson's exceptional performance since his appointment and taking into account feedback from shareholders and employees. Approximately 7% of employees based at head office and area offices received a discretionary bonus at the year end, reflecting their exceptional contribution in the most difficult of circumstances. The Company also has a policy of paying 50% of full-year bonuses to staff in January, based on progress against the full-year forecast. Approximately 63% of employees were paid a bonus in January 2020 on this basis.

Bonus outcome

The total bonus outcome for each Executive Director is therefore:

	Bonus payable	
	% maximum	£000
James Thomson	45%	255
Stefan Allanson	0%	0

2017 LTIP

The 2017 LTIP awards were subject to performance targets based on TSR. TSR is defined as the average share price measured over the three months prior to the end of the performance period (1 April 2020 to 30 June 2020) plus cumulative dividends per share paid over the performance period.

As explained in the Chair's statement on page 65, the Committee felt it appropriate to adjust the TSR definition such that the average share price was measured over the six months prior to the end of the performance period (1 January 2020 to 30 June 2020).

Details of the TSR performance targets and performance outcome are set out in the table below.

	(3-year performance period ended 30 June 2020)	
	TSR	Vesting %
Threshold	£7.20	20%
Maximum	£8.00	100%
Actual performance	£8.69	
Outcome	100% of award to vest[1]	

1. If no adjustment had been made to the definition of TSR then actual performance would have been £7.80 and 80% of the award would have vested.

Therefore, the vesting outcome is as follows:

Executive Director	Number of shares granted	Number of shares vesting based on performance	Dividend equivalents[1] £000	Total value of award on vesting[2] £000	Amount of award attributable to share price appreciation since grant[3] £000
Stefan Allanson	69,231	69,231	56	535	29

1. The 2017 LTIP included dividend equivalent terms such that additional plan shares are awarded based on the value of dividends payable on the number of vested plan shares between the award date and vesting date.
2. Calculated based on the share price on the date of vesting (8 July 2020: £6.91). The total value of award on vesting includes the dividend equivalents.
3. The Company's share price increased by £0.41 between the date of grant (26 September 2017) and the date of vesting (8 July 2020). The proportion of the total value of award on vesting attributable to share price growth is therefore 6%.

LTIP awards granted in the year ended 30 June 2020

The Committee granted conditional share awards under the LTIP equivalent to 150% of salary to James Thomson and Stefan Allanson on 10 December 2019. The awards are based on the achievement of EPS performance (as regards two-thirds of the awards) and relative TSR performance (as regards one-third of the awards) measured over a period of three financial years ending 30 June 2022. The awards will vest following the end of the performance period once the Committee has determined whether the performance targets have been satisfied. Vested awards will be subject to a two-year holding period following the end of the performance period.

Details of the awards are as follows:

Director	Number of shares granted	Face value at grant £000[1]
James Thomson	93,750	750
Stefan Allanson	59,063	473

1. Calculated based on the mid-market closing share price as at the date immediately preceding the date of grant (9 December 2019: £8.00).

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

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

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

Jolyon Harrison, the former Chief Executive Officer, stepped down from the Board on 10 June 2019. The terms of his cessation of employment were agreed during the year and were as follows:

- A payment in lieu of notice equal to six months of salary, based on his final salary of £505,000. This was paid on 2 December 2019.
- A payment for loss of office of £47,000. This was paid on 2 December 2019.
- The Committee determined that two-thirds of Jolyon Harrison's 2017 LTIP award would vest taking into account time served during the vesting period and performance up to the date of cessation of employment. The 2017 LTIP award vested on 2 December 2019 and was capable of exercise from that date. The value of the 2017 LTIP award that vested was equal to £1,182,000 (147,692 shares x £8.00, being the mid-market closing share price on 2 December 2019).
- As disclosed in last year's Annual Report on Remuneration, the TSR performance targets attached to the 2015 and 2016 LTIP awards were met in full and therefore 100% of the awards remained capable of vesting. The Committee determined that Jolyon Harrison's 2015 and 2016 LTIP awards would vest in full on 2 December 2019 and be capable of exercise from that date. The value of the 2015 and 2016 LTIP awards were disclosed in last year's single total figure of remuneration table.

Directors' shareholdings and share interests

Shareholding guideline

Within-employment and post-employment shareholding guidelines were introduced with effect from 1 July 2019. The within-employment shareholding guideline requires Executive Directors to build up and retain a holding in shares equivalent to 200% of salary. As at 30 June 2020, James Thomson and Stefan Allanson held shares equivalent to 19% of salary and 189% of salary respectively.

Share interests

The interests of the Directors serving during the year and of their connected persons in the ordinary share capital of the Company as at 30 June 2020 are as shown below:

Director	Scheme	Owned outright	Unvested and subject to performance	Unvested and not subject to performance[1]	Vested and exercised	Total as at 30 June 2020
Chairman						
Dermot Gleeson	Shares	1,088,918	–	–	–	1,088,918
Executive Directors						
James Thomson	Shares	12,541	–	90	–	12,631
	LTIP 2019	–	93,750	–	–	93,750
Stefan Allanson	Shares	79,016	–	396	–	79,412
	LTIP 2015	–	–	–	28,421	28,421
	LTIP 2016	–	–	–	65,789	65,789
	LTIP 2017[2]	–	69,231	–	–	69,231
	LTIP 2018	–	67,500	–	–	67,500
	LTIP 2019	–	59,063	–	–	59,063
Non-Executive Directors						
Ross Ancell	Shares	–	–	–	–	–
Colin Dearlove	Shares	900	–	–	–	900
Christopher Mills[3]	Shares	6,355,000	–	–	–	6,355,000
Andrew Coppel	Shares	6,500	–	–	–	6,500
Fiona Goldsmith	Shares	5,000	–	–	–	5,000

1. Matching shares granted under the HMRC tax-qualifying all-employee scheme that have not yet vested.
2. The 2017 LTIP awards vested in full on 8 July 2020 following Committee approval of the outcome of the performance targets. Stefan Allanson exercised 77,345 shares (including 8,114 shares from dividend equivalents) under the 2017 LTIP on 16 July 2020. Stefan Allanson sold 36,461 shares to cover taxes and retained the remaining 40,884 shares.
3. Shares are held by funds managed by Harwood Capital LLP of which Christopher Mills is a Member/Director.

As at 31 August 2020, the total interests held by James Thomson was 12,693 and Stefan Allanson was 120,357. The Company has not been advised of any other changes to the interests of Directors and their connected persons to those set out in the table above.

LTIP awards

Additional details of the outstanding LTIP awards held by Executive Directors serving during the year are set out below.

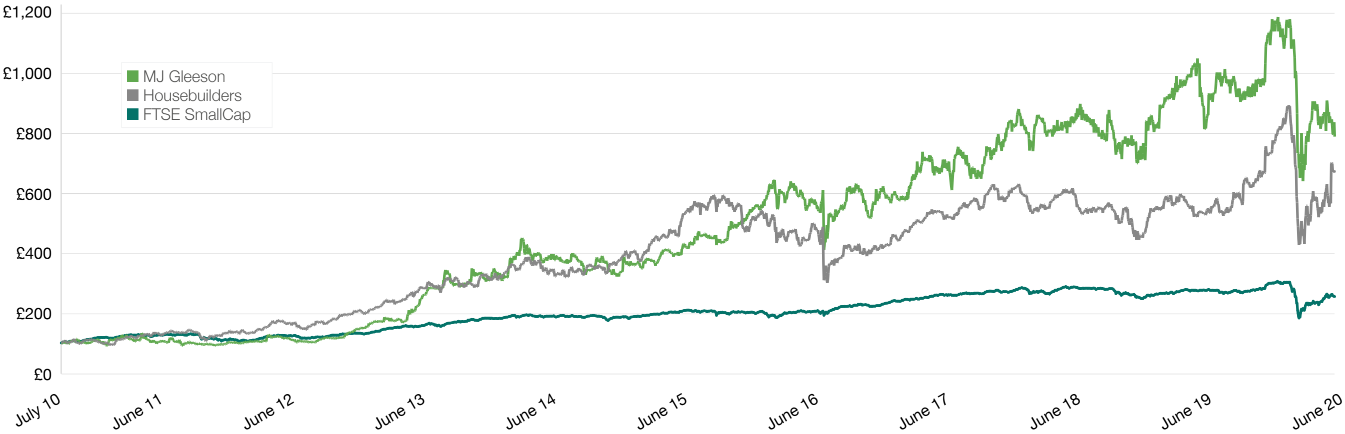
Executive Director	Scheme	30 June 2019	Granted during year	Vested and exercised during year	Lapsed in year	Share price at grant date	Total interests outstanding at 30 June 2020	End of performance period
James Thomson	LTIP 2019	–	93,750	–	–	£8.00	93,750	30/06/22
Stefan Allanson	LTIP 2015	28,421	–	28,421	–	£4.82	–	30/06/18
	LTIP 2016	65,789	–	65,789	–	£5.70	–	30/06/19
	LTIP 2017[1]	69,231	–	–	–	£6.50	69,231	30/06/20
	LTIP 2018	67,500	–	–	–	£7.04	67,500	30/06/21
	LTIP 2019	–	59,063	–	–	£8.00	59,063	30/06/22

1. As noted above, the 2017 LTIP awards vested in full on 8 July 2020 following Committee approval of the outcome of the performance targets.

TSR performance

We have compared the Company's TSR performance over the last ten years with the TSR for the FTSE Small Cap Index, of which the Company is a member, and a comparator index of listed housebuilders. The peer group consists of a group of listed housebuilders comprising Barratt Developments, Bellway, Berkeley, Countryside Properties, Crest Nicholson, Galliford Try, McCarthy & Stone, Persimmon, Redrow, Taylor Wimpey and Vistry Group.

MJ Gleeson plc TSR comparison to index and peer group 1 July 2010 to 30 June 2020:



Chief Executive Officer's remuneration 2011 to 2020

Year	Chief Executive Officer	Single figure of total remuneration £000	Annual bonus paid against maximum opportunity	LTIP awards vesting against maximum opportunity
2020	James Thomson	769	45%	–
2019	James Thomson (appointed 10 June 2019)	31	–	–
2019[1]	Jolyon Harrison (departed 10 June 2019)	2,482	0%	100%
2018[1]	Jolyon Harrison	3,056	100%	100%
2017	Jolyon Harrison	2,816	100%	100%
2016	Jolyon Harrison	873	100%	0%
2015	Jolyon Harrison	2,917	100%	100%
2014	Jolyon Harrison	793	100%	0%
2013	Jolyon Harrison (appointed 1 July 2012)	1,615	81%	100%
2012[2]	N/A	–	–	–
2011	Chris Holt	417	0%	0%

1 The values have been restated to reflect the actual number of awards which vested on 11 November 2019, including dividend equivalents, using the share price on the date of vesting (£8.00).
2 No Chief Executive Officer held office during 2012.

Annual percentage change in remuneration of Directors and employees

The table below sets out the annual percentage change in each of the Directors' remuneration compared to the average employee remuneration.

% Change	2019 to 2020		
	Salary & fees[1]	Benefits	Bonus
Chairman			
Dermot Gleeson	-7%	0%	–
Executive Directors			
James Thomson[2]	n/a	n/a	n/a
Stefan Allanson	-7%	2%	0%
Non-Executive Directors			
Ross Ancell	-7%	–	–
Colin Dearlove	-7%	–	–
Christopher Mills	-7%	–	–
Andrew Coppel[3]	n/a	–	–
Fiona Goldsmith[3]	n/a	–	–
Average employee[4]	4.4%	8.2%	-8.1%

1. The Board agreed to a 30% reduction in salary and fees for the period 6 April 2020 to 30 June 2020 in response to the Covid-19 pandemic. There has therefore been a reduction in salaries and fees received by Directors during the year ended 30 June 2020 compared to the previous year.
2. Appointed to the Board on 10 June 2019 and therefore the annual percentage change in remuneration is not applicable.
3. Appointed to the Board on 1 October 2019 and therefore the annual percentage change in remuneration is not applicable.
4. The annual percentage change of the average remuneration of the Group's salaried employees, calculated on a full-time equivalent basis.

Chief Executive Officer pay ratio

The table below sets out the Chief Executive Officer's total remuneration as a ratio against the full-time equivalent remuneration of the 25th, 50th (median) and 75th percentile employees.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	Option B	28:1	20:1	12:1

Option B methodology was selected on the basis that it is an efficient and robust approach. The remuneration figures for the employee at each quartile were determined with reference to 30 June 2020. Sensitivity analysis has been performed around the 25th, 50th and 75th percentile employees to ensure that they are reasonably representative.

A substantial proportion of the Chief Executive Officer's total remuneration is performance-related and delivered in shares. The ratios will therefore depend significantly on the Chief Executive Officer's annual bonus and LTIP outcomes, and may fluctuate year-to-year.

The Board believes that the median pay ratio is consistent with the Group's wider policies on employee pay, reward and progression.

Total pay and benefits used to calculate the ratios

The table below shows the employee percentile pay and benefits used to determine the above pay ratios and the salary component for each figure.

£000	Chief Executive Officer[1]	25th percentile	Median	75th percentile
Total pay and benefits[2]	769	28	39	62
Salary component	458	26	35	53

1 The Chief Executive Officer's remuneration is the total single figure remuneration for the year ended 30 June 2020 as disclosed on page 67.
2 The employee percentile pay and benefits has been calculated based on the amount paid or receivable for the year ended 30 June 2020. The calculations are on the same basis as required for the Chief Executive Officer's remuneration for total single figure purposes.

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.

	2020 £m	2019 £m	Difference in spend £m	Difference as percentage
Remuneration for all employees	27.2	29.9	-2.7	-9%
Total distributions paid	–	18.8	-18.8	-100%

Terms of engagement

The Chief Executive Officer's service agreement is on a rolling basis and requires 12 months' notice of termination on either side. The Chief Financial Officer's service agreement is on a rolling basis and requires six months' notice of termination from the Chief Financial Officer and 12 months' notice of termination from the Company. The dates of the Executive Directors' service agreements are as follows:

	Date of service agreement
James Thomson	2 December 2019
Stefan Allanson	29 June 2015

All Non-Executive Directors are engaged for an initial period of three years which thereafter may be extended on an annual basis, subject to re-election at each AGM. The appointment of the Chairman may be terminated by either side on six months' notice and the appointment of the other Non-Executive Directors may be terminated on either side on one month's notice. The dates of each Non-Executive Director's original appointment are as follows:

	Date of original appointment	Expiry of current term
Dermot Gleeson	27 November 1975	30 September 2020[2]
Ross Ancell[1]	1 October 2006	30 June 2020
Colin Dearlove[1]	3 December 2007	30 June 2020
Christopher Mills	1 January 2009	30 September 2020[2]
Andrew Coppel	1 October 2019	30 September 2022[2]
Fiona Goldsmith	1 October 2019	30 September 2022[2]

1 Ross Ancell and Colin Dearlove stepped down from the Board on 30 June 2020.
2 Subject to re-election at the 2020 AGM.

Implementation of the new policy for the year to 30 June 2021

Executive Directors

Salary

No salary increase has been awarded to the Executive Directors for the year to 30 June 2021. This is in line with the wider workforce.

	Salary from 1 July 2020 £	Salary as at 30 June 2020 £
James Thomson	500,000	500,000
Stefan Allanson	315,000	315,000

Pension

Reflecting best practice and the expectations of shareholders and proxy voting agencies, Stefan Allanson has volunteered to have his pension opportunity reduced from 15% to 12% of salary with effect from 1 July 2020 and it will reduce to 9% on 1 July 2021 and 6.5% on 1 July 2022. This will bring it in line with the level available to the majority of the workforce.

James Thomson's pension opportunity was set at 6.5% of salary on his appointment as Chief Executive Officer.

Annual bonus

The maximum bonus that can be earned in the year will be 125% of salary for both Executive Directors. The Committee has increased Stefan Allanson's maximum bonus opportunity (from 100% of salary for the year ended 30 June 2020) to recognise his experience and contribution to the business, and to provide alignment with James Thomson's maximum bonus opportunity. The Committee will also ensure that the performance targets are appropriately stretching and reflective of the increase in maximum bonus opportunity.

80% of the award will be based on profit performance and 20% will be based on strategic and personal performance. Details of the profit, strategic and personal performance targets will be fully disclosed in the Annual Report on Remuneration for the year ending 30 June 2021.

The Executive Directors will be required to defer one-third of any bonuses earned into shares for a two-year period.

LTIP

The maximum LTIP opportunity will be 150% of salary for both Executive Directors. 50% of the award will be based on EPS performance and 50% will be based on relative TSR performance measured over a period of three financial years ending 30 June 2023. Any awards that vest will be subject to a two-year holding period.

The EPS and relative TSR performance targets for the proposed awards will be set by the Committee within the next six months and will be fully disclosed in the Annual Report on Remuneration for the year ending 30 June 2021.

The Committee will consider the share price at the grant date when deciding the share price to be used to determine the number of shares to be granted and what provisions to include to mitigate the potential risk of "windfall gains" if and to the extent caused by the current Covid-19 pandemic impact on share price.

Chairman and Non-Executive Directors fees

No fee increase has been awarded to the Chairman or Non-Executive Directors for the year to 30 June 2021. The Chairman's fee therefore remains unchanged at £125,000 and this includes a fee of £10,500 for chairing the Nomination Committee. The fees for the Non-Executive Directors also remain unchanged at £47,250 plus an additional fee of £10,500 for chairing a Board Committee.

The Remuneration Committee

The Committee was chaired by Ross Ancell during the year ended 30 June 2020. The other Committee members were Colin Dearlove, Andrew Coppel and Fiona Goldsmith. Andrew Coppel and Fiona Goldsmith were appointed to the Committee on 1 October 2019.

Ross Ancell and Colin Dearlove stepped down from the Board on 30 June 2020, following which, Andrew Coppel was appointed as Committee Chair.

Each of the Non-Executive Directors are independent and have no potential conflicts of interest arising from cross directorships and no day-to-day involvement in running the business.

Biographical details of the members of the Committee are shown on pages 50 and 51, and details of their attendance at the meetings of the Committee during the year ended 30 June 2020 are shown on page 52.

Role and responsibilities of the Remuneration Committee

The Committee's primary purpose is to make recommendations to the Board on the Group's framework for Executive Directors and senior management remuneration. The Board has also delegated responsibility to the Committee for determining the remuneration, benefits and contractual arrangements of the Chairman and the Executive Directors. No individual is involved in deciding their own remuneration.

The Committee has written terms of reference available on the Company's website, www.mjgleesonplc.com, and its responsibilities include:

- recommending to the Board the policy for Executive Directors and senior management remuneration;
- agreeing the remuneration of the Chairman of the Board;
- agreeing the terms and conditions of employment for Executive Directors, including their annual remuneration and pension arrangements, and reviewing such provisions for senior management;
- agreeing the measures and targets for any performance-related bonus and share schemes;
- ensuring that, on termination, contractual terms and payments made are fair both to the Company and the individual so that failure is not rewarded; and
- agreeing the terms of reference of any remuneration consultants that it appoints.

Activities during the year

The Committee met on a number of occasions during the year, two of which were scheduled meetings. Papers were circulated in advance of each meeting for all matters considered. The main activities undertaken by the Committee during the year included:

- reviewing and approving the remuneration outcomes of the Executive Directors and senior management for the year ended 30 June 2019 and assessing the fairness of these remuneration outcomes;
- agreeing performance targets for the remuneration of the Executive Directors and senior management for the year ended 30 June 2020 and monitoring progress against these targets during the year;
- reviewing the remuneration arrangements of the Executive Directors, including Stefan Allanson's pension opportunity and James Thomson' salary and maximum bonus opportunity following his permanent appointment as Chief Executive Officer;
- reviewing proposals for a settlement agreement for the former Chief Executive Officer, Jolyon Harrison, and working to reach an agreement on such proposals;
- developing and agreeing with shareholders a three-year remuneration policy;
- restructuring incentive arrangements for other directors and senior managers in particular for the new regional/divisional structure;
- reviewing and agreeing furlough arrangements and salary reductions during the Covid-19 pandemic including claiming of JRS grants;
- reviewing and approving proposals for staff pay and bonuses, including examining benchmarking data and market information from third-party advisers;
- reviewing gender pay across the Group and approving gender pay reporting; and
- reviewing the terms of reference of the Committee such that these remain appropriate.

Remuneration Committee – support and advice

The Committee is supported by the Human Resources Director, Beth Broughton, and the Head of Legal and Company Secretary, Leanne Johnson. The Company also took advice from Deloitte LLP who were appointed in July 2019.

Deloitte LLP is a founder member of the Remuneration Consultants Group and as such voluntarily operates under its Code of Conduct in relation to executive remuneration in the UK. The Committee is satisfied that the appointment of Deloitte LLP is in accordance with the Company's policy on the provision of non-audit services to the Group and that the external advice received is objective and independent.

The fees paid to Deloitte LLP for their services to the Committee during the year, based on time and expenses, amounted to £38,000.

Deloitte LLP also provided advice to the Company during the year in relation to share plans.

Statement of voting at the Annual General Meeting

The following table sets out actual voting in respect of the resolutions to approve the Remuneration Policy and Annual Report on Remuneration at the Company's AGM.

	Votes in favour		Votes against			
	No.	%	No.	%	Total votes cast	Votes withheld
2019 AGM: Approval of the Annual Report on Remuneration	38,213,708	98.3%	656,229	1.7%	38,869,937	2,801
2019 AGM: Approval of the Director's Remuneration Policy	38,188,152	98.2%	681,785	1.8%	38,869,937	2,801

Statutory, regulatory and other information

This section contains the remaining matters on which the Directors are required to report each year that do not appear elsewhere in the Annual Report.

Strategic Report

We present a review of the business during the year to 30 June 2020 and of the position of the Group at the end of the financial year together with a description of the principal risks and uncertainties faced by the Group in the Strategic Report on pages 1 to 45.

Business review

The review of the development and performance of the business during the year, any significant events up to the date of this Report, and the future outlook of the Group are set out in the Chairman's Statement on pages 6 and 7, the Chief Executive's Statement on pages 10 to 12 and the Business Reviews on pages 18 and 20.

The key performance indicators are set out in the Strategic Report on pages 11 and 39. The Group's policy in respect of financial risk management and financial instruments, details of credit risk, capital risk management, liquidity risk and interest rate risk are given in note 16 to the financial statements.

Dividends

As set out in the Chairman's Statement on pages 6 and 7, the Board does not propose to pay a dividend relating to the year ended 30 June 2020. In 2019 the Company paid an interim dividend of 11.5 pence and a final dividend of 23.0 pence.

Governance statement

The Disclosure Guidance and Transparency Rules require certain information to be included in a governance statement in the Directors' Report. Information that fulfils these requirements, including how the Group has complied with the UK Corporate Governance Code and our internal control and risk management systems, can be found in the Governance Report on pages 48 to 78.

Political donations

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

Directors and Directors' interests

The Directors of the Company as of the date of this Report and their biographical details are shown on pages 50 and 51. Additionally, Colin Dearlove and Ross Ancell were Directors during the course of the year, and both resigned effective 30 June 2020.

Details of any related party transactions with Directors of the Company are shown in note 28 to the financial statements.

The beneficial interests of the Directors and their connected persons in the shares of the Company at 30 June 2020 and as at the date of this report are disclosed in the Annual Report on Remuneration on page 71. 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.

Qualifying third party indemnity

Directors risk personal liability under civil and criminal law for many aspects of the Company's main business decisions. As a consequence, the Directors could face a range of penalties including fines and/or imprisonment. In keeping with normal market practice, the Company believes that it is prudent, and in the best interests of the Company, to protect the individuals concerned from the consequences of innocent error or omission.

The Company obtains Directors' and Officers' liability insurance in order to indemnify Directors and other senior officers of the Company and its subsidiaries. This insurance policy does not provide cover where the Director or officer has acted fraudulently or dishonestly.

In addition, subject to the provisions of and to the extent permitted by relevant statutes, under the Articles, the Directors and other officers throughout the year, and at the date of approval of these financial statements, were indemnified out of the assets of the Company against liabilities incurred by them in the course of carrying out their duties or the exercise of their powers.

Substantial shareholdings

At 31 August 2020, the shareholdings noted below, representing 3% or more of the issued share capital, had been notified to the Company.

Name of Shareholder	Number of shares	Proportion of total
Funds managed by Harwood Capital LLP	6,355,000	10.91%
Sanford DeLand Asset Management	4,817,500	8.27%
Schroder Investment Management	4,784,254	8.21%
Polar Capital	2,408,727	4.13%
The Cooper Family*	2,258,205	3.88%
Royal London Asset Management	2,250,968	3.86%
Aberdeen Standard Investments	2,081,034	3.57%

* Of which 538,890 shares are held in trusts of which Mrs J C Cooper is a Trustee.

Employees

We are committed to ensuring that all employees, potential recruits and other stakeholders are treated fairly and equitably. The principles of equality and diversity are important to us and advancement is based upon individual skills and aptitude irrespective of race, gender identity, sexual orientation, disability, age, religion or beliefs.

Our policy for selection and promotion is based on an assessment of an individual's ability and experiences; we consider all applicants on their merits and have processes and procedures in place to ensure that individuals with disabilities are given fair consideration.

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

We are committed to developing our employees so they can maximise their career potential, and our aim is to provide rewarding career opportunities in an environment where equality of opportunity is paramount. We seek to improve employee retention by providing benefits that employees value including a Group stakeholder pension (including life assurance arrangements), private medical insurance and income replacement ("PHI") arrangements.

Employee share ownership continues to be encouraged through participation in the Group Share Purchase Plan.

Employee involvement

Employees are updated through weekly e-mailed newsletters from the Chief Executive Officer and other e-mail memos as necessary, in addition to discussions with line managers. We also use our internal website "Gleegle" to disseminate information and engage with our employees. Updates on financial and economic factors affecting the Group's performance are given to all employees following results announcements at half year and year end, and in January 2020 we introduced "roadshows" across the business for senior management to update all staff on matters of importance.

We regularly consult with our employees to ensure that their views can be taken into account when making decisions. During the year we launched our company-wide employee engagement survey, Your Voice, and have been using the results to help shape business decisions going forward.

Directors engage with employees through the appointed Workforce Representative; more details can be found on page 53.

Stakeholder engagement

Details regarding our stakeholder engagement including suppliers, customers and shareholders, and the effect on the principal decisions made in the year, can be found on page 29.

Greenhouse gas emissions

All disclosures concerning the Group's greenhouse gas emissions, as required to be disclosed under regulations introduced by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Streamlined Energy and Carbon Reporting ("SECR") requirements are contained in the Strategic Report on page 35.

Shareholder additional information

The Company is required to disclose certain additional information where not covered elsewhere in this Annual Report:

Share capital

The Company has one class of share in issue, being ordinary shares with a nominal value of 2 pence each, with no right to fixed income.

At 30 June 2020 the Company had issued share capital of 58,067,535 ordinary shares, with a nominal value of £1.2m. Further details are given in note 25 to the financial statements.

Rights and obligations attaching to shares

Subject to the Companies Act 2006 and other shareholders' rights, any share may be issued with such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board of the Company may decide. Subject to the Companies Act 2006, the Articles and any resolution of the Company, the Board may deal with any unissued shares as it may decide.

Amendment to the Articles of Association

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution.

Voting

Under and subject to the provisions of the Articles and subject to any special rights or restrictions as to voting attached to any shares, on a show of hands, every shareholder present in person at a general meeting of shareholders shall have one vote and on a poll every shareholder who was present in person or by proxy shall have one vote for every share of which they are the holder. Under the Companies Act 2006, shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting.

Restrictions on voting

A shareholder shall not be entitled to vote at any general meeting or class meeting in respect of any shares held by them unless all calls and other sums presently payable by them in respect of that share have been paid.

Variation of rights

The Articles specify that the special rights attached to any class of shares may, either with the consent in writing of holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of such holders (but not otherwise), be modified or abrogated.

Transfer of shares

Under and subject to the restrictions in the Articles, any shareholder may transfer all or any of their shares in certificated form by transfer in writing in any usual form or in any other form which the Board may approve. The Board may, save in certain circumstances, refuse to register any transfer of a certificated share not fully paid up. The Board may also refuse to register any transfer of certificated shares unless it is:

- in respect of only one class of shares;
- in favour of no more than four transferees;
- duly stamped or exempt from stamp duty;
- delivered to the office or at such other place as the Board may decide for registration; and
- accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to show the right of the intending transferor to transfer the shares.

Authority to purchase own shares

At the 2019 AGM, shareholders gave the Company authority to purchase up to the nominal value of ordinary shares of £109,204 of its own ordinary shares, representing 10% of its issued ordinary share capital. No purchases have been made pursuant to this authority and a resolution will be put to shareholders at the 2020 AGM to renew the authority for a further period of one year.

Repurchase of shares

Subject to the provisions of the Companies Act and to any rights conferred on the holders of any class of shares, the Company may purchase all or any of its shares of any class, including any redeemable shares.

Appointment and replacement of Directors

The Directors shall not, unless otherwise determined by an ordinary resolution of the Company, be less than three or more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board.

A Director appointed by the Board shall retire from office at the next AGM of the Company but shall then be eligible for reappointment. The Board may appoint one or more Directors to hold any office or employment with the Company for such period (subject to the Companies Act requirements) and on such terms as it may decide and may revoke or terminate any such appointment. At each AGM any Director who has been appointed by the Board since the previous AGM and any Director selected to retire by rotation shall retire from office. At each AGM, one-third of the Directors are required to retire by rotation or, if the number is not an integral multiple of three, the number nearest to one-third but not exceeding one-third. In addition, any Director who has been a Director at the preceding two AGMs is required to retire by rotation, provided that they were not appointed or reappointed at either such AGM or ceased to be a Director and been reappointed since either such AGM. Notwithstanding this, the Board has determined that all Directors will be subject to annual re-election by shareholders at each AGM.

The Company may, by ordinary resolution of which special notice has been given in accordance with the Companies Act, remove any Director before their period of office has expired notwithstanding anything in the Articles or in any agreement between that Director and the Company.

A Director may also be removed from office by the service of a notice to that effect signed by or on behalf of all the other Directors, being not less than three in number.

Powers of the Directors

The business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to the provisions of the Articles and any ordinary resolution of the Company. The Articles specify that the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertakings, property and assets and uncalled capital and to issue debentures and other securities, subject to the provisions of the Articles.

Takeovers and significant agreements

The Company is party to the following significant agreements that take effect, alter or terminate on a change of control of the Company following a takeover bid:

- the Company's share schemes and plans;
- the Company's payment guarantee bonds except with prior written consent from the bond provider; and
- the revolving credit facility whereby upon a "change of control" all amounts become due and payable.

Information rights

Beneficial owners of shares who have been nominated by the registered holder of those shares to enjoy information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares, rather than to the Company's registrars or to the Company directly.

Disclosure of information to auditors

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 auditors are unaware, and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

As set out on page 61, the auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the next AGM on 3 December 2020.

Annual General Meeting

The Notice of the AGM to be held on 3 December 2020, together with details of the Resolutions to be considered, will be sent out in a separate circular. Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM will be set out in the Notice of the AGM.

By order of the Board

Leanne Johnson
Company Secretary
13 September 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Annual Report on Remuneration comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

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

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

By order of the Board

James Thomson
Director
13 September 2020

Stefan Allanson
Director

we build to order

Kings Park, Doncaster, South Yorkshire


meals
AND
memories
ARE
MADE HERE
HOME
Sweet
HOME

Report on the audit of the financial statements

Opinion

In our opinion, MJ Gleeson plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 June 2020 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2020; the consolidated income statement and consolidated statement of comprehensive income, the statement of cash flows, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

We have provided no non-audit services to the group or the company in the period from 1 July 2019 to 30 June 2020.

Our audit approach

Overview

- Overall group materiality: £1,405,000 (2019: £2,060,000), based on 5% of a three year average of profit before tax (2019: profit before tax).
- Overall company materiality: £1,334,750 (2019: £1,264,000), based on 1% of total assets, capped at a component materiality level.

- 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)
- Impact of Covid-19 (Group and company)
- Carrying value of investments (Company)

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of health and safety and breaches of the relevant tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to improve the group's result for the period, and management bias in key accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

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

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Carrying value of land and work in progress (Group) We focused upon this area because the value of the Group's land and work in progress represent a significant proportion of assets in the Group statement of financial position. Further, determining the recoverable amount of land and work in progress requires a high degree of estimation. For work in progress in Gleeson Homes, the key judgements include forecasting future costs to complete and selling prices which can be affected by market conditions and unexpected events. In Gleeson Strategic Land, the valuation of work in progress requires judgement regarding the future viability of each project. Based upon this assessment, it may be necessary to record provisions to determine the final carrying value of work in progress for each site.	For land and work in progress in Gleeson Homes, we: • Assessed the adequacy of controls over the authorisation and recording of costs, including testing of controls over the allocation of costs to the correct sites. • Visited a sample of sites to confirm the existence and condition of the work in progress, and also to evaluate the reasonableness of the assessment of stage of completion. • Attendance at a sample of quarterly valuation meetings to evidence controls and procedures undertaken and judgements made as part of the valuation process. • Tested and agreed a sample of land and work in progress costs incurred during the year, including land additions and build costs, to supporting evidence as well as reviewing the proportion of that expenditure recognised as a cost of sale in the year in respect of units sold. • Tested the percentage completion of units across a sample of sites and checked that forecasts have been appropriately updated for expected costs and selling prices to completion. We also assessed the level of gross margins achieved against those recorded previously and future forecasts. • Assessed the historical accuracy of management's forecasting. • Tested forecast costs to complete, including forecast preliminary costs, to supporting documentation for a sample of sites. • Performed an independent assessment of cost accruals and build contingency via enquiry and corroboration to supporting evidence. For work in progress in Gleeson Strategic Land, we: • Tested a sample of costs incurred during the year. • Tested the transfer from work in progress to cost of sales for those sites sold during the year. • Discussed and challenged the status of a sample of projects with management and corroborated explanations received. • Recalculated the provision made by management against year-end work in progress by applying the Group's provisioning methodology. Based on the procedures performed we did not identify any material adjustments to the carrying value of the Group's land and work in progress at year end.

Key audit matter	How our audit addressed the key audit matter
Impact of Covid-19 (Group & company) Refer to the Viability statement on page 62 and note 1 (Going concern). The ongoing Covid-19 pandemic is having a significant impact on the UK economy in which the Group operates. As a result, the Group and Company have faced operational challenges and there remains significant uncertainty as to the duration of the pandemic and what its lasting impact will be on the economy. The pandemic was a present condition at 30 June 2020 and has subsequently continued to change. The Directors have considered the potential impact of the evolving pandemic across the business and on the financial statements. The Directors have considered the impact on the carrying value of the Company's investments for any potential impairment as a result of the ongoing pandemic, and also the carrying value of land and work in progress. In relation to the Group's going concern assessment, the Directors have considered the implications of Covid-19 and have undertaken an assessment including a review of the anticipated performance and forecast future cash flows of the Group and the potential ongoing impact of the ongoing pandemic. To support this assessment, the Directors have prepared a Board approved July budget and cashflow forecast for the three year period to 30 June 2023 reflecting what they expect the impact of the Covid-19 pandemic to be. They have stress tested the cash flow forecasts reflecting what they consider to be a severe yet plausible downside scenario resulting from the consequences of Covid-19 as described in the going concern statement on page 93. The Group has sought and agreed a waiver for certain covenant test dates in the next 12 months. The outcome of management's assessment is that, in their view, it remains appropriate to prepare the Group and Company financial statements on a going concern basis.	We have considered the carrying value of Company investments within the specific key audit matter; Carrying value of investments, and the carrying value of land and work in progress within the specific key audit matter: Carrying value of land and work in progress. We have re-evaluated our risk assessment, including the going concern risk of the Group. Based on the Directors' assessment and our audit procedures thereon as described below, we consider our original risk assessment to remain appropriate and therefore consider going concern to be a normal risk for the Group. In assessing management's consideration of the potential impact on the Group going concern assessment of Covid-19, we have undertaken the following audit procedures: • We obtained from management their latest forecasts that support the Board's assessment and conclusions with respect to the going concern basis of preparation of the financial statements. • We assessed the management accounts for the financial year to date and checked that these were consistent with the starting point of management's forecasts. We also checked the arithmetical accuracy of management's forecasts. • We evaluated management's Board approved July budget and cashflow forecast and severe yet plausible downside scenario for the period to 30 December 2021. We challenged the adequacy and appropriateness of the underlying assumptions and significant forecast cashflows. • We understood the mitigating actions taken by management to date, and confirmed the available mitigating actions in management's model are within their control and can be taken on a timely basis, if needed. • We evaluated the level of forecast liquidity and forecast compliance with the bank facility covenants, which included further downside sensitivity to management's severe but plausible downside and agreed to source documentation. Our findings and conclusions in respect of going concern are set out in the 'Going concern' section below. We have evaluated management's disclosures in the financial statements in relation to Covid-19 and are satisfied that they are consistent with the risks affecting the Group, their impact assessment and the procedures that we have performed.
Carrying value of investments (Company) We focused upon this area because of the size of the balance and the significant judgement required in determining the carrying value. The key judgement is the underlying cash generation and profitability of the group as a whole which can be affected by market conditions and unexpected events, including the Covid-19 pandemic.	We compared the carrying value of the investments and the intercompany receivables as at 30 June 2020 to the subsidiary's net assets and assessed the future cash flows of the subsidiaries. We also assessed the market capitalisation of the Company as at 30 June 2020. Based on this work we are satisfied that the carrying value of the investments held by the company are supported.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is organised into two main operating divisions being Gleeson Homes and Gleeson Strategic Land, and each operating division represents a single reporting unit.

The Group financial statements are a consolidation of these 2 reporting units, the Group's discontinued operations, and the Group's central entities which include a further 3 reporting units.

Of the Group's 6 reporting units, we identified 4 which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics.

This, together with additional procedures performed on the Group's remaining centralised functions, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

All work was performed by the Group audit team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£1,405,000 (2019: £2,060,000).	£1,334,750 (2019: £1,264,000).
How we determined it	5% of a three year average of profit before tax (2019: 5% of profit before tax).	1% of total assets, capped at a component materiality level, as noted below.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, profit before tax is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark. Due to the impact on this benchmark in FY20 caused by the Covid-19 pandemic a three year average has been utilised.	We believe total assets is the primary measure used by shareholders in assessing the performance of the entity.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £53,149 and £1,344,750. 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 £70,250 (Group audit) (2019: £103,000) and £66,738 (Company audit) (2019: £63,200) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

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

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

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

- The directors' confirmation on page 62 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 62 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Other Code Provisions
We have nothing to report in respect of our responsibility to report when:
- The statement given by the directors, on page 59, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on pages 58 to 61 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 14 November 2016 to audit the financial statements for the year ended 30 June 2017 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 30 June 2017 to 30 June 2020.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
13 September 2020

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 £000	2019 £000
Continuing operations			
Revenue	2	**147,181**	249,899
Cost of sales		**(106,744)**	(174,936)
Gross profit		**40,437**	74,963
Impairment losses	12	**(257)**	–
Administrative expenses		**(34,533)**	(34,256)
Other operating income	5	**282**	292
Operating profit		**5,929**	40,999
Finance income	7	**708**	906
Finance expenses	7	**(1,071)**	(693)
Profit before tax		**5,566**	41,212
Tax	8	**(758)**	(7,648)
Profit for the year from continuing operations		**4,808**	33,564
Discontinued operations			
Loss for the year from discontinued operations (net of tax)	3	**(289)**	(297)
Profit for the year attributable to the equity holders of the parent		**4,519**	33,267
Earnings per share from continuing and discontinued operations			
Basic	10	**8.13 p**	60.97 p
Diluted	10	**8.04 p**	59.84 p
Earnings per share from continuing operations			
Basic	10	**8.65 p**	61.51 p
Diluted	10	**8.55 p**	60.37 p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 £000	2019 £000
Profit for the year		**4,519**	33,267
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Change in value of shared equity receivables at fair value	16	**13**	131
Movement in tax on share-based payments taken directly to equity	8	**265**	240
Other comprehensive income for the year, net of tax		**278**	371
Total comprehensive income for the year		**4,797**	33,638

The notes on pages 93 to 113 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2020

		Group		Company	
	Note	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Non-current assets					
Property, plant and equipment	11	**5,913**	2,343	**–**	1
Investment properties	12	**–**	257	**–**	–
Investments in subsidiaries	13	**–**	–	**100,800**	100,800
Trade and other receivables	15	**12,238**	16,759	**–**	–
Deferred tax assets	21	**2,176**	2,659	**331**	239
		20,327	22,018	**101,131**	101,040
Current assets					
Inventories	14	**216,336**	183,121	**–**	–
Trade and other receivables	15	**8,328**	45,795	**73,930**	21,666
Cash and cash equivalents	23	**76,807**	30,306	**15,313**	1,058
UK corporation tax		**253**	–	**133**	3,027
		301,724	259,222	**89,376**	25,751
Total assets		**322,051**	281,240	**190,507**	126,791
Non-current liabilities					
Trade and other payables	17	**(11,866)**	(8,774)	**–**	–
Provisions	19	**(200)**	(130)	**–**	–
		(12,066)	(8,904)	**–**	–
Current liabilities					
Loans and borrowings	18	**(60,000)**	–	**(60,000)**	–
Trade and other payables	17	**(37,365)**	(65,068)	**(66,873)**	(63,358)
Provisions	19	**(15)**	–	**–**	–
UK corporation tax		**–**	(3,372)	**–**	–
		(97,380)	(68,440)	**(126,873)**	(63,358)
Total liabilities		**(109,446)**	(77,344)	**(126,873)**	(63,358)
Net assets		**212,605**	203,896	**63,634**	63,433
Equity					
Share capital	25	**1,161**	1,092	**1,161**	1,092
Share premium		**15,843**	–	**15,843**	–
Retained earnings		**195,601**	202,804	**46,630**	62,341
Total equity		**212,605**	203,896	**63,634**	63,433

Retained earnings of the Company
The loss of the Company in the financial year amounted to £3,891,000 (2019: £2,319,000).

The financial statements on pages 88 to 113 were approved by the Board of Directors on 13 September 2020 and signed on its behalf by:

James Thomson
Director

Stefan Allanson
Director

Registration number: 9268016

The notes on pages 93 to 113 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

Group	Note	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 July 2018		1,092	–	187,007	188,099
Total comprehensive income for the year					
Profit for the year		–	–	33,267	33,267
Other comprehensive income		–	–	371	371
Total comprehensive income for the year		–	–	33,638	33,638
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Sale of own shares		–	–	32	32
Share-based payments	26	–	–	960	960
Dividends	9	–	–	(18,833)	(18,833)
Transactions with owners, recorded directly in equity		–	–	(17,841)	(17,841)
At 30 June 2019		1,092	–	202,804	203,896
Adjustment on adoption of IFRS 16 on 1 July 2019	29	–	–	(87)	(87)
Total comprehensive income for the year					
Profit for the year		**–**	**–**	**4,519**	**4,519**
Other comprehensive income		**–**	**–**	**278**	**278**
Total comprehensive income for the year		**–**	**–**	**4,797**	**4,797**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue	**25**	**69**	**15,843**	**–**	**15,912**
Purchase of own shares		**–**	**–**	**(63)**	**(63)**
Share-based payments	**26**	**–**	**–**	**717**	**717**
Dividends	**9**	**–**	**–**	**(12,567)**	**(12,567)**
Transactions with owners, recorded directly in equity		**69**	**15,843**	**(11,913)**	**3,999**
At 30 June 2020		**1,161**	**15,843**	**195,601**	**212,605**

Company	Note	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 July 2018		1,092	–	82,518	83,610
Total comprehensive expense for the year					
Loss for the year		–	–	(2,319)	(2,319)
Other comprehensive income		–	–	57	57
Total comprehensive expense for the year		–	–	(2,262)	(2,262)
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Purchase of own shares		–	–	(42)	(42)
Share-based payments	26	–	–	960	960
Dividends	9	–	–	(18,833)	(18,833)
Transactions with owners, recorded directly in equity		–	–	(17,915)	(17,915)
At 30 June 2019		1,092	–	62,341	63,433
Total comprehensive expense for the year					
Loss for the year		**–**	**–**	**(3,891)**	**(3,891)**
Other comprehensive income		**–**	**–**	**67**	**67**
Total comprehensive expense for the year		**–**	**–**	**(3,824)**	**(3,824)**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue	**25**	**69**	**15,843**	**–**	**15,912**
Purchase of own shares		**–**	**–**	**(37)**	**(37)**
Share-based payments	**26**	**–**	**–**	**717**	**717**
Dividends	**9**	**–**	**–**	**(12,567)**	**(12,567)**
Transactions with owners, recorded directly in equity		**69**	**15,843**	**(11,887)**	**4,025**
At 30 June 2020		**1,161**	**15,843**	**46,630**	**63,634**

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Operating activities					
Profit/(loss) before tax from continuing operations		**5,566**	41,212	**(3,915)**	(2,373)
Loss before tax from discontinued operations	3	**(307)**	(264)	**–**	–
		5,259	40,948	**(3,915)**	(2,373)
Depreciation of property, plant and equipment	11	**2,289**	1,108	**1**	–
Share-based payments	26	**717**	960	**717**	960
Profit on redemption of shared equity receivables	16	**(223)**	(226)	**–**	–
Loss on disposal of property, plant and equipment	11	**254**	152	**–**	–
Impairment of investment properties	12	**257**	–	**–**	–
Finance income	7	**(708)**	(906)	**(37)**	(37)
Finance expenses	7	**1,071**	693	**692**	328
Operating cash flows before movements in working capital		**8,916**	42,729	**(2,542)**	(1,122)
Increase in inventories		**(33,215)**	(22,604)	**–**	–
Decrease/(increase) in receivables		**42,207**	(27,133)	**(27)**	(37)
(Decrease)/increase in payables		**(28,236)**	21,820	**189**	(143)
(Increase)/decrease in amounts due from subsidiary undertakings		**–**	–	**(51,837)**	16,663
Increase in amounts due to subsidiary undertakings		**–**	–	**9,442**	2,315
Cash (used)/generated in operating activities		**(10,328)**	14,812	**(44,775)**	17,676
Tax received		**–**	37	**–**	37
Tax paid		**(3,596)**	(5,944)	**(3,596)**	(5,944)
Finance costs paid		**(728)**	(314)	**(719)**	(344)
Net cash flow (deficit)/surplus from operating activities		**(14,652)**	8,591	**(49,090)**	11,425
Investing activities					
Proceeds from disposal of shared equity receivables		**1,065**	995	**–**	–
Proceeds from disposal of investment properties		**–**	1	**–**	–
Interest received		**64**	72	**37**	35
Purchase of property, plant and equipment	11	**(2,410)**	(1,866)	**–**	(1)
Net cash flow (deficit)/surplus from investing activities		**(1,281)**	(798)	**37**	34
Financing activities					
Increase in loans and borrowings	18	**60,000**	–	**60,000**	–
Net proceeds from issue of shares		**15,912**	–	**15,912**	–
(Purchase)/sale of own shares		**(63)**	32	**(37)**	(42)
Dividends paid	9	**(12,567)**	(18,833)	**(12,567)**	(18,833)
Principal element of lease payments		**(848)**	–	**–**	–
Net cash flow surplus/(deficit) from financing activities		**62,434**	(18,801)	**63,308**	(18,875)
Net increase/(decrease) in cash and cash equivalents		**46,501**	(11,008)	**14,255**	(7,416)
Cash and cash equivalents at beginning of year		**30,306**	41,314	**1,058**	8,474
Cash and cash equivalents at end of year	23	**76,807**	30,306	**15,313**	1,058

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 consolidated financial statements have been prepared on a going concern basis and under the historical cost convention, except as otherwise stated below.

The principal accounting policies set out below have been applied consistently to all periods presented in these financial statements with the exception of the accounting policy for leases following the implementation of IFRS 16 "Leases". Further details can be found in note 29.

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently a statement of comprehensive income of the Company is not presented as part of these financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all of its subsidiary undertakings (together referred to as "the Group").

Going concern

During the year, the Group took a number of actions in response to the Covid-19 pandemic in order to protect liquidity. This included cancellation of the interim dividend, pausing build activity and land acquisition, cutting discretionary spend and implementing temporary pay cuts.

The Group also took the prudent step of drawing £60m of its £70m revolving credit facility, which remained fully drawn at year end resulting in a cash balance of £76.8m. In addition, the Group has a £10m overdraft facility which remained unutilised. In April 2020, the Group also completed a successful placing of shares that raised £15.9m after fees.

Current forecasts are based on the latest three-year budget approved by the Board in July 2020. This incorporated the impact of Covid-19 on current operations and reflected a cautious view on recovery with a corresponding impact on volumes and selling prices.

These forecasts were then subject to a range of sensitivities including a severe but plausible scenario together with the likely effectiveness of mitigating actions. The assessment considered the impact of a number of realistically possible, but severe and prolonged, changes to principal assumptions including:

- second Covid-19 lockdown during which time minimal activity occurs;
- reduction in Gleeson Homes volumes of approximately 20%;
- reduction in Gleeson Homes selling prices by 7.5%; and
- prolonged impact on the timing of Gleeson Strategic Land transactions and land values.

Under these sensitivities, after taking mitigating actions, the Group continues to have a sufficient level of liquidity to continue in operation and meet its liabilities as they fall due.

The Group's bank facilities contain a covenant relating to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to interest costs (interest cover) together with a covenant relating to the ratio of net debt to EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) on a 12-month rolling basis. As a result of the financial modelling and risks to profitability against the budget, the Group has sought and agreed a waiver for certain covenant test dates in the next 12 months. In their place a liquidity covenant has been introduced.

Based on the results of the analysis undertaken and the covenant waiver agreed with the bank, the Directors have a reasonable expectation that the Company and the Group have adequate resources available to continue in operation for the foreseeable future and operate in compliance with their bank facilities. As such, the financial statements for the Company and the Group have been prepared on a going concern basis.

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.

1 Accounting policies *CONTINUED*

Revenue recognition

Revenue represents the fair value of the consideration received or receivable in respect of the sale of homes and land net of VAT and discounts which is based on an underlying signed legal agreement. Revenue is recognised when control transfers to a customer as follows:

- Revenue from the sale of homes is a single performance obligation which is satisfied when control is transferred to the customer, which is deemed to be on legal completion when title of the property passes to the customer. Where deposit and exchange funds are received in advance, no revenue is recognised until legal completion occurs and the remaining funds are received.
- Revenue from land sales is typically a single performance obligation which is satisfied at the earlier of when contracts to sell are completed and title has passed or when unconditional contracts to sell are exchanged and control has passed to the customer. Variable consideration such as overages are not recognised until the point at which it is considered highly probable that there will not be a significant future reversal, which typically occurs when the amount is agreed by both parties. Payment terms vary by land sale; where deferred receipts exceed one year from completion, the transaction price is adjusted to reflect the time value of money.

The Group has adopted the practical expedient allowed under IFRS 15 that states an entity need not adjust the amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. All segment 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 property, plant and equipment.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed of or has been abandoned. Discontinued operations are presented in the consolidated income statement (including the comparative period) as a single line entry recording the gain or loss of the discontinued operation.

Finance income and expenses

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

Finance expenses comprise interest and fees on bank facilities, leases and the unwinding of discounts on deferred payments. Also included are the amortisation of fees associated with the arrangement of the financing. Interest expense is recognised in the consolidated income statement using the effective interest method.

Government grants

Grants are credited to the consolidated income statement over the period of time in which the conditions are satisfied. Grants are deducted from the related expense within cost of sales or administrative expenses in the consolidated income statement.

Leasing

As set out in note 29, IFRS 16 "Leases" applied to the Group from 1 July 2019 replacing IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease".

The Group assesses whether a contract is, or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses an incremental borrowing rate which is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability, plus any initial direct costs and an estimate of asset retirement obligations, less any lease incentives. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis over the length of the lease.

The Group applies IAS 36 "Impairment of assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the Group's impairment accounting policy.

1 Accounting policies *CONTINUED*

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following basis:

Property: over the term of the lease for right-of-use assets
Plant and equipment: between three and six years

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

Investments

Investments are stated at cost less impairment.

Investment properties

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

Inventories

Inventories are valued at the lower of cost and net realisable value and are subject to regular impairment reviews. Inventories comprise all direct costs incurred in bringing the individual inventories to their present state at the reporting date, including direct materials, direct labour costs and related overheads, less the value of any impairment losses.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Deferred land purchases are included in inventories at their net present value.

Shared equity receivables

Shared equity receivables are loans offered to certain customers to assist in the purchase of their home. Shared equity receivables are recorded at fair value through other comprehensive income (“OCI”), representing the amount receivable by the Group discounted to present day values. The difference between the nominal value and the initial fair value is credited over the deferred term to finance income, with the financial asset increasing to its full cash settlement value on the anticipated receipt date. The Group holds a second charge over property sold under shared equity schemes. Changes in the fair value of shared equity receivables are recognised in other comprehensive income. Interest calculated using the effective interest method and impairment losses on shared equity receivables are recognised in the consolidated income statement.

Trade receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and cash held in solicitors’ client accounts on the Group’s behalf and are subject to an insignificant risk of changes in value.

Impairment: financial assets

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

Impairment: non-financial assets

The carrying amounts of the Group’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

1 Accounting policies *CONTINUED*

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Loans and borrowings

Interest bearing bank loans are initially measured at fair value (being proceeds received, net of direct issue costs) and are subsequently measured at amortised cost. Capitalised finance costs are held in other receivables and amortised over the period of the facility.

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 or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the values used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Employee benefits

Defined contribution pension plans

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

Share options

Share option schemes allow employees to acquire shares in the ultimate Parent Company. The fair value of options granted is recognised as an employee expense, with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become entitled to the options. The fair value of the options granted is measured using generally accepted option pricing models, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is due only to performance conditions not being met. These awards are granted by the ultimate Parent Company and the cost of the share-based award relating to each subsidiary is calculated, based on an appropriate apportionment, at the date of grant and recharged through intercompany.

Own shares held by Employee Benefit Trusts

The Group has elected to treat the Employee Benefit Trusts (“EBT”), which hold shares for the purpose of the employee share purchase plans, as separate legal entities and as subsidiaries of the Company. Any loan made to the EBT is accounted for as an intercompany loan with the Company. These shares are not treasury shares as defined by the London Stock Exchange.

Dividends

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

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty at the balance sheet date are:

Inventories (land and work in progress)

Inventories are stated at the lower of cost and net realisable value. The assessment of net realisable value is performed on a site-by-site basis taking into account an estimation of costs to complete and remaining revenue. These are carried out at regular intervals throughout the year, during which site development costs are allocated between units built in the current year and those to be built in future years. These assessments include a degree of inherent uncertainty when estimating the profitability of a site and in assessing any impairment provisions which may be required.

Shared equity receivables

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

1 Accounting policies *CONTINUED*

Adoption of new and revised standards

For the year ended 30 June 2020, the Group has applied the following new and revised standards that were mandatorily effective for an accounting period beginning on or after 1 January 2019.

IFRS 16	"Leases" (issued January 2016)
IFRS 9 (Amended)	"Financial instruments" (issued October 2017)
Annual improvements	Issued 2015 – 2017 (issued December 2017)

Note 29 sets out the impact of IFRS 16 "Leases". The adoption of the remaining standards and amendments has not had any material impact on the disclosures or amounts reported in these financial statements.

Standards not yet applied

There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not been adopted by the Company in preparing the financial statements for the year ended 30 June 2020:

IFRS 3	"Business Combinations" (amended 2018)
IFRS 9, IAS 39 and IFRS 17	"Interest Rate Benchmark Reform" (issued 2019)
IAS 1 and IAS 8	"Definition of Material" (issued 2018)
IAS 1	"Classification of Liabilities" (issued 2020)
Amendments to References to the Conceptual Framework in IFRS Standards (issued 2018)	

The application of the standards and interpretations not yet applied is not expected to have a material impact on the Group and Company's financial performance or position, or give rise to additional disclosures in the financial statements.

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	2020 £000	2019 £000
Revenue			
Continuing activities:			
Gleeson Homes		**140,860**	197,034
Gleeson Strategic Land		**6,321**	52,865
Total revenue		**147,181**	249,899
Divisional operating profit			
Gleeson Homes		**8,960**	30,068
Gleeson Strategic Land		**229**	13,013
		9,189	43,081
Group administrative expenses		**(3,260)**	(2,082)
Finance income		**708**	906
Finance expenses		**(1,071)**	(693)
Profit before tax		**5,566**	41,212
Tax		**(758)**	(7,648)
Profit for the year from continuing operations		**4,808**	33,564
Loss for the year from discontinued operations (net of tax)	3	**(289)**	(297)
Profit for the year		**4,519**	33,267

The revenue in the Gleeson Homes segment primarily relates to the sale of residential properties. In addition, within revenue for Gleeson Homes is £510,000 relating to land sales (2019: £nil). All revenue for the Gleeson Strategic Land segment is in relation to the sale of land interests. There are no revenues relating to Group activities.

No single customer accounts for more than 10% of revenue (2019: £26,521,000 from one single customer).

2 Segmental analysis *CONTINUED*

Balance sheet analysis of business segments:

	2020			2019		
	Assets £000	Liabilities £000	Net assets £000	Assets £000	Liabilities £000	Net assets £000
Gleeson Homes	**198,201**	**(37,082)**	**161,119**	171,608	(41,755)	129,853
Gleeson Strategic Land	**45,902**	**(9,831)**	**36,071**	78,861	(33,520)	45,341
Group activities/discontinued operations	**1,141**	**(2,533)**	**(1,392)**	465	(2,069)	(1,604)
Net cash/(borrowings)	**76,807**	**(60,000)**	**16,807**	30,306	–	30,306
	322,051	**(109,446)**	**212,605**	281,240	(77,344)	203,896

Other information:

	2020		2019	
	Capital additions £000	Depreciation £000	Capital additions £000	Depreciation £000
Continuing operations:				
Gleeson Homes	**2,397**	**2,182**	1,838	1,096
Gleeson Strategic Land	**13**	**106**	27	11
Group activities	**–**	**1**	1	1
	2,410	**2,289**	1,866	1,108

3 Discontinued operations

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

	Note	2020 £000	2019 £000
Revenue		**–**	–
Cost of sales		**–**	–
Gross loss		**–**	–
Administrative expenses		**(307)**	(264)
Operating loss		**(307)**	(264)
Loss before tax		**(307)**	(264)
Tax	8	**18**	(33)
Loss for the year from discontinued operations		**(289)**	(297)

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

	2020 £000	2019 £000
Operating activities	**(409)**	(361)

4 Expenses and auditors' remuneration

Profit for the year is stated after charging:

	Note	2020 £000	2019 £000
Staff costs	6	**27,193**	29,922
Depreciation of property, plant and equipment	11	**2,289**	1,108
Impairment of investment properties	12	**257**	–
Loss on disposal of property, plant and equipment	11	**255**	152
Operating lease expenses	22	**–**	745
Auditors' remuneration:			
Audit of these financial statements		**115**	81
Audit of financial statements of subsidiaries pursuant to legislation		**40**	19

5 Other operating income

	Note	2020 £000	2019 £000
Profit on redemption of shared equity receivables	16	**223**	226
Other operating income		**59**	66
		282	292

6 Staff costs

		Group		Company	
	Note	2020 £000	2019 £000	2020 £000	2019 £000
Wages and salaries		**22,499**	24,840	**1,498**	866
Redundancy		**274**	–	**–**	–
Share-based payments	26	**717**	960	**403**	230
Social security costs		**2,677**	3,113	**294**	214
Other pension costs	20	**1,026**	1,009	**84**	66
		27,193	29,922	**2,279**	1,376

Included within staff costs is £1,381,000 of furlough grant income from the Government's Job Retention Scheme introduced in response to the Covid-19 pandemic. Redundancy costs relate to an internal reorganisation of our regional structure and our sales team.

The monthly average number of employees during the year was:

	Group	
	2020 No.	2019 No.
Gleeson Homes	**572**	535
Gleeson Strategic Land	**15**	13
Group activities	**3**	2
	590	550

The monthly average number of Company employees and Non-Executive Directors during the year was nine (2019: six).

Key management remuneration

Key management personnel, as defined under IAS 24 "Related party disclosures", have been identified as the Board of Directors, as the controls operated by the Group ensure that all key decisions are reserved for the Board. Full details of the Directors' remuneration, including amounts paid to the former Chief Executive Officer, are provided in the audited part of the Annual Report on Remuneration on pages 67 to 71.

7 Finance income and expenses

	2020 £000	2019 £000
Finance income		
Interest on bank deposits	**37**	36
Unwinding of discount on long-term receivables	**640**	843
Other interest	**31**	27
	708	906
Finance expenses		
Interest on bank overdrafts and loans	**(430)**	(53)
Bank facility charges	**(262)**	(275)
Unwinding of discount on long-term payables	**(256)**	(351)
Unwinding of discount on lease liabilities	**(119)**	–
Other external interest	**(4)**	(14)
	(1,071)	(693)
Net finance (expense)/income	**(363)**	213

8 Tax

		Group					
		Continuing operations		Discontinued operations		Total	
	Note	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Current tax							
Current year expense		**647**	6,397	**–**	–	**647**	6,397
Adjustment in respect of prior years		**91**	(28)	**–**	–	**91**	(28)
Current tax expense for the year		**738**	6,369	**–**	–	**738**	6,369
Deferred tax							
Current year (income)/expense	21	**(7)**	1,350	**–**	37	**(7)**	1,387
Adjustment in respect of prior years	21	**113**	(118)	**–**	–	**113**	(118)
Impact of rate change	21	**(86)**	47	**(18)**	(4)	**(104)**	43
Deferred tax expense/(credit) for the year		**20**	1,279	**(18)**	33	**2**	1,312
Total tax charge/(credit)		**758**	7,648	**(18)**	33	**740**	7,681

Corporation tax has been calculated at 14.1% of assessable profit for the year (2019: 18.8%). The applicable UK corporation tax rate is 19%, which has been effective from 1 April 2017.

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

		2020		2019	
	Note	**£000**	**%**	£000	%
Profit before tax from continuing operations		**5,566**		41,212	
Loss before tax from discontinued operations	3	**(307)**		(264)	
Profit before tax		**5,259**		40,948	
Profit before tax multiplied by the standard rate of UK corporation tax 19% (2019: 19%)		**999**	**19.0**	7,780	19.0
Tax effect of:					
Expenses not deductible for tax purposes		**7**	**0.1**	4	–
Relief for share-based payments		**7**	**0.1**	–	–
Non-qualifying depreciation		**19**	**0.4**	–	–
Land remediation relief		**(182)**	**(3.5)**	–	–
Impact of change in tax rate		**(105)**	**(2.0)**	–	–
Impact of rate differences		**–**	**–**	43	0.1
Adjustments in respect of prior years — current tax		**(118)**	**(2.2)**	(28)	–
Adjustments in respect of prior years — deferred tax	21	**113**	**2.2**	(118)	(0.3)
Total tax charge and effective tax rate for the year		**740**	**14.1**	7,681	18.8

The difference between the headline rate of 19% and effective tax rate of 14.1% is primarily driven by Land Remediation Relief that the Group is eligible to claim in relation to the remediation of contaminated land (-3.5%). The remaining differences relate to an increase in the rate at which deferred tax is recognised. Deferred tax on temporary differences were previously recognised at a rate of 17% but are now recognised at a rate of 19% based on the rate substantively enacted at the balance sheet date (-2.0%), and other timing differences (+0.6%).

		Group		Company	
	Note	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Current tax related to equity-settled share-based payments		**767**	–	**112**	–
Deferred tax related to equity-settled share-based payments	21	**(502)**	240	**(45)**	57
Total tax recognised directly in other comprehensive income		**265**	240	**67**	57

9 Dividends

	2020 £000	2019 £000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 June 2020 of £nil (2019: 11.5p) per share	–	6,278
Final dividend for the year ended 30 June 2019 of 23.0p (2018: 23.0p) per share	**12,567**	12,555
	12,567	18,833

There are no dividends paid or proposed for the year ended 30 June 2020 (2019: 34.5p).

10 Earnings per share

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

Earnings	2020 £000	2019 £000
Profit from continuing operations	**4,808**	33,564
Loss from discontinued operations	**(289)**	(297)
Profit for the purposes of basic and diluted earnings per share	**4,519**	33,267

Number of shares	2020 No. 000	2019 No. 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**55,583**	54,566
Effect of dilutive potential ordinary shares:		
Share-based payments	**625**	1,027
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**56,208**	55,593

Continuing operations	2020 p	2019 p
Basic earnings per share	**8.65**	61.51
Diluted earnings per share	**8.55**	60.37

Discontinued operations	2020 p	2019 p
Basic loss per share	**(0.52)**	(0.54)
Diluted loss per share	**(0.51)**	(0.53)

Continuing and discontinued operations	2020 p	2019 p
Basic earnings per share	**8.13**	60.97
Diluted earnings per share	**8.04**	59.84

11 Property, plant and equipment

	Group			Company
	Property £000	Plant and equipment £000	Total £000	Plant and equipment £000
Cost or valuation				
At 1 July 2018	–	5,392	5,392	14
Additions	–	1,866	1,866	1
Disposals	–	(625)	(625)	(14)
At 30 June 2019	**–**	**6,633**	**6,633**	**1**
Initial recognition of right-of-use assets at 1 July 2019	**2,868**	**551**	**3,419**	**–**
Additions	**–**	**2,410**	**2,410**	**–**
New leases entered in the year	**191**	**93**	**284**	**–**
Disposals	**–**	**(1,994)**	**(1,994)**	**–**
At 30 June 2020	**3,059**	**7,693**	**10,752**	**1**
Accumulated depreciation				
At 1 July 2018	–	3,655	3,655	14
Charge for the year	–	1,108	1,108	–
Disposals	–	(473)	(473)	(14)
At 30 June 2019	**–**	**4,290**	**4,290**	**–**
Charge for the year	**475**	**1,814**	**2,289**	**1**
Disposals	**–**	**(1,740)**	**(1,740)**	**–**
At 30 June 2020	**475**	**4,364**	**4,839**	**1**
Net book value				
At 30 June 2018	–	1,737	1,737	–
At 30 June 2019	–	2,343	2,343	1
At 30 June 2020	**2,584**	**3,329**	**5,913**	–

The Group has recorded a depreciation charge of £2,289,000 (2019: £1,108,000), of which £395,000 (2019: £292,000) has been charged in cost of sales and £1,894,000 (2019: £816,000) in administrative expenses.

At 30 June 2020, the net book value of right-of-use assets was £2,946,000 (2019: £nil), of which £2,584,000 is within property and £362,000 is within plant and equipment. The depreciation charge recorded for right-of-use assets was £761,000 (2019: £nil).

The Company recorded a depreciation charge of £1,000 (2019: £nil).

12 Investment properties

	Group £000
At 1 July 2018	258
Disposals	(1)
At 30 June 2019	**257**
Impairment loss recognised	**(257)**
At 30 June 2020	**–**

Investment properties, which comprise a legacy portfolio of ground rent properties, are stated at fair value based on valuation by the Directors. On the basis that the recoverability of this portfolio, as a whole, is considered less certain, the asset has been impaired in full at 30 June 2020.

13 Investments in subsidiaries

	Company £000
Cost	
At 1 July 2018, 30 June 2019, and 30 June 2020	**100,800**

The Directors have reviewed the carrying value of investments at the balance sheet date, including the impact of Covid-19 on underlying operations, and consider that these remain appropriate.

Principal subsidiary undertakings

The following are the principal subsidiary undertakings of MJ Gleeson plc. MJ Gleeson plc owns 100% of the ordinary share capital of the subsidiaries, all of which are incorporated in England and Wales and operate in the United Kingdom. The registered address for all subsidiary undertakings of MJ Gleeson plc is 6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE.

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

1 Shares held by Gleeson Strategic Land Limited.

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

Company name	Principal activity
MJ Gleeson Group Limited	Intermediate holding company
Gleeson Construction Services Limited[2]	In run off – Construction services
Colroy Limited[3]	Dormant*
Haredon Developments Limited[3]	Dormant*
Gleeson Capital Solutions Limited	Dormant*
Gleeson Classic Homes Limited[1]	Dormant*
Gleeson Homes (Southern) Limited[1]	Dormant*
Gleeson Housing Developments Limited[1]	Dormant*
Gleeson PFI Investments Limited	Dormant*
Gleeson Properties Limited	Dormant*
Gleeson Properties (Kingley) Limited[3]	Dormant*
Gleeson Properties (Petersfield) Limited[3]	Dormant*
Gleeson Services Limited	Dormant*
KW Cannock Properties Limited	Dormant*
MJ Gleeson (International) Limited	Dormant*
MJG (Management) Limited	Dormant*
Oakmill Properties Limited[3]	Dormant*
Sindale Properties Limited[1]	Dormant*

1 Shares held by Gleeson Developments Limited.
2 Shares held by MJ Gleeson Group Limited.
3 Shares held by Gleeson Properties Limited.
* Exempt from audit by virtue of s479A of the Companies Act 2006.

14 Inventories

	Group 2020 £000	Group 2019 £000
Land held for development	**79,941**	70,923
Work in progress	**136,395**	112,198
	216,336	183,121

Net realisable value provisions held against inventories at 30 June 2020 were £5,249,000 (2019: £2,224,000). The cost of inventories recognised as an expense in cost of sales was £107,181,000 (2019: £175,798,000).

Company

The Company held no inventories at 30 June 2020 (2019: £nil).

15 Trade and other receivables

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Trade receivables	**14,328**	55,204	**11**	6
VAT recoverable	**1,358**	2,162	**20**	36
Prepayments and accrued income	**1,212**	752	**457**	19
Shared equity receivables	**3,668**	4,436	**–**	–
Amount due from subsidiary undertakings	**–**	–	**73,442**	21,605
	20,566	62,554	**73,930**	21,666
Non-current	**12,238**	16,759	**–**	–
Current	**8,328**	45,795	**73,930**	21,666
	20,566	62,554	**73,930**	21,666

The Directors consider that the carrying amount of trade and other receivables approximates their fair value and includes an allowance for impairment of trade receivables.

See note 16 for reference to credit risk associated with trade receivables and further disclosures in respect of shared equity receivables.

Amounts due from subsidiary undertakings are unsecured, repayable on demand, and interest free. Expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. No allowance for expected credit losses is deemed necessary in respect of amounts owed by Group undertakings.

Included within non-current receivables is £8,570,000 relating to deferred receivables (2019: £12,323,000) due on the sale of land and £3,668,000 of shared equity receivables (2019: £4,436,000).

16 Financial instruments

Risk exposure

The Company operates a central treasury function providing services to the Group. The treasury function arranges loans and funding, invests any surplus liquidity and manages financial risk. The treasury function is not a profit centre and no speculative trades are permitted or executed. It operates within specific policies, agreed by the Board, to control and monitor financial risk within the Group. Prudent and controlled use of financial instruments is permitted where appropriate.

Cash and cash equivalents

Cash and cash equivalents comprises cash, demand deposits and cash held in solicitors' client accounts on the Group's behalf. The carrying amount of these assets equals their fair value.

Credit risk

The Group's principal financial assets are trade and other receivables and investments.

The Group's and Company's credit risk is primarily attributable to its trade and other receivables. The Group applies a simplified approach in calculating expected credit losses. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The expected credit loss is based on the risk of default estimated by the Group's management based on prior experience, forward-looking assessments of the economic environment and relative counterparty risk. For this purpose, a default is determined to have occurred if the Group becomes aware of evidence that it will not receive all contractual cash flows that are due. The Directors consider that the carrying value of trade receivables approximates to their fair value and no expected credit loss is recognised.

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

At 30 June 2020, the Group's most significant credit risk was with a listed housebuilder and amounted to £10,287,000 (2019: £29,991,000) of the trade and other receivables carrying amount, with the deferred receivables secured by way of first legal charge over the land. The fair value of any land held as security is considered by management to be sufficient in relation to the carrying amount of the receivable to which it relates.

The Group's remaining credit risk is spread over a number of counterparties and customers.

16 Financial instruments *CONTINUED*

Trade receivables ageing

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

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Not past due	**14,182**	51,662	**11**	6
Past due 0–30 days	**88**	1,138	**–**	–
Past due 31–120 days	**–**	4	**–**	–
Past due 121–365 days	**2**	78	**–**	–
Past due more than one year	**152**	2,806	**–**	–
	14,424	55,688	**11**	6

All trade receivables are from UK customers. The amounts due are included at expected realisable value.

Included in trade receivables not past due are £8,570,000 (2019: £12,323,000) receivables due in more than one year.

In addition to the above, the Company has intercompany receivables which are repayable on demand.

The movement in the allowance for impairment of trade receivables during the year was as follows:

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Balance at 1 July	**484**	68	**–**	–
Impairment loss recognised	**–**	416	**–**	–
Release of impairment allowance	**(388)**	–	**–**	–
Balance at 30 June	**96**	484	**–**	–

Trade and other receivables deemed to have no reasonable expectation of recovery following unsuccessful attempts to pursue the debt are written off in the financial statements, but are still subject to enforcement activity. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

Market risk

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

Interest rate risk

The Group closely monitors its exposure to variations in interest rates but has limited exposure. At the year end, the Group had borrowings as set out in note 18. The Group has no other material interest-bearing financial liabilities.

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their weighted average interest rates:

	2020		2019	
	Weighted average interest rate %	**2020 £000**	Weighted average interest rate %	2019 £000
Bank borrowings	**2.42**	**(60,000)**	2.23	–
Bank overdraft	**2.87**	**–**	3.73	–

Based on average net cash balances during the year, a 0.5% (2019: 0.5%) change in interest rates, which the Directors consider to be a reasonably possible change, would affect profitability before tax by £62,000 (2019: £32,000).

16 Financial instruments *CONTINUED*

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	On demand or within 6 months £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
As at 30 June 2020							
Loans and borrowings	**(60,000)**	**(60,000)**	**(60,000)**	**–**	**–**	**–**	**–**
Trade and other payables	**(46,148)**	**(46,378)**	**(35,961)**	**(480)**	**(7,950)**	**(1,987)**	**–**
Lease liabilities	**(3,083)**	**(3,467)**	**(442)**	**(391)**	**(552)**	**(1,329)**	**(753)**
	(109,231)	**(109,845)**	**(96,403)**	**(871)**	**(8,502)**	**(3,316)**	**(753)**
As at 30 June 2019							
Trade and other payables	(73,842)	(74,330)	(58,542)	(5,073)	(8,802)	(1,913)	–
	(73,842)	(74,330)	(58,542)	(5,073)	(8,802)	(1,913)	–

Company

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

Exposure to currency risk

The Group has no direct exposure to foreign currency risk.

Fair values

The fair values of the Group's financial assets and liabilities are not materially different from the carrying values. Shared equity receivables are measured at fair value through other comprehensive income ("FVOCI"). The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Shared equity receivables measured at FVOCI

	Group	
	2020 £000	2019 £000
Balance at 1 July	**4,436**	4,997
Redemptions	**(793)**	(679)
Unwind of discount (finance income)	**61**	77
Fair value movement recognised in other comprehensive income	**(36)**	41
Balance at 30 June	**3,668**	4,436

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

Redemptions in the year of shared equity loans carried at fair value of £793,000 (2019: £679,000) generated a profit on redemption of £223,000 (2019: £226,000) which has been recognised in other operating income in the consolidated income statement.

In addition, a net change in the value of shared equity receivables of £13,000 (2019: £131,000) has been recognised in other comprehensive income. This is made up as follows:

	Group	
	2020 £000	2019 £000
Fair value movement recognised in other comprehensive income	**(36)**	41
Fair value recycled through profit and loss	**49**	90
Total movement recognised in other comprehensive income	**13**	131

16 Financial instruments *CONTINUED*

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

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

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

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

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	**2020** Increase/ (decrease) in fair value £000	2019 Increase/ (decrease) in fair value £000
Forecast regional house price inflation – increase by 1%	**181**	218
Average period to redemption – increase by 1 year	**(204)**	(246)
Discount rate – decrease by 1%	**173**	208

Capital risk management

In line with the disclosure requirements of IAS 1 "Presentation of financial statements", the Group regards its capital as being the equity as shown in the statement of changes in equity.

Note 25 to the financial statements provides details regarding the Company's share capital movements in the year.

The primary objective of the Group's capital management is to ensure that it maintains investor, creditor and market confidence and to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and issue or return capital to shareholders.

Neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements.

17 Trade and other payables

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Trade payables	**25,432**	49,319	**137**	117
Lease liabilities	**3,083**	–	**–**	–
Other taxation and social security	**1,280**	1,438	**48**	52
Contract liabilities	**1,858**	666	**–**	–
Accruals and deferred income	**17,578**	22,419	**1,178**	632
Amount due to subsidiary undertakings	**–**	–	**65,510**	62,557
	49,231	73,842	**66,873**	63,358
Non-current	**11,866**	8,774	**–**	–
Current	**37,365**	65,068	**66,873**	63,358
	49,231	73,842	**66,873**	63,358

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

Included within non-current payables is £9,706,000 relating to deferred payables due on the purchase of land (2019: £8,774,000) and £2,160,000 of lease liabilities (2019: £nil).

Contract liabilities relate to customer deposits and exchange monies that have not yet met the performance obligations to be classified as revenue. Of the prior year balance, £640,000 has been recognised in revenue in the current year as the performance obligations were met.

18 Loans and borrowings

	Group and Company	
	2020 **£000**	2019 £000
Revolving credit facility	**60,000**	–
	60,000	–

The Directors consider that the carrying amount of loans and borrowings approximates their fair value.

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 2020, borrowings covered by these guarantees amount to £60,000,000 (2019: £nil).

These borrowings are secured by a fixed and floating charge over the assets of the Group, and are for a fixed term. Repayment is due at the end of the fixed term unless the borrowings are extended for a further period of time.

19 Provisions

	Group Dilapidations £000
At 1 July 2018	159
Provisions made during the year	20
Provisions released during the year	(49)
At 30 June 2019	**130**
Provisions made during the year	**85**
At 30 June 2020	**215**

	2020 **£000**	2019 £000
Non-current	**200**	130
Current	**15**	–
	215	130

Dilapidations
The dilapidations provision covers the Group's leased property estate. The expected provision needed at the end of each lease is recognised straight-line over the term of the lease. There is no material uncertainty in either the timing or amount.

Company
At 30 June 2020, the Company did not have any provisions (2019: £nil).

20 Employee benefits
Defined contribution pension plan
The Group operates a defined contribution pension plan. The assets of the pension plan are held separately from those of the Group in funds under the control of the trustees.

Group
The total pension cost charged to the consolidated income statement of £1,026,000 (2019: £1,009,000) represents contributions payable to the pension plan by the Group at rates specified in the plan rules. At 30 June 2020, contributions of £154,000 (2019: £132,000) 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 £84,000 (2019: £66,000) represents contributions payable to the defined contribution pension plan by the Company at rates specified in the plan rules.

21 Deferred tax assets

Group

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

	Plant and equipment £000	Losses £000	Short-term timing differences £000	Shared-based payments £000	Total £000
At 1 July 2018	440	2,331	158	802	3,731
Adjustment in respect of prior year	(23)	145	102	(106)	118
(Charge)/credit to income	(89)	(1,704)	233	173	(1,387)
Credit to equity	–	–	–	240	240
Impact of rate change	4	(10)	(25)	(12)	(43)
At 30 June 2019	**332**	**762**	**468**	**1,097**	**2,659**
Adjustment in respect of prior year	**35**	**(140)**	**(8)**	**–**	**(113)**
(Charge)/credit to income	**308**	**85**	**(120)**	**(266)**	**7**
Credit to equity	**–**	**–**	**–**	**(502)**	**(502)**
Arising on initial recognition of right-of-use assets	**–**	**–**	**21**	**–**	**21**
Impact of rate change	**43**	**21**	**38**	**2**	**104**
At 30 June 2020	**718**	**728**	**399**	**331**	**2,176**

At the balance sheet date, the Group has gross tax losses of £12,706,000 (2019: £13,015,000) of which £3,840,000 (2019: £4,149,000) have been recognised as a deferred tax asset. The Group has unrecognised tax losses of £8,866,000 (2019: £8,866,000) available for offset against future profits. Losses may be carried forward indefinitely against future taxable trading profits.

Of the total deferred tax asset, £880,000 (2019: £1,615,000) is expected to be recovered within 12 months of the balance sheet date.

Company

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

	Plant and equipment £000	Losses £000	Short-term timing differences £000	Shared-based payments £000	Total £000
At 1 July 2018	2	–	1	124	127
Adjustment in respect of prior year	–	–	15	(18)	(3)
Credit to income	–	–	19	44	63
Credit to equity	–	–	–	57	57
Impact of rate change	–	–	(2)	(3)	(5)
At 30 June 2019	**2**	**–**	**33**	**204**	**239**
Credit to income	**–**	**85**	**23**	**22**	**130**
Credit to equity	**–**	**–**	**–**	**(44)**	**(44)**
Impact of rate change	**–**	**–**	**–**	**6**	**6**
At 30 June 2020	**2**	**85**	**56**	**188**	**331**

At the balance sheet date, the Company has gross tax losses of £830,000 (2019: £nil) which have been recognised as a deferred tax asset.

22 Operating leases

Operating leases – lessee

	Group	
	2020 £000	2019 £000
Minimum lease payments under non-cancellable operating leases recognised as an expense for the year	**–**	745
	–	745

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	
	2020 £000	2019 £000
Within one year	**–**	858
Within two to five years	**–**	2,227
After five years	**–**	1,176
	–	4,261

Following implementation of IFRS 16 "Leases", lease liabilities are now reported within trade and other payables (note 17). There are no material leases outside the scope of IFRS 16. Further details on the adoption of IFRS 16 "Leases" can be found in note 29.

23 Net cash/(debt)

	Group		Company	
	2020 £000	2019 £000	**2020 £000**	2019 £000
Cash and cash equivalents	**76,807**	30,306	**15,313**	1,058
Borrowings	**(60,000)**	–	**(60,000)**	–
Cash net of borrowings	**16,807**	30,306	**(44,687)**	1,058
Lease liabilities	**(3,083)**	–	**–**	–
Net cash/(debt)	**13,724**	30,306	**(44,687)**	1,058

At 30 June 2020, monies held by solicitors on behalf of the Group and included within cash and cash equivalents were £1,910,000 (2019: £3,396,000).

No monies were held by solicitors on behalf of the Company at the balance sheet date (2019: £nil).

	Cash and cash equivalents £000	Borrowings £000	Cash net of borrowings £000	Lease liabilities £000	Total £000
Net cash/(debt) at 1 July 2019	41,314	–	41,314	–	41,314
Cash flows	(11,008)	–	(11,008)	–	(11,008)
Net cash/(debt) at 30 June 2019	30,306	–	30,306	–	30,306
Recognised on adoption of IFRS 16 on 1 July 2019 (see note 29)	–	–	–	(3,527)	(3,527)
Cash flows	**46,501**	**(60,000)**	**(13,499)**	**848**	**(12,651)**
New leases	**–**	**–**	**–**	**(284)**	**(284)**
Finance expense	**–**	**–**	**–**	**(120)**	**(120)**
Net cash/(debt) at 30 June 2020	**76,807**	**(60,000)**	**16,807**	**(3,083)**	**13,724**

24 Bonds and securities

Group and Company

At 30 June 2020, the Group had bonds and securities of £29,456,000 (2019: £39,055,000) provided by financial institutions in support of ongoing contracts.

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

25 Share capital

	2020		2019	
	Number	**£000**	Number	£000
Issued and fully paid 2p ordinary shares:				
At 1 July	**54,587,753**	**1,092**	54,587,753	1,092
Shares issued during year	**3,479,782**	**69**	–	–
At 30 June	**58,067,535**	**1,161**	54,587,753	1,092

Ordinary shares

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

On 8 April 2020 the Group issued 2,730,100 new ordinary shares at 600 pence per share with a nominal value of 2 pence each through a share placing. Fees incurred as part of the placing amounted to £483,000; the proceeds are shown net of these fees.

During the year, the Group issued 749,682 new ordinary shares at the nominal value of 2 pence per share as a result of share-based payments as set out in note 26 (2019: nil).

At 30 June 2020, the Employee Benefit Trusts ("EBT") held 16,000 shares (2019: 15,000) at a cost of £107,000 (2019: £113,000) which have not yet vested unconditionally. The shares are held in the EBT for the purpose of satisfying matched share awards that have been granted under the employee share ownership plans.

26 Share-based payments

The Group operates a number of share-based payment schemes, a summary of which is shown below. Additional information regarding the share-based payment arrangements for Executive Directors, including those relating to the former Chief Executive Officer, is set out in the Annual Report on Remuneration on pages 67 to 75. All schemes are equity-settled.

	Share purchase plans							
Date of grant	MJ Gleeson Group plan No. of shares	MJ Gleeson Group 2014 plan No. of shares	PSP 30/09/15 No. of shares	PSP 04/10/16 No. of shares	LTIP 12/12/16 No. of shares	LTIP 26/09/17 No. of shares	LTIP 09/10/18 No. of shares	LTIP 10/12/19 No. of shares
Outstanding at 1 July 2018	27,215	19,732	279,158	14,000	276,315	409,793	–	–
Granted in the year	–	6,349	–	–	–	–	67,500	–
Forfeited	(14)	(101)	–	–	–	(19,731)	–	–
Exercised	(4,976)	(5,067)	–	–	–	–	–	–
Outstanding at 30 June 2019	**22,225**	**20,913**	**279,158**	**14,000**	**276,315**	**390,062**	**67,500**	**–**
Granted in the year	**–**	**7,282**	**–**	**–**	**–**	**–**	**–**	**212,721**
Forfeited	**–**	**(15)**	**–**	**–**	**–**	**(73,846)**	**–**	**–**
Exercised	**(4,332)**	**(3,001)**	**(279,158)**	**(14,000)**	**(276,315)**	**(147,692)**	**–**	**–**
Outstanding at 30 June 2020	**17,893**	**25,179**	**–**	**–**	**–**	**168,524**	**67,500**	**212,721**
Remaining contractual life	Rolling scheme	Rolling scheme	nil	nil	nil	nil	12 months	24 months
Weighted average exercise price	–	–	–	–	–	–	–	–
Weighted average share price at date of exercise – current year	£4.94	£10.81	n/a	n/a	n/a	n/a	n/a	n/a
Weighted average share price at date of exercise – prior year	£7.78	£7.37	n/a	n/a	n/a	n/a	n/a	n/a

Fair value is used to measure the value of the outstanding options. The weighted average life for all schemes outstanding at the end of the year was 13 months (2019: 6 months).

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.

26 Share-based payments *CONTINUED*

Performance share plans/long term incentive plan

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

Date of grant	PSP 30/09/15	PSP 04/10/16	LTIP 12/12/16	LTIP 26/09/17	LTIP 09/10/18	LTIP 10/12/19
The model inputs were:						
Share price at grant date	£4.82	£5.95	£5.70	£6.50	£7.04	£8.00
Total shareholder return target	£6.15	£6.50	£6.50	£8.00	£10.00	n/a[3]
Exercise price	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Expected volatility[1]	32%	30%	30%	36%	35%	27%
Expected dividends	2.00%	3.20%	n/a[2]	n/a[2]	n/a[2]	n/a[2]
Expected life	3 years	3 years	31 months	33 months	33 months	31 months
Risk-free interest rate	0.76%	0.30%	0.60%	0.50%	0.98%	0.57%
Fair value of one option	£2.37	£3.15	£2.95	£3.40	£3.41	£3.64

1 Expected volatility was determined by calculating the historical volatility of the Company's share price; volatility was measured over the previous three years.
2 Awards made under the LTIP allows, on vesting, for an additional award of shares to be made to the option holder equivalent to the dividends paid over the vesting period on the underlying shares.
3 The 2019 LTIP grant includes EPS and relative TSR targets for the Executive Directors as set out on page 70 together with non-market, profit-related targets for other participants. Non-market conditions are not factored into the fair value but are instead captured by adjusting the number of shares expected to vest.

The total share-based payment cost charged to the consolidated income statement was £717,000 (2019: £960,000).

27 Capital commitments

At 30 June 2020, the Group had no material capital commitments (2019: £nil). The Company had no capital commitments (2019: £nil).

28 Related party transactions

Identity of related parties

The Group has a related party relationship with its joint ventures and key management personnel.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Transactions with key management personnel

The Group's key management personnel are the Executive and Non-Executive Directors, as identified on pages 50 and 51.

In the prior year, the Group entered into a conditional agreement to purchase an area of land from Hampton Investment Properties Ltd ("HIPL") for £1,200,000. HIPL is a company in which North Atlantic Smaller Companies Investment Trust plc ("NASCIT"), which is a substantial shareholder in the Company, holds a majority interest. In addition, Christopher Mills, a Non-Executive Director of the Company, is considered a related party by virtue of his interest in and directorship of NASCIT and his position as a Director of HIPL. The land, if purchased, will form part of a new Gleeson Homes site being developed in the ordinary course of business. Approval of this purchase was granted by the majority of shareholders at the AGM in December 2019.

As announced during the year, a settlement agreement was reached with the former Chief Executive Officer, Jolyon Harrison, on the terms of his departure.

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

Identity of related parties with which the Company has transacted

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

	Administrative expenses		Receivables outstanding		Payables outstanding	
	2020 £000	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000
Subsidiaries	**1,977**	1,771	**73,442**	21,605	**65,510**	62,557
	1,977	1,771	**73,442**	21,605	**65,510**	62,557

29 Adoption of new accounting standards

IFRS 16 "Leases"

IFRS 16 "Leases" applied to the Group from 1 July 2019, replacing IAS 17 "Leases" and IFRIC 4 "Determining whether an arrangement contains a lease". The new standard has been adopted using the modified retrospective approach, under which the cumulative effect of the initial application is recognised in retained earnings at 1 July 2019. Comparative information has not been restated.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17. These liabilities are initially measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 July 2019 was between 3.0% and 3.5%.

In applying IFRS 16 for the first time, the Group has used a number of practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The accounting for leases with a remaining lease term of less than 12 months from the date of initial application as short-term leases.
- The exclusion of initial direct costs from the measurement of right-of-use assets at the date of initial application.
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- The election to not separate non-lease components (e.g. maintenance) from lease components on specific classes of assets, namely vehicles.

The impact on transition to IFRS 16 at 1 July 2019 was that the Group recognised an additional £3,419,000 of right-of-use assets and £3,527,000 of lease liabilities. Additionally, a deferred tax asset of £21,000 was recognised and the net difference of £87,000 has been recognised in retained earnings.

A reconciliation between operating lease commitments previously reported in the financial statements for the year ended 30 June 2019 discounted at the Group's incremental borrowing rate and the lease liabilities recognised in the balance sheet on initial application of IFRS 16 is shown below.

	£000
Reconciliation of operating lease commitments disclosure and IFRS 16 lease liabilities	
Operating lease commitments at 30 June 2019 as previously reported	4,261
Discounted at the Group's incremental borrowing rate at 1 July 2019	(527)
Leases agreed but not yet commenced	(191)
Other*	(16)
Total lease liabilities as at 1 July 2019	**3,527**

* Primarily attributable to short-life leases that do not meet the criteria for capitalisation under the practical expedients detailed above.

	Note	2020 £000
Impact of IFRS 16 on consolidated income statement		
Depreciation		
Property	11	**(475)**
Plant and equipment	11	**(286)**
		(761)
Interest expense included as finance cost	7	**(119)**
		(880)

The previous accounting policy relating to leases as disclosed in the 2019 Annual Report was as follows:

"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."

This has now been replaced with the accounting policy found on page 94.

we build confidence

Carrwood Park, Bradford, West Yorkshire

FIVE YEAR REVIEW

	2020 **£000**	2019 £000	2018 £000	2017 £000	2016 £000
Revenue	**147,181**	249,899	196,741	160,384	142,065
Operating profit	**5,929**	40,999	36,854	32,963	28,166
Net finance (expense)/income	**(363)**	213	165	49	72
Profit before tax	**5,566**	41,212	37,019	33,012	28,238
Tax charge	**(758)**	(7,648)	(6,526)	(6,488)	(4,934)
Profit after tax	**4,808**	33,564	30,493	26,524	23,304
Discontinued operations	**(289)**	(297)	(257)	(310)	(345)
Profit for the year	**4,519**	33,267	30,236	26,214	22,959
Total assets	**322,051**	281,240	242,785	215,742	180,640
Total liabilities	**(109,446)**	(77,344)	(54,686)	(44,371)	(27,735)
Net assets	**212,605**	203,896	188,099	171,371	152,905
	pence	pence	pence	pence	pence
Total dividend per share for the year	**–**	34.5	32.0	24.0	14.5
Earnings per share from continuing operations	**8.7**	61.5	56.0	49.1	43.2
Earnings per share — normalised*	**8.1**	61.0	55.6	48.5	42.6
Net assets per share	**366**	374	345	317	283

* Normalised earnings per share include discontinued operations.

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FINANCIAL CALENDAR

Financial year end	30 June 2020
Full year results announced	14 September 2020
Annual General Meeting	3 December 2020

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