MJ Gleeson plc
Report and Accounts
2016

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MJ Gleeson plc

Our twin track strategy – the development of low cost homes for open market sale in the North of England and strategic land sales in the South – goes from strength to strength, delivering increased margins, profits and cash.

Gleeson Homes continues to see strong customer demand for its low cost homes. The opening of two new regional offices and the increase in its land pipeline to 9,284 plots will enable the division to continue to grow in what remains a strong market for low cost homes in the North of England. We have commenced rolling out our distinctive and highly successful business model across a wider geographic area. The potential number of purchasers of Gleeson homes in this wider area is three times the comparable figure within our current market.

Similarly, Gleeson Strategic Land continues to see strong demand for consented land in prime locations from a wide range of housebuilders. The division has a strong pipeline of sites, predominantly in the South of England, covering 3,843 acres (2015: 3,936 acres), and expects to continue to enjoy a high level of success in promoting commercially attractive sites through the planning system.

The Board has every confidence in the Group's outlook in both the short and longer term.

Financial Highlights

Group revenue
+21%
2016: £142.1m, 2015: £117.6m

Profit before tax
+63%
2016: £28.2m, 2015: £17.3m

Net cashflow [1]
+72%
2016: £13.9m, 2015: £8.1m

Normalised earnings per share [2]
+25%
2016: 42.6 pence, 2015: 34.2 pence

Operating profit before exceptional items
+21%
2016: £28.2m, 2015: £23.3m

Dividend for the year
+45%
2016: 14.5 pence, 2015: 10.0 pence

1 From operating and investing activities.
2 Normalised earnings per share exclude the impact of exceptional items (2016: £nil, 2015: £6.1m).

Carlisle Park, Swinton

Chairman's Statement

I am pleased to report another year of strong growth in margins, profits and cash.

Gleeson Homes increased unit sales by 20.4% to 904 units (2015: 751 units). Gross margins continued to improve as a result of a modest increase in selling prices and stringent cost controls. The division increased its land pipeline by 20 sites, comprising 1,788 plots, taking advantage of the relatively low land prices in our target areas in the North of England.

Gleeson Strategic Land increased operating profit by 25.9% to £10.2m. The division continued to secure attractive residential planning consents and to satisfy demand for development sites from both medium sized and volume housebuilders.

Financial performance

Group revenues increased by 20.8% to £142.1m (2015: £117.6m). The Group recorded an operating profit from continuing operations of £28.2m, an increase compared to the previous year of 28.2% (2015: £22.0m). The post-tax loss from discontinued operations was £0.3m (2015: £0.2m).

Profit before tax increased by 63.0% to £28.2m (2015: £17.3m). Profit for the year attributable to equity holders of the parent company was £23.0m (2015: £12.2m).

Gross margin on unit sales increased to 31.1% (2015: 29.6%), which helped to improve operating margin on unit sales to 17.1% (2015: 15.8%).

Net assets increased by 12.0% to £152.9m (2015: £136.5m), representing net assets per share of 283p (2015: 254p). Cash and cash equivalents at 30 June 2016 totalled £23.2m (2015: £15.8m).

Normalised basic earnings per share, excluding the impact of exceptional costs (2016: £nil, 2015: £6.1m) grew by 24.6% to 42.6p (2015: 34.2p).

Market context

Demand for low cost homes in the North of England remains strong.

Hard working, low income families remain committed to home ownership and the cost of owning a Gleeson home is, in many cases, cheaper than an equivalent council house rent. The Government's support through the Help to Buy Scheme, which has been extended to 2021, and rigorous control of costs in Gleeson Homes means that our selling prices remain exceptionally affordable.

Gleeson Homes has not seen any change in customer enquiries or sales due to the "Brexit" vote.

Our mortgage advisors and other organisations with whom we work very closely, including on-line property websites, also report that there has been no drop in enquiries or demand for new homes. Gleeson Strategic Land has seen two of the major housebuilders try to renegotiate the terms of purchase, but mid-range housebuilders, who need replacement sites and are more interested in completing deals promptly, continue to bid competitively on all our land sales.

Overall the "Brexit" vote has not had a material effect on the Group's expectations. It is very much "business as usual".

Land

For Gleeson Homes, land continues to be available at relatively low cost. The division's land pipeline grew to a record high of 117 sites (2015: 97), comprising 9,284 plots owned or conditionally purchased (2015: 7,496). Gleeson Homes intends to commence building low cost homes on every site as soon as planning permission is obtained.

The division's strategic objective of 1,000 unit completions per annum is within sight and, as set out in the Strategic Report, we are taking advantage of the opportunity for substantial growth beyond this figure by rolling out the division's distinctive and highly successful business model across a wider geographical area.

Gleeson Strategic Land has a record number of sites in the South of England with planning consent or resolution to grant. Demand for prime sites in the South of England from a wide range of housebuilders remains strong.

Employees

The Group's strong performance during the year reflects the remarkable dedication and professionalism of our employees. On behalf of the Board, I would like to congratulate and thank them.

The average number of employees during the year increased to 314 (2015: 266). The actual number of employees at the year-end was 333 (2015: 290).

Dividends

Reflecting the Group's strong financial performance and our confidence in the prospects for the current year and beyond, the Board is recommending a final dividend for the year of 10.0 pence per share (2015: 7.3 pence per share). Combined with the interim dividend, this will give a total dividend for the year of 14.5 pence per share (2015: 10.0 pence per share), an increase compared to the previous year of 45.0%. Subject to shareholder approval at the Annual General Meeting ("AGM"), the final dividend will be paid on 15 December 2016 to shareholders on the register at close of business on 18 November 2016. The Board aims to maintain dividend cover between two and three times for the foreseeable future.

Summary and outlook

We are in a strong position to deliver further growth. Market demand remains strong and Gleeson Homes' growing land pipeline provides the opportunity to open new sites in both existing and new regions in the North of England and the Midlands. Demand for consented green field sites in our Strategic Land division also remains strong across a wide range of housebuilders. Against this background, the Board is confident that the Group has significant scope to grow both revenue and profits in the current year and beyond.

Dermot Gleeson
Chairman
23 September 2016

Creating safe, sustainable and vibrant communities

THE GLEESON APPRENTICESHIP SCHEME
Since 2010 the Gleeson Apprenticeship Scheme has trained over 60 young people, giving them invaluable site experience in the bricklaying and joinery trades, whilst allowing them time to study for an NVQ at a local college. Find out more on page 25

THE GLEESON COMMUNITY SPORTS FOUNDATION
This year saw the 50th junior sports team sponsored through the Gleeson Community Sports Foundation. This sponsorship is desperately required by local teams which are run by volunteers and rely on these funds to keep their organisations running. Find out more on page 22

THE GLEESON COMMUNITY CHALLENGE
In 2015 Gleeson launched its inaugural Community Challenge Makeover. Local charities & non-profit organisations were invited to apply for a makeover of their facilities, worth £10,000, with all the works carried out by Gleeson's construction team. Gleeson volunteers and subcontractors kindly contributed their time and services to the project. Find out more on page 25

YOURWATCH
YourWatch provides our residents with the anonymity to report their concerns without repercussion via the YourWatch website. We then share this information and where necessary, send warnings through instant alerts straight into their inbox. Find out more on page 24

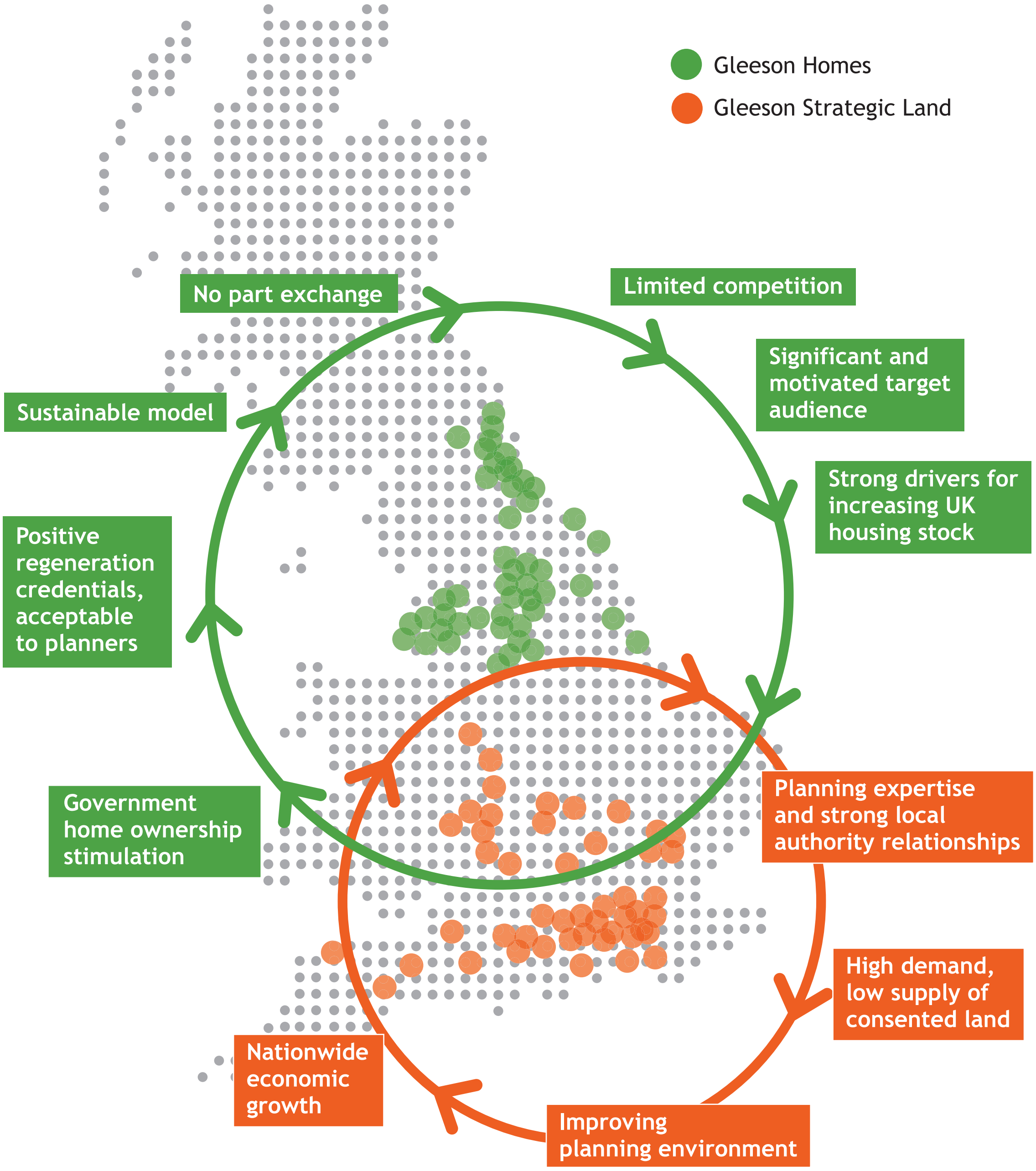
ENGAGEMENT WITH LOCAL SCHOOLS
Projects include asking pupils to suggest names for new roads on our developments and tapping into their creativity by getting the school children to design their 'dream' bedroom in a shoebox which we then recreate in our showhomes. Find out more on page 23

Strategic Report

Knowsley Lane, Merseyside

Group Businesses

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



Gleeson Homes

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

Gleeson Homes continues to build significant value for shareholders as well as delivering a unique social benefit in helping people on lower incomes move from housing poverty caused by the ‘rent trap’ into home ownership and wealth creation. Our homes are affordable enough to be sold to a couple on the current national living wage and quite often mortgage repayments are less than comparable council house rents.

Key features of the Gleeson Homes business model

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

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

Gleeson Strategic Land

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

Key features of the Gleeson Strategic Land business model

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

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

Strategic Development and Priorities

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

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

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

Gleeson Homes is now comfortably in sight of its target of 1,000 unit completions per annum. We expect to reach this target, on an annualised run rate basis, during the financial year ending 30 June 2017. Once this milestone is reached, we will outline new medium term growth targets.

Based on our estimate of the addressable customer base within the expanded catchment area in which we intend to grow, we believe that this business has the potential to achieve a sales rate of 3,000 units per annum.

Our strategic priorities are set out below:

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

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

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

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

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

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

ROBUST HEALTH & SAFETY: We will continue to improve our safety culture and will maintain a high level of compliance with health and safety standards.

Discontinued operations

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

Daniel and Zoe were keen to stay in the local community close to their families and jobs at the local Asda warehouse.

Business Performance

Gleeson Homes

Units sold
+20%
2016: 904 plots, 2015: 751 plots

Land pipeline
+24%
2016: 9,284 units, 2015: 7,496 units

Operating profit
+33%
2016: £19.5m, 2015: £14.7m*

904 homes were sold during the year, an increase of 20.4% on the prior year's total of 751. During the year Gleeson Homes opened 18 new sites and had on average 43 selling outlets open compared to 39 during the prior year. The outlets were located in Cleveland, County Durham, Derbyshire, Lancashire, Greater Manchester, Merseyside, Northumberland, North Yorkshire, Nottinghamshire, Tyne and Wear, South Yorkshire and West Yorkshire. The number of outlets at the end of the year increased to 48 compared to 43 at the prior year end and is expected to increase to over 50 during the course of the current financial year.

The ASP for the homes sold in the year was £125,700 (2015: £123,750). The increase was influenced by the mix of outlets and unit-types. Our aim is to keep ASP increases modest in order to ensure that our homes remain affordable to our customers.

The proportion of homes sold from newer, higher margin sites reduced to 87% reflecting the acceleration of sales on our last remaining legacy site.

Gross profit margin on units sold increased to 31.1% (2015: 29.6%) due to increased average selling prices, lower land costs and the maintenance of a very stringent approach to cost control.

The increase in the volume of homes sold along with the improved gross profit margin on units sold has resulted in gross profit on units sold increasing by 28.7% to £35.4m (2015: £27.5m). There were no land sales within the Homes division during the year (2015: £2.7m gross profit on one land sale).

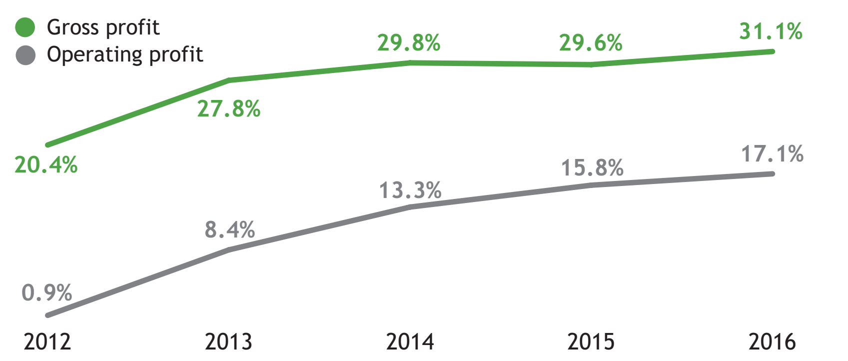
Operating profit on unit sales increased 32.7% to £19.5m (2015: £14.7m). Operating profit on land sales was £nil (2015: £2.7m). Gleeson Homes reported total operating profit of £19.5m (2015: £17.4m).

Gleeson Homes has a large range of bespoke packages to assist customers to become homeowners, including "Save and Build", "First Rung", "Advance to Buy", and "Aspire to Own". The Government's Help to Buy Scheme remains popular amongst many of our customers, with 61% of the homes sold in the year utilising this scheme.

Competition amongst mortgage lenders has helped to both reduce borrowing costs and to increase availability. A range of mortgage lenders provide finance to Gleeson home buyers and the number of providers is increasing. The recent reduction in bank base rates has further reduced borrowing costs and increased mortgage affordability.

Gleeson Homes was able to continue to acquire land in the North of England and the Midlands at relatively low cost. This was a busy year of land acquisition which saw the land pipeline grow by 20 sites to a total of 117 at year end; 35 new sites were added to the pipeline, while 15 sites were either completed or we did not proceed to purchase. In terms of units, the pipeline grew by 1,788 units to stand at 9,284 units at June 2016. Of these units 4,357 are owned (2015: 3,680) and 4,927 units are conditionally purchased (2015: 3,816). In addition to owned and conditionally purchased units, there are a further 997 units which are being actively considered for acquisition but will only proceed to purchase if they meet our strict returns criteria.

GLEESON HOMES MARGINS (%)*



*2015 excludes £2.7m profit on land sales (2016: £nil)

Business Performance

Gleeson Strategic Land

Revenue
+32%
2016: £28.4m, 2015: £21.5m

Operating profit
+26%
2016: £10.2m, 2015: £8.1m

Land sales
+40%
2016: 7 sites, 2015: 5 sites

Revenue from Gleeson Strategic Land grew by 32.1% to £28.4m (2015: £21.5m) which reflects an increase in the number of successful land transactions to 7 (2015: 5). Operating profit shows the value added by the Gleeson Strategic Land business on land transactions during the year. Operating profit increased by 25.9% to £10.2m (2015: £8.1m). As with revenue, the profit growth was driven by the increase in transactions during the year.

We continued to see healthy demand from a wide range of housebuilders looking to acquire well located land with planning consent and received particularly strong interest from mid-sized house builders.

The sites in Gleeson Strategic Land's portfolio are forecast to realise maximum value over a mix of short, medium and long term periods. Currently 10 sites have planning permission, 4 have a resolution to grant, 15 have a planning application submitted or are being appealed / judicially challenged, and 12 have applications being worked up prior to submission. The balance of the portfolio consists of sites which are being promoted through local plans, local development frameworks and / or emerging neighbourhood plans.

This strong position provides confidence in the division's ability to deliver reasonably consistent annual returns.

At the year end, our Strategic Land business had a portfolio totalling 68 sites (2015: 68 sites). We acquired 5 new sites and sold 7 sites in the year. Two of the sites sold were split prior to sale and one part of each was retained. The portfolio comprises 3,843 acres (2015: 3,936 acres), of which 178 acres (2015: 159 acres) were wholly or part owned by the Group; 2,115 acres (2015: 2,073 acres) were held under option; and 1,550 acres (2015: 1,704 acres) were the subject of promotion agreements. The portfolio of sites continues to have a geographic bias towards the South of England, predominantly in Buckinghamshire, Devon, Dorset, Essex, Hampshire, Hertfordshire, Kent, Oxfordshire, Somerset, Surrey, Sussex and Wiltshire. The 68 sites have the potential to deliver circa 21,111 plots (2015: 21,150 plots).

Key Performance Indicators (KPIs)

REVENUE MEASURE

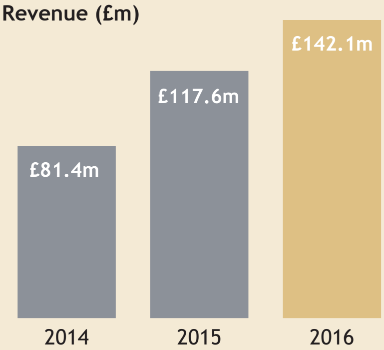
The strength of revenue is an important measure of the success of the business plan.

Revenue

+21%

2016: £142.1m, 2015: £117.6m

Revenue (£m)

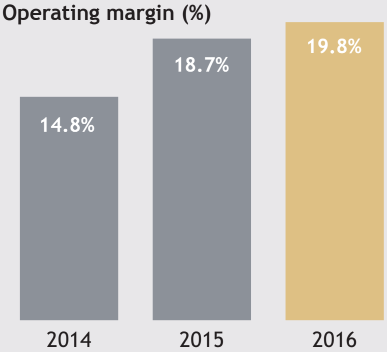


PROFIT MEASURES

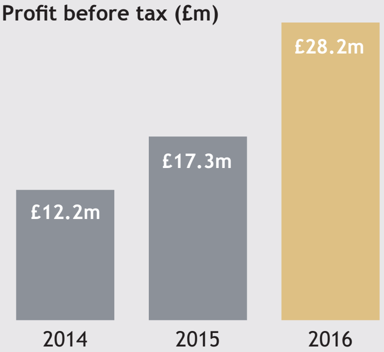
The Group’s operating margin is an important measure of the implementation of the business plan. The Group’s operating profit margin has shown continued improvement as both divisions improved their scale and profitability.

Profit before tax increased by 63.0% in the year.

Operating margin (%)



Profit before tax (£m)



CASH MEASURE

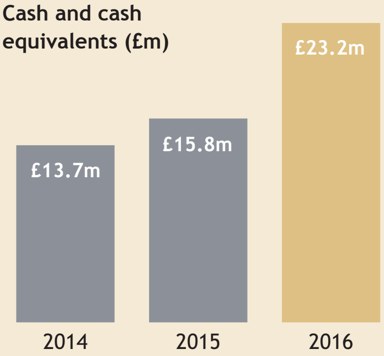
The cash balance is used as a measure of the strength of the balance sheet and to confirm that the Group has the funds necessary to fulfil its growth strategy.

Cash and cash equivalents

+47%

2016: £23.2m, 2015: £15.8m

Cash and cash equivalents (£m)

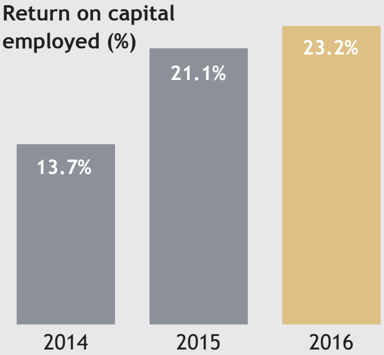


RETURN MEASURE

The return measure illustrates how the business plan is improving shareholders’ returns over time. It is based on EBIT (earnings before interest and tax) before exceptional items expressed as a percentage of average net assets after deducting deferred tax balances and cash.

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

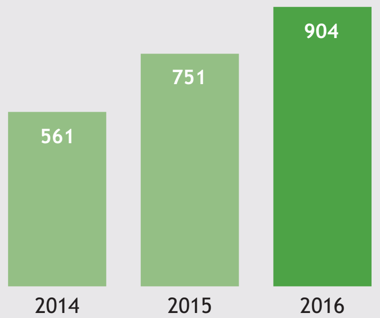
Return on capital employed (%)



NON-FINANCIAL KPIs

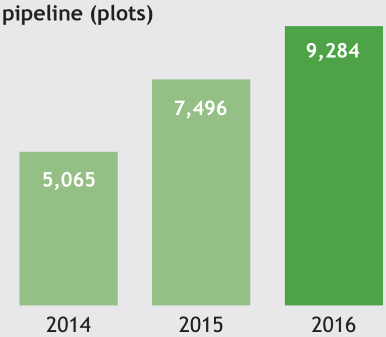
Units (homes) sold by the Gleeson Homes division during the year.

Gleeson Homes units sold



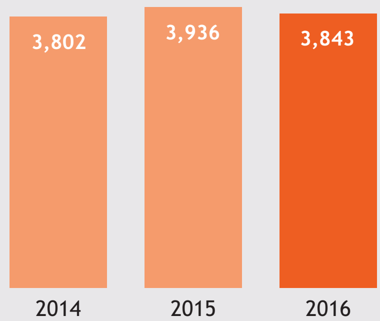
Land is a key raw material for the Group's businesses.

Gleeson Homes land site pipeline (plots)



The land interest is held almost entirely through promotion and option agreements. Gleeson Strategic Land benefits directly from the value added.

Gleeson Strategic Land (gross acres)



FORWARD SALES

Gleeson Homes has forward sales at 30 June 2016 of £50.6m (2015: £42.6m) being the value of homes that have been reserved or exchanged. Gleeson Homes does not aggressively sell off-plan and will only accept a reservation when the unit concerned has achieved a specified level of construction. This has the advantage of reducing the cancellation rate and improving the accuracy of completion dates. It also makes it possible to monitor costs more accurately and to take advantage of house price rises.

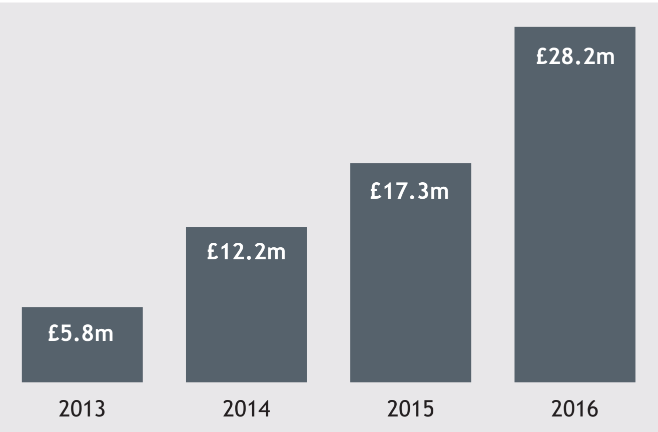
Financial Review

Highlights

- Revenue increased by 20.8% to £142.1m
- Gross margin on unit sales increased to 31.1% from 29.6%
- Operating margin on unit sales increased to 17.1% from 15.8%
- Profit before tax increased by 63.0% to £28.2m
- Normalised earnings per share* increased by 24.6% to 42.6 pence
- Cash balances increased by 46.8% to £23.2m
- Net assets per share increased by 11.4% to 283 pence per share
- Dividend for the year increased by 45.0% to 14.5 pence per share

* Normalised earnings per share exclude the impact of exceptional items (2016: £nil, 2015: £6.1m).

PROFIT BEFORE TAX (£m)



Consolidated Statement of Comprehensive Income

Revenue increased by 20.8% in the year to £142.1m (2015: £117.6m). The revenue of Gleeson Homes increased by 18.2% to £113.6m (2015: £96.1m) due to a combination of the 20.4% increase in homes sold to 904 (2015: 751) and a 1.6% increase in the average selling price to £125,700 (2015: £123,750). Revenue for Gleeson Strategic Land increased by £6.9m to £28.4m, due to both the increased sales activity during the year and the mix of sales.

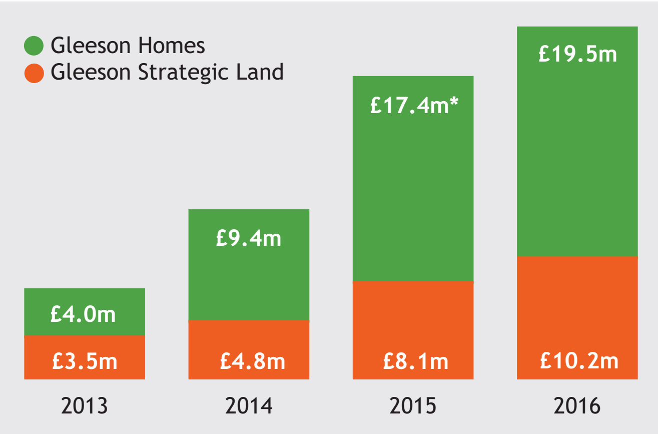
Gross profit increased by 18.1% to £47.6m (2015: £40.3m). The gross profit of Gleeson Homes increased by 16.8% to £35.4m (2015: £30.3m) due to the increase in volume, lower land costs and higher selling prices. The gross profit of Gleeson Strategic Land increased by 22.0% to £12.2m (2015: £10.0m) primarily due to the increase in sites sold during the year.

Administrative expenses include the sales & marketing costs for Gleeson Homes, along with the administrative overheads for the whole Group. Overall administrative expenses increased by £1.1m (6.0%). Prior year administrative costs included £1.2m exceptional restructuring cost. Underlying administrative costs increased by £2.4m (14.1%) as a result of further investment for growth.

Operating profit from continuing operations was £28.2m (2015: £22.0m) an increase of 28.2% over the previous year.

Growth in operating profit has been driven by strong trading results in both Gleeson Homes and Gleeson Strategic Land and the lower administrative costs of the Group head office function.

OPERATING PROFIT BY DIVISION
Excluding Group overheads



* Gleeson Homes operating profit in 2015 includes £2.7m from the sale of surplus land. There were no land sales in 2016.

Discontinued operations incurred a loss of £0.3m during the year (2015: loss £0.2m). This related to the costs of Gleeson Construction Services Limited, whose only activity is limited to resolving contractual claims from the businesses that were sold in 2005 and 2006.

Provision for diminution in value of investment

There were no provisions made during the year. During 2015 the Group fully provided for the £4.9m carrying value of its investment in GB Group Holdings Ltd.

Financing

Financial income of £0.5m (2015: £0.5m) consists primarily of the unwinding of discounts on deferred receipts on land sales. Interest earned on unwinding of deferred receipts was marginally higher than the prior year as a result of a higher level of deferred receipts outstanding.

Financial expenses of £0.4m (2015: £0.4m) consist of interest payable on bank loans and overdrafts, bank charges and interest and unwinding of discounts relating to deferred payments on land purchases.

Profit for the year

The profit for the year attributable to equity holders was £23.0m (2015: £12.2m).

Tax

A tax charge for continuing operations of £4.9m (2015: £4.8m) has been recorded for the year reflecting the increase in taxable profits for the year.

Deferred tax assets relating to unused tax losses have been recognised to the extent that it is probable that taxable profits will be available against which the asset can be utilised. The Group now has £28.3m (2015: £31.0m) of tax losses, of which £20.1m (2015: £25.8m) is recognised as a deferred asset, which can be carried forward indefinitely.

The tax charge attributable to discontinued operations was £0.0m (2015: £nil).

The net deferred tax asset recorded within the Statement of Financial Position totals £4.6m (2015: £5.7m).

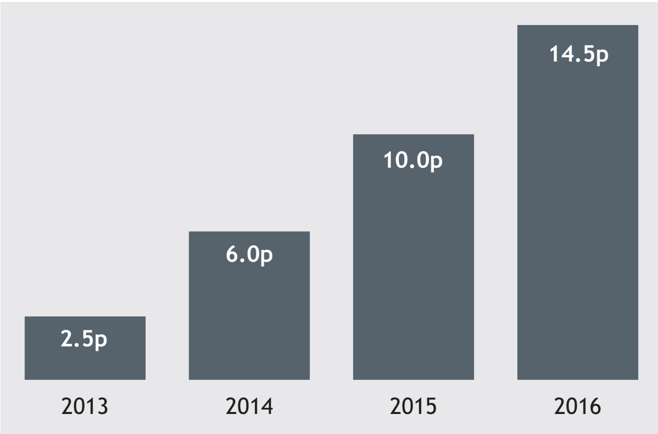
Earnings per share

Reported basic earnings per share increased by 86.8% to 42.6p (2015: 22.8p). The normalised basic earnings per share improved by 24.6% to 42.6p (2015: 34.2p).

Dividend

Reflecting the financial strength of the Company as well as our confidence in the short term outlook, the Board has proposed a final dividend of 10.0 pence per share (2015: 7.3 pence per share). Combined with the interim dividend, the dividend for the full year totals 14.5 pence per share being an increase of 45.0% on the prior year (2015: 10.0 pence per share). The Board aims to maintain dividend cover between two and three times for the foreseeable future.

TOTAL DIVIDEND (pence)



Financial Review (continued)

Statement of financial position

During the year to 30 June 2016, shareholders' funds increased by £16.4m to £152.9m (2015: £136.5m). Net assets per share increased to 283 pence, an increase of 11.4% year on year (2015: 254 pence).

In the year, non-current assets decreased by £7.1m to £19.9m (2015: £27.0m). The main reasons for the change are the decrease in trade and other receivables of £6.1m and the £1.1m decrease in the deferred tax asset.

Current assets increased by £19.2m to £160.8m (2015: £141.6m), with inventories increasing by £6.0m to £114.2m, trade and other receivables increasing by £5.8m to £23.3m and cash balances increasing by £7.4m to £23.2m.

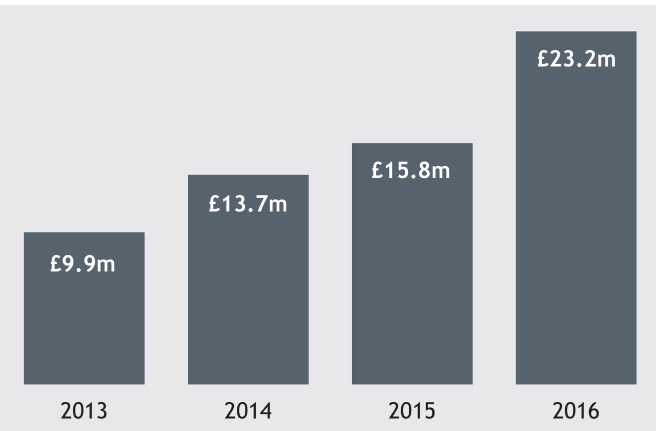
Total liabilities decreased by £4.4m to £27.7m (2015: £32.1m). This was mainly due to trade and other payables of £26.9m (2015: £31.8m) being £4.9m lower.

Cash flow

The Group generated £7.4m (2015: £2.1m) of cash in the year, resulting in a net cash balance at 30 June 2016 of £23.2m (2015: £15.8m).

Operating cash flows before working capital movements, generated £29.1m (2015: £17.9m). Investment in working capital of £11.6m (2015: £14.3m excluding impairment of investment) resulted in cash generated from operating activities of £17.5m (2015: £8.4m). Tax and interest payments amounted to £3.7m (2015: £0.5m). Cash generated from investing activities totalled £0.0m (2015: £0.1m). Net cash out-flows from financing activities totalled £6.4m (2015: £6.0m), including £6.4m (2015: £4.1m) on dividend payments.

CASH BALANCE (£m)



Treasury risk management

The Group's cash balances are centrally pooled and invested, ensuring the best available returns are achieved consistent with retaining sufficient liquidity for the Group's operations. The Group deposits funds only with financial institutions which have a minimum credit rating of A.

As the Group operates wholly within the UK, there is no requirement for currency risk management.

Bank facilities

The Group extended its £20.0m committed working capital facility with Lloyds Bank plc for a further three years to March 2019 on significantly improved terms. The extended facility includes an un-committed accordion option that could increase the facility size to £40.0m. The facility provides the Group with additional flexibility and capacity for growth. The facility was undrawn at the balance sheet date.

Pension

The Group contributes to a defined contribution pension scheme. A charge of £0.5m (2015: £0.5m) was recorded in the Income Statement for pension contributions. The Group has no exposure to defined benefit pension plans.

Jolyon Harrison
Chief Executive Officer
23 September 2016

Stefan Allanson
Chief Financial Officer
23 September 2016

Thanks to the Help to Buy scheme and Gleeson's affordable prices Alison & Michael were able to buy a brand new home and have their dream wedding in the same year.

Operating Risk Statement

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

Risk	Description of risk	Mitigation
Economic environment The impact of economic fragility and Government austerity measures. The risk appears not to have changed as a result of the Brexit referendum result. Demand for low cost homes remains strong. Some housebuilders are trying to renegotiate terms for purchase of land.	Any uncertainty in the wider economy, including Government austerity measures, could affect buyer confidence and the demand for new houses. This could have a negative impact on revenues, profits, cash generation and the carrying value of the Group's assets.	• Sites are selected to meet the needs of the local community. • Prices and incentives are regularly reviewed. • Lead indicators of the housing market, such as visitors to sites and reservation rates are closely monitored. • A cautious approach to debt funding is maintained. • Gleeson Strategic Land sites are actively marketed to a wide and varied range of housebuilders.
Mortgage availability The limited availability of mortgages for first time buyers. The risk has not changed during the year.	The availability of mortgage finance, particularly the deposit requirements for first time buyers, is crucial to customer demand. Restrictions on mortgages granted could reduce demand for new homes and impact the Group's revenues and profits.	• Gleeson Homes provides a range of customer assistance packages. • We continually innovate to find additional ways to assist customers to buy a home. • We work with key lenders to ensure products are appropriate.
Land An inability to source sufficient land at an acceptable cost to meet the Group's business needs. The risk has not changed. Land in the North of England remains available at relatively low cost. The Group has strengthened its land team.	Gleeson Homes needs to acquire consented land at appropriate prices and in appropriate areas in the North of England in order to construct and sell homes to deliver profit. Gleeson Strategic Land needs to acquire control of land in the South of England so that it can promote it through the planning system and subsequently sell it in order to deliver profit.	• We have a clearly defined strategy and geographic focus. • There is a formal appraisal process and rigorous adherence to rates of return.
Planning policy and regulations The potentially damaging uncertainties in the planning regime may affect the Group's ability to secure planning consents on a timely basis. The risk has not changed during the year.	Increased complexity in some aspects of the planning process may slow down, or increase the cost of, the delivery of consented land for development or sale and so impact on the Group's revenues and profits.	• We have a very high level of in-house expertise devoted to monitoring and complying with planning regulations and to achieving implementable planning consents. • We consult with central government, parliament and local authorities, both directly and via industry bodies, in order to understand proposed changes to regulations and to highlight potential issues.
People An inability to attract, develop or retain good people. The risk has not changed during the year.	The loss of key staff or the failure to attract, develop and retain people with the right skills may have a detrimental impact on the business.	• We have programmes that appropriately reward the achievement of performance targets. • The Group encourages employee share ownership. • Our apprenticeship schemes enable us to identify and secure the loyalty of talented individuals at an early age. • We perform regular performance and development reviews. • We monitor staff turnover and benchmark remuneration against competitors.

Risk	Description of risk	Mitigation
Availability of raw materials and subcontractors An inability to secure materials and skilled labour on a timely basis at suitable prices. The risk has not changed during the year.	Shortages or increased cost of materials or skilled labour, the failure of key suppliers, or the inability to secure supplies upon appropriate credit terms could increase costs and delay construction.	• The Group has multiple suppliers for both labour contracts and material supplies. • The Group seeks to partner with the supply chain and has systems in place to monitor and control their performance. • Where appropriate, group purchasing arrangements are in place to ensure the supply of materials at competitive prices.
Health & safety A failure to prevent unsafe practices within our construction activities, causing injury or death. The risk has not changed during the year.	Health and safety breaches can result in injuries to employees, subcontractors and site visitors, delays in construction, additional cost, reputational damage, criminal prosecution and civil litigation.	• Our documented policies and procedures are regularly reviewed and modified in order to ensure continuous improvement. • Dedicated Health & Safety personnel ensure implementation and adherence to these policies and procedures. • Performance is reviewed both by local management and the main Board.
Latent defects Financial losses may arise from latent defects that may arise on completed projects during the liability period. The risk has not changed during the year.	The Group may be exposed to latent defects which occur during the liability period on completed construction contracts that have not been transferred to the purchaser of the relevant construction business. Although subcontractors will normally resolve such defects, the Group will become liable if the subcontractor is no longer trading, potentially resulting in additional cost.	• We have experienced personnel, dedicated to dealing with such claims. • Insurance policies are in place to minimise Group liabilities, wherever possible. • The provisions relating to completed contracts are reviewed on a regular basis. • The Company has segregated the continuing businesses of the Group from the Group's legacy building contracting and engineering businesses.
Corporate liquidity The Group needs appropriate banking facilities for its short term liquidity and long term funding needs. The risk has not changed during the year. The Group's committed borrowing facilities, albeit unused, have been extended for a further three years.	The Group may be unable to meet short term liabilities as a result of failure to manage liquidity. Lack of liquidity may also limit the Group's ability to take advantage of business opportunities as they become available and consequently a possible impediment to future growth.	• The Group maintains strong financial disciplines. • Cash generation is controlled by robust budgeting, forecasting and cash management disciplines. • Regular contact with investors and lenders to ensure adequate bank facilities are in place with appropriate covenants and headroom.
Financial irregularity The Group could suffer loss from significant fraud or the misrepresentation of financial results. The risk has not changed during the year.	Negative publicity could have an adverse effect on the Group's reputation and the Group could experience lower confidence levels from customers and suppliers.	• The Group has financial and management controls designed to segregate duties and minimise opportunities for fraud. Financial reporting processes are the subject of rigorous and timely management reviews.
Credit risk The Group could suffer loss as a result of default from customers. The risk has not changed during the year.	The Group has exposure to receivables on deferred payment terms, particularly on certain land sales.	• Credit risk assessments are performed on all customers buying land on deferred terms. • The Group maintains security over the majority of land sold on deferred terms.
Information technology Failure of information management systems or loss of data. The risk has not changed during the year.	The Group could suffer operational inefficiencies as a result of a loss of data or system failure.	• 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.

Corporate Social Responsibility Report

Local homes for local people

We continue to transform brownfield sites in challenging areas into new homes developments. We build properties which get working class people out of housing poverty and the rent trap into home ownership and wealth creation.

Our buyers are not property speculators nor are they landlords. For our buyers, a Gleeson home is a safe and secure place where they can raise their families, a home which they will proudly pass on to their children as a legacy.

With the average age of home buyers in the UK now at 31, Emily and Stephen, aged 19 & 22 respectively, never thought they could own a home, until they visited Gleeson's Carlisle Park development in South Yorkshire.

> *"We really wanted to stay local but were desperate to move out of our parents' homes and didn't fancy wasting money on rent. We never thought we could afford a new home and then we visited Carlisle Park and found out about the Help to Buy scheme. We thought it would be years before we were in a position to buy and now we are the proud owners of a three bed semi-detached home."*

"We really did think we were stuck in the 'rent trap' forever so we were surprised that we could buy a Gleeson home with Help to Buy and our mortgage repayments were cheaper than our monthly rent!"

Bus driver, Lee, and partner Kylie, who works for the Co-op, had resigned themselves to renting and never thought they would get on the property ladder. Yet now they are the proud owners of a brand new Gleeson home and are planning their dream wedding.

Community Matters

Gleeson's commitment to working with local communities met with the approval of the former Minister of State for Housing and Planning, Mr Brandon Lewis, when he visited the Grafton Park development in the Toxteth area of Liverpool.

Former Minister of State for Housing and Planning visits Grafton Park in Toxteth

During his visit Mr Lewis toured the development and discovered how Gleeson is helping meet the Government's aspiration of home ownership with over 40% of buyers at Grafton Park using the Help to Buy scheme to purchase their new home. Mr Lewis met with prospective buyer Emma Careless who explained that without Help to Buy and Gleeson's range of purchasing enabling schemes she could not afford to buy her own home.

Mr Lewis was especially impressed with Gleeson's transformation of the vacant land, which is located in the heart of an area of Liverpool infamous for the riots in 1981, into a development of 132 new homes.

These have proven extremely popular with local buyers with properties selling as soon as they are released for sale.

Corporate Social Responsibility Report (continued)

The Gleeson Community Sports Foundation

In early 2016 we reached a milestone with the sponsorship of the 50th junior sports team through the Gleeson Community Sports Foundation.

Since its inception in 2012 we have provided sponsorship to local teams, run by community volunteers who, without this money, would struggle to offer children the opportunity to practice and learn a competitive sport in a safe environment.

Burnley Women & Girls

Funding from Gleeson helped set-up this brand new all-female cricket team. The club offers local girls the chance to participate in a women's cricket league and also helps team members develop socials skills in a safe and fun environment.

Moorthorpe & South Elmsall District Junior FC

When two local football teams were in danger of disbanding due to financial pressures they joined forces to create one district team.

The joint team is celebrating success in part thanks to Gleeson Homes who now sponsor the Under 12s team. The juniors proudly wore their new Gleeson kit when they recently won a local challenge cup tournament.

Engagement with local schools

We continue to work with local primary schools located close to our developments.

Projects include asking pupils to suggest names for new roads on our developments and tapping into their creativity by getting the school children to design their ‘dream’ bedroom in a shoebox which we then recreate in our showhomes.

When Gleeson started to develop Scarborough’s vacant McCain Football Stadium into brand new homes we worked with pupils from the local Thomas Hinderwell Primary School to suggest a name for the new road running through the development.

After careful consideration we chose TJ McNeil’s suggestion of Stadium Lane, which is only fitting following the transformation of this iconic local landmark into a brand new community.

This year we extended our schools programme into secondary education, offering students from Dukeries Academy Construction College in Nottinghamshire the chance to tour our Whinney Park development and see first-hand the construction practices they are studying in the classroom.

Following the site visit the Academy selected one student to spend a day with our Health and Safety Team. During the mentoring day the student accompanied a Director on site visits to get a wider perspective of the housebuilding industry.

A bedroom fit for a superhero. Designed by local school boy Archie Miller and recreated in one of our showhomes at Masefield Park.

Corporate Social Responsibility Report (continued)

Traditional Neighbourhood Watch does not work in our development areas which are often blighted by higher than average levels of crime and antisocial behaviour. Residents are reluctant to join a visible and active Neighbourhood Watch group for fear of reprisals or being viewed as a 'busybody' with links to the local Police.

Gleeson recognised this apathy towards Neighbourhood Watch, which we view as an outdated scheme, and addressed the issue by creating our own unique online alert system called YourWatch.

YourWatch provides our residents with the anonymity to report their concerns without repercussion via the YourWatch website. We then share this information and where necessary, send warnings through instant alerts straight into their inbox.

The YourWatch scheme goes from strength to strength with over 1,800 households now subscribed across 48 developments.

YourWatch has helped stop antisocial behaviour at Rainsborough Park in West Yorkshire

When a resident from the Rainsborough Park development sent us a YourWatch Incident Report about local youths irresponsibly riding motorbikes around the development roads and neighbouring bridleways we immediately sent out a YourWatch Report to other residents advising them to be vigilant and report any other problems. Thanks to our intervention local PCSOs now carry out regular patrols in the area and no further activity has been reported.

We receive regular email reports from residents advising us of various issues on their development from burglary to antisocial behaviour and even, in one instance, untethered ponies eating flowers from front gardens.

At Parson Green with the local community to help keep the residents of Parson Cross safe.

The Parson Cross area of Sheffield is blighted with higher than average levels of crime and problems with antisocial behaviour and gang activity. Our Parson Green development is now a pivotal part of the Parson Green community and the information taken from our YourWatch scheme has become invaluable in our work with the local Police and Parson Cross Forum to cut crime in the area. YourWatch has succeeded in an area where traditional Neighbourhood Watch failed.

We investigate every report, where necessary passing information to the local Police and Authorities and issue our own alerts via email to all local residents asking them to be vigilant and report any further disturbances to us.

We have recently expanded the scheme and now encourage existing residents who live close to our sites to sign up to YourWatch. The expansion of the scheme into the local area is just another way we are working with local people to create safer communities.

The Gleeson Apprenticeship Scheme

Since 2010 the Gleeson Apprenticeship Scheme has trained over 60 young people, giving them invaluable site experience in the bricklaying and joinery trades, whilst allowing them time to study for an NVQ at a local college.

In 2015 the scheme was expanded to include office based roles in Construction Operations and in August 2016 a further Apprenticeship in Quantity Surveying was introduced with new roles created at each of our six regional offices.

Greg Lyons was one of the first apprentices to join the Gleeson scheme back in 2010, completing his two year NVQ in Joinery at college whilst practising his skills on new homes at the Grove Village development in Manchester.

Greg showed clear promise throughout his apprenticeship and on completion of his studies was promoted to Trainee Assistant Site Manager on the development.

Just 5 years after joining the Gleeson team Greg is now the Assistant Site Manager at Grove Village, supervising the completion of the last homes on this vast, inner city regeneration scheme comprising of 881 new Gleeson homes.

The Gleeson Community Challenge

In 2015 Gleeson launched its inaugural Community Challenge Makeover in South Yorkshire. Local charities and non-profit organisations were invited to apply for a makeover of their facilities, worth £10,000, with all the works carried out by Gleeson's construction team. Gleeson volunteers and subcontractors kindly contributed their time and services to the project.

The winner was Croft House Settlement & Community Centre located in an old church building in the heart of Sheffield. The centre was in need of major renovation. As part of the Makeover, Gleeson was able to create a new reception area, provide a brand new kitchen and refurbish the toilets.

One year later Croft House has become increasingly popular thanks to the Makeover.

Roger Steele from Croft House Council of Management said, *"The refurbishment has been a major hit with all our regular groups and visitors and continues to attract many positive comments. Over the past 12 months we have received numerous enquiries from potential new users who have seen the refurbishment and we look forward to welcoming new groups to use the centre's facilities. Gleeson's Makeover certainly inspired us to carry out further work in the centre. All the ground floor rooms have now been re-decorated and we are currently involved in repairs and re-decoration of a major staircase area."*

In late 2016 we will be launching our second Community Challenge and will soon start inviting local charities and organisations in the Teesside region to apply for a makeover, this time worth £20,000.

Corporate Social Responsibility Report (continued)

Health and safety

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

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

The overall Accident Incidence Rate ("AIR") was 117 in spite of a further sizable increase in construction activity and is below the housebuilding industry average of 368 injuries per 100,000 employees, as published by the HBF (Home Builders Federation) and the Health & Safety Executive. The AIR is an industry-wide indicator of health and safety performance.

Environment management systems

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

The Group's environmental strategy is focused on:

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

Waste management: minimisation and recycling

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

Timber policy

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

Greenhouse gas reporting

Our greenhouse gas emissions for the year ended 30 June 2016 were calculated in accordance with the financial control approach under the UK Government's GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors for Company Reporting 2014. The calculation incorporates the six Kyoto gasses including carbon dioxide, methane, nitrous oxide and hydro fluorocarbons and reports them in terms of carbon dioxide equivalents (CO^2e).

CO^2 emissions	Tonnes CO^2e 2016	Tonnes CO^2e 2015
Scope 1: Emissions from combustion of fuel	1,562	1,362
Scope 2: Electricity, heat, steam and cooling purchased for own use	524	336
Total emissions	2,086	1,698
Emissions per £m revenue	14.68	14.46

Our people

It is the Group's policy to ensure that it provides a safe, professional and stable working environment, that all employees are afforded equal opportunities and are free from unlawful discrimination regardless of their age, sex, sexual orientation, colour, race, religion or ethnic origin and that disabled persons are not disadvantaged.

At 30 June 2016 the Group employed the following number of people:

	Female		Male		Total
	Num	%	Num	%	Number
Executive team	0	0%	2	100%	2
Senior management	2	15%	11	85%	13
Other employees	96	30%	222	70%	318
Total	**98**	**29%**	**235**	**71%**	**333**

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

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

We have continued to increase the number of apprentices within the Group to support the Group's growth strategy. By the end of the financial year there were 30 apprentices employed by the Group (2015: 25). In September 2016 19 apprentices will be commencing their first year of the apprenticeship programme, 9 commencing in their second year and 4 commencing in their third year.

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

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

Charitable donations

Charitable donations in 2016 totalled £2,000 (2015: £20,500).

STRATEGIC REPORT APPROVAL STATEMENT

The Strategic Report, contained in pages 4 to 27 has been approved by the Board of Directors and is signed on its behalf by

Jolyon Harrison
Chief Executive Officer
23 September 2016

Corporate Governance

Malvins Walk, Blyth

Chairman’s Introduction

I am pleased to have the opportunity to introduce this report which describes our corporate governance arrangements during the year ended 30 June 2016 and explains how these arrangements have worked for the benefit of the Group and its shareholders.

As a premium listed company on the London Stock Exchange, the Group is subject to the UK Corporate Governance Code. The Board believes that compliance with this Code assists it to provide the Group with ethical and effective leadership.

As Chairman, I am responsible for the leadership of the Board and for ensuring that it fulfils its responsibilities to all of the Group’s stakeholders.

The three main requirements of the Board’s successful operation are:

- the maintenance of an appropriate balance among Board members of relevant skills and experience;
- the timely and regular provision to all Board members of the information that they need to monitor the performance of the Group’s divisions and to understand the conditions in which they are operating; and
- the presence of non-executive directors with sufficient expertise and independence to challenge the executive directors constructively on operational issues and to contribute to the development of corporate strategy.

Appointments to the Board are always made on merit against objective criteria and the Board strongly supports the principle of boardroom diversity. The Board, its Committees and individual Directors are subject to annual performance evaluation and, although this is not a requirement of the Code, all Directors are subject to annual re-election by shareholders.

The Board considers that this Annual Report is fair, balanced and understandable.

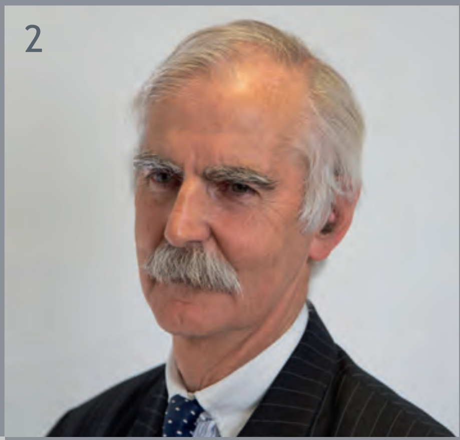
The remainder of this report contains the narrative reporting variously required by the Code, the Listing Rules and the Disclosure Guidance and Transparency Rules.

Dermot Gleeson
Chairman
23 September 2016

Board of Directors

Dermot Gleeson
Chairman

Jolyon Harrison
Chief Executive Officer and Managing Director, Gleeson Homes



Stefan Allanson
Chief Financial Officer and Company Secretary

Ross Ancell
Non-Executive Director

Colin Dearlove
Non-Executive Director

Christopher Mills
Non-Executive Director

1 Dermot Gleeson

MA (Cantab)
Chairman

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

2 Jolyon Harrison

FCIOB, FIoD, FCMI
Chief Executive Officer and Managing Director, Gleeson Homes

Appointed to the Board in July 2010 and appointed Chief Executive Officer on 1 July 2012. Jolyon joined the Group in November 2009 as Managing Director of Gleeson Homes. He has nearly 50 years of housebuilding experience, most recently as founder and Chairman of Pelham Construction/North Country Homes Group and prior to that as Managing Director of Shepherd Homes and Chairman of York Housing Association. Currently Chairman of JDP Rooflines Limited, MSP Technologies Limited and the Yorkshire region of the Home Builders Federation. Formerly a member of the North East Housing Board and a Council member of the National House Building Council. He is the Board member responsible for health and safety matters.

3 Stefan Allanson

ACMA, FCT
Chief Financial Officer and Company Secretary (from July 2015)

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

4 Ross Ancell

ACA, (NZ)
Non-Executive Director

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

5 Colin Dearlove

BA, FCMA, CGMA
Non-Executive Director

Appointed to the Board in December 2007. Colin was at Barratt Developments PLC from 1981 to 2006 where he held a number of senior finance positions with the most recent being Group Finance Director, from 1992 until his retirement in 2006. He is the Senior Independent Director, Chairman of the Audit Committee and member of the Remuneration and Nomination Committees.

6 Christopher Mills

Non-Executive Director

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

Corporate Governance Statement

The Board remains committed to achieving and maintaining a high standard of corporate governance.

During the period under review, the Company, as a premium listed company, was subject to the September 2014 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (FRC). The Code recognises that not all of its provisions are necessarily relevant to smaller listed companies and the Code states that departures from its provisions should not be automatically treated as breaches of the Code. The Directors believe that the Code is correctly applied as and where relevant to the Company and are satisfied that in areas of departure from the Code the departure is for good reason.

Further explanations of how the main principles and the supporting principles have been applied are set out on page 36.

Board of Directors

The Board is responsible to shareholders for the success of the Group. Its role is to set the strategic and financial framework within which the Group operates, to monitor and review the performance of each of the divisions and to ensure that the risks faced by the Group are effectively managed. To facilitate this, the Board and its committees are provided with relevant and timely information in advance of all meetings and when otherwise required. Due to the size and structure of the Group, all significant decisions are taken at Board level. There is a formal schedule of matters that are reserved for a decision of the Board or its committees; these include the approval of:

- strategy and financial policy;
- banking arrangements and any changes to them;
- interim and annual financial statements;
- risk management and internal control policy;
- major capital expenditure;
- acquisition of land;
- acquisitions and disposals;
- Board structure and composition;
- terms of reference of the Board's sub-committees;
- entering into or amending pension arrangements;
- approval of contractual arrangements which fall outside authority delegated to Executive Directors;
- dividend policy; and
- pledging security over assets and providing parent company guarantees.

All these matters were reviewed by the Board during the year.

At the date of this report, the Board comprises six Directors, four of whom are Non-Executive. All Directors served throughout the year to 30 June 2016 with the exception of Mr Stefan Allanson who was appointed Chief Financial Officer and Company Secretary in July 2015 following the resignation of Mr Alan Martin who resigned as Chief Financial Officer and Company Secretary in July 2015. The Directors' biographies are set out on page 31.

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

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.

Directors' and Officers' Insurance is procured through the Company's insurance brokers, Arthur J Gallagher International. The terms and conditions are reviewed annually.

The Board continues to support the Malpractice Reporting Policy. The Policy has been communicated internally and is available for review on the website.

Conflicts of interest

Following the introduction of s.175 of the Companies Act 2006 on 1 October 2008 and the authority given by shareholders at the 2008 AGM to the Directors to authorise conflicts of interest, the Board has procedures in place to deal with conflicts of interest. Under s.175, all Directors are under a duty to consider their positions fully at all times. They must advise the Chairman immediately or, if the Chairman is conflicted, he must advise the Senior Independent Director. If a conflict is identified, permission or refusal to authorise a conflict is given by the non-conflicted Directors subject to the appropriate quorum requirement being met without counting the conflicted Director. The Board may vary or terminate the authorisation should the facts change or should the Board feel it is no longer appropriate for such authorisation to be in place.

A register of authorisations is maintained by the Company Secretary which includes date of authorisation, expiry and comments on any special circumstances which might include the requirement of a conflicted Director to absent himself from Board discussions or be precluded from receiving Board papers.

Board effectiveness

The roles of the Chairman, Dermot Gleeson, and the Chief Executive Officer, Jolyon Harrison, are clearly defined and they act in accordance with the main and supporting principles of the Code.

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

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

Board balance and independence

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

Ross Ancell will have completed ten years of service and Colin Dearlove nine years of service on the Board at the date of the 2016 AGM in December 2016. Both Ross Ancell and Colin Dearlove have provided assurances to the Board of their continued independence and that there are no circumstances which are likely to affect, or could appear to affect, their judgement. The Board greatly values both Ross Ancell's and Colin Dearlove's expertise and understanding of the Group's operations and strategy and is wholly confident that they will continue to behave independently in character and judgement in the interests of all our shareholders. We have consulted our two largest shareholders and both are supportive of the Board's assessment that Ross Ancell and Colin Dearlove should continue to be regarded as independent directors.

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

A primary duty within the Nomination Committee's Terms of Reference is that candidates for appointment to the Board will be based upon merit. The Board recognises the benefits of diversity and we consider that diversity includes, but is not limited to, personal attributes, gender, ethnicity, age, disability and religious beliefs. Our aim is to promote equality, respect and understanding and to avoid discrimination. Whilst we value the recommendation of the Davies Report, we do not have a specific objective for the number of female Directors. We do not currently have any female main Board Directors and we are committed to ensuring that appointments made to the Board, and at senior management level, are made on merit.

The Nomination Committee will ensure that it only uses executive search firms which have signed up to the voluntary Code of Conduct addressing gender diversity and best practice, that females are given the same consideration and opportunity as male applicants and that gender diversity is considered specifically when drawing up a list of potential candidates.

Board and Committee meetings

During the year, the Board met on seven occasions. Normally six Board meetings are held each year. However the Board meeting scheduled for June 2015 was moved for practical convenience to 1 July 2015. Board packs, which include a

Stefan Allanson, CFO and
Jolyon Harrison, CEO

Corporate Governance Statement (continued)

formal agenda, are circulated in advance of such meetings. Attendance by individual Directors at scheduled Board meetings (including the 1 July meeting referred to above) and by members at Committee meetings is shown in Figure 1 below.

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

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

The minutes of all meetings of the Board and of each of its Committees are recorded by the Company Secretary. As well as recording the decisions taken, the minutes reflect any queries raised by the Directors and record any unresolved concerns.

Board evaluation

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

Risk management and internal control

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

During the year being reported, and in making this statement, the Company's Board of Directors carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten the Group's business model, future performance, solvency and/or liquidity.

The Board is of the view that there is an adequate ongoing process for identifying, evaluating and managing the Group's significant risks, which satisfies the internal control guidance for Directors detailed in provision C.2.1 of the Code. This

FIGURE 1: ATTENDANCE BY INDIVIDUAL DIRECTORS AT SCHEDULED BOARD MEETINGS

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of scheduled meetings	7	5	2	2
Attendance				
Dermot Gleeson	6	■	■	2
Ross Ancell	7	5	2	2
Colin Dearlove	7	5	2	2
Christopher Mills	6	■	■	■
Jolyon Harrison	7	5 ❖	2 ❖	2 ❖
Stefan Allanson	7 □	5 ❖	2 ❖	2 ❖
Alan Martin ●	1	1 ❖	-	-

■ Not a member of this Committee
❖ Whilst not a member of this Committee, the Director was in attendance at all meetings
□ 1 as an attendee prior to formally joining the Board
● Resigned as Chief Financial Officer and Company Secretary in July 2015

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 external review as part of the statutory audit carried out by the Auditors.

The Group's system of internal control includes the following processes:

- The Board and management committees meet regularly to monitor performance against key performance indicators which include cash management and financial and operational measures. A variety of financial and non-financial reports are produced to facilitate this review process.
- The Board has established defined lines of authority to ensure that significant decisions are taken at an appropriate level.
- The Group employs individuals of appropriate calibre and provides any training that is necessary to enable them to perform their role effectively. Key objectives and opportunities for improvement are identified through annual performance and development reviews.
- Each business function has defined procedures and controls to identify and minimise business, operational and financial risks. These procedures include segregation of duties, provision of regular performance information and exception reports, approval procedures for key transactions and the maintenance of proper records. Compliance with these procedures and controls is certified annually by management.
- The Group's programme of insurance covers the major risks to the Group's assets and business and is reviewed annually.
- The Chief Financial Officer has responsibility for the internal audit process and reports to the Audit Committee on such matters.
- Procedures are in place that require operating unit management to refer all investment and divestment decisions that exceed prescribed limits in the first instance to the Group Capital Committee and thereafter to 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 Operating Risk Statement on pages 18 and 19 sets out details of various risks that the business may face and how it mitigates them.

The overall Risk Management and Internal Control process is reviewed by both the Audit Committee and the Board. The Board also confirms that the formal risk management process was reviewed during the year and continued to operate up to the date of approval of these financial statements.

Whistleblowing arrangements

The Group and Company has operated a 'whistleblowing' arrangement throughout the year whereby all employees of the Group are able, via an independent external third party, to confidentially report any malpractice or matters of concern they have regarding the actions of employees, management and Directors and any breaches of the Company's Anti-Bribery and Corruption Policy.

Anti-bribery and corruption policy

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

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

Shareholder relations

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

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

For investor relations the Company uses the MJ Gleeson Group section of its website, www.mjgleeson.com, to publish statutory documents and communications to shareholders, such as the Annual Report and Financial

Corporate Governance Statement (continued)

Statements, and the Half-yearly Report, as its default method of publication. The website is designed to be a communication tool for present and potential investors and includes all London Stock Exchange announcements and press releases over the past twelve months and also links to the websites of the Group's divisions.

Compliance statement

The Company has complied with the vast majority of the provisions of the September 2014 edition of the UK Corporate Governance Code applicable to all premium listed companies. The following provisions are those where the Company is not strictly in compliance with the Code. For the reasons stated the Directors believe that the Company's stance is justified in this respect.

A.3.1, B.1.1: Dermot Gleeson, Chairman, has previously been Executive Chairman and, prior to that, has held the post of Chairman and Managing Director. The Board has considered the guidance set out in the Code and believes that it is in the Company's best interests that Dermot Gleeson be retained as Chairman.

B.1.1: Ross Ancell will have completed ten years of service and Colin Dearlove nine years of service on the Board at the date of the 2016 AGM in December 2016. Both Ross Ancell and Colin Dearlove have provided assurances to the Board of their continued independence and that there are no circumstances which are likely to affect, or could appear to affect, their judgement. The Board greatly values both Ross Ancell's and Colin Dearlove's expertise and understanding of the Group's operations and strategy and is wholly confident that they will continue to behave independently in character and judgement in the interests of all our shareholders. We have consulted our two largest shareholders and both are supportive of the Board's assessment that Ross Ancell and Colin Dearlove should continue to be regarded as independent directors.

A.4.2, B.6.3: The performance of the Chairman is appraised by both the Non-Executive and Executive Directors. As MJ Gleeson plc is a smaller listed company, it is felt that this is the most appropriate approach.

Nomination Committee

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

The Committee met twice during the year to 30 June 2016. Attendance at this meeting by the Committee members is shown in the table on page 34.

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

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

All Board appointments and re-appointments are considered by the Nomination Committee. In considering any new appointments to the Board, the balance of skills, knowledge and experience on the Board are evaluated, together with the role to be filled and the capabilities required to do so. All appointments are made on merit.

Colin Dearlove and Ross Ancell at an Audit Committee meeting

Remuneration Committee

The Remuneration Committee is responsible for setting the remuneration of the Chairman and the Executive Directors. The members of the Remuneration Committee are Ross Ancell (Chairman) and Colin Dearlove. The Committee met twice during the year to 30 June 2016 to discuss, consider and approve the policy and remuneration of the Chairman and the Executive Directors. The Committee's key action during the course of the year was the review and implementation of the Company's remuneration policy. In addition the Committee considered in detail the Executive Directors' remuneration, annual bonus plan and long term incentive plan.

Further details of the remuneration policy and the package for each Director serving during the year to 30 June 2016 are set out in the Remuneration Report on pages 44 to 63.

Audit Committee

The Audit Committee ("the Committee") is a Board Committee consisting entirely of Non-Executive Directors. The members of the Committee are Colin Dearlove (Chairman) and Ross Ancell. Colin Dearlove, as Chairman of the Committee, has recent relevant financial experience as Group Finance Director of Barratt Developments plc. Ross Ancell also has recent relevant financial experience as Chairman of Churngold Construction Holdings Limited.

The Chairman invites the Chief Executive Officer and the Chief Financial Officer and other senior management to attend, along with the Group's auditor, when required. The Committee met on five occasions during the year to 30 June 2016, with both members being in attendance for all meetings. The Committee regularly meets with the auditor and the internal auditor without the presence of the Company's management.

Priorities

The Committee's key priorities are the effective governance over the Group's financial reporting, the adequacy of related disclosures, the performance of the Group risk management function and the management of the Group's systems of internal control, business risk and related compliance activities. The Committee also reviews and monitors the performance and independence of the Group's external auditor, the provision of additional services to the Group by the auditor and oversees the Group's relationship with them.

The significant issue considered by the Committee during the year has been assessed by determining the key risk of misstatement of the Group's financial statements relating to:

- the recoverable amount of the Group's inventories, including margin recognition.

The Committee monitors the effectiveness of the internal controls exercised over the key processes employed by the Group in site development activities and the forecasting of future costs. The Committee receives regular reporting as to management's adherence to the Group's policies and procedures in this critically important area of the business. Similarly the Committee ensures the approach adopted by management in recovering the cost of both land and work in progress remains in line with established Group policies and procedures through regular risk monitoring reports.

The Committee receives regular reports regarding sales of homes and the costs and possible future costs relating to individual sites. The Committee has reviewed the assumptions adopted by management supporting the profit margin to be recognised on sale of individual homes and concluded that they are appropriate.

The other key actions of the Committee during the year were:

- whether the Group can continue to adopt the going concern basis in preparing the accounts;
- following the recent amendments to the Code, the Committee considers the Company's viability over a three year period to 30 June 2019 as set out in the viability statement on page 38;
- review of half year and annual results;
- review reports from the Chief Financial Officer on internal audit matters;
- review of the Group's Risk Register;
- review of malpractice and whistleblowing; and
- review of legacy contracts of the discontinued operations.

Committee meetings generally take place prior to Board meetings and the Committee Chairman provides the Board with a report on the activity of the Committee and the matters of particular relevance to the Board in the conduct of their work.

External audit

KPMG LLP is the Group's external auditor and they produce a detailed audit plan identifying their assessment of key risks each year. For the 2016 financial year the primary risk identified was in relation to the recoverable amount of the Group's inventories.

Corporate Governance Statement (continued)

The Committee formulates and oversees the Company's policy on monitoring external auditor objectivity and independence in relation to non-audit services. As a result of the EU Audit Reforms Regulations (as amended 11 June 2016) the auditor is excluded from undertaking a range of work on behalf of the Group to ensure that the nature of non-audit services performed or fee income earned relative to the audit fees does not compromise and is not seen to compromise the auditor's independence, objectivity or integrity. From 1 July 2016 the auditor is therefore not allowed to carry out tax compliance or advisory services, appraisal or valuation services, management functions and litigation support, actuarial services, legal, accounting or remuneration services on behalf of the Group. From time to time non-audit services are put out to tender to a number of suitable firms. The ratio of audit fees to non-audit fees paid to the auditor in 2016 financial year was 1 to 1.2.

The Committee has reviewed and is satisfied with the performance of KPMG LLP. Details of the audit fee and fees paid to KPMG LLP for non-audit services are disclosed in note 5 to the financial statements.

The Committee assesses the effectiveness of the external audit process annually with the auditor and the Company's management. The Committee holds private meetings with the auditor on an annual basis. Matters discussed include the auditor's assessment of business risks and management activity thereon, the transparency and openness of interactions with management and confirmation that there has been no restriction in scope placed on them by management. The Committee ensures that the auditor has exercised its professional scepticism.

The auditor is required to rotate the audit partner responsible for the Group audit every five years. The current audit partner was appointed during the year to 30 June 2015 as the previous partner had served a term of five years.

As a result of the EU Audit Reform Regulations all public interest entities are required to tender the external audit services every 10 years. The Committee is in the process of tendering the Group's external audit services and has invited the incumbent auditor, KPMG LLP, along with two other firms to submit proposals. The Committee intends to conclude the process during October 2016 and will seek shareholder consent at the AGM in December 2016.

At the request of the Board, the Audit Committee considered whether the 2016 Annual Report taken as a whole was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's performance, business model and strategy. The Audit Committee was satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable.

Viability statement

In accordance with provision C2.2 of the 2014 revision of the UK Corporate Governance Code, the Directors have assessed the longer term viability of the Company and the Group over a longer period than the 12 months required by the 'going concern' principle.

The Directors conducted their assessment over a period of three years to 30 June 2019, which is in line with the Group's financial budget review period and the operational period of a number of the Group's housing developments. This has enabled a meaningful assessment of viability to be undertaken, utilising detailed financial budgets which incorporate individual site cash flow forecasts.

In making its assessment, the Directors have considered the business risks facing the Group and how the Group mitigates such risks, which are summarised on pages 18 and 19 of the Strategic Report.

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

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

Furthermore, a core principle of the Group is to maintain a cautious approach to debt funding, reflecting the inherent cyclical nature of the UK property market.

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

Directors' Report

The Directors have pleasure in presenting the Annual Report and the audited Financial Statements for the year ended 30 June 2016.

Strategic Report

In accordance with the requirements of the Companies Act 2006, we present a fair review of the business during the year to 30 June 2016 and of the position of the Group at the end of the financial year together with a description of the principal risks and uncertainties faced by the Group in the Strategic Report on pages 4 to 27.

Corporate Governance Statement

The Disclosure Guidance and Transparency Rules require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils the requirements of the corporate governance statement can be found in Corporate Governance on pages 28 to 38.

Results and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 68. The subsidiary companies affecting the profit or net assets of the Group in the year are listed in note 15 to the Financial Statements.

An interim dividend of 4.5 pence per share was paid to shareholders on 4 April 2016 (2015: 2.7 pence). The Board proposes to pay, subject to shareholder approval at the 2016 AGM, a final dividend of 10.0 pence per share (2015: 7.3 pence) in respect of the 2016 financial year on 15 December 2016 to shareholders on the register at the close of business on 18 November 2016. On this basis, the total dividend for the year will be 14.5 pence per share (2015: 10.0 pence).

Business review

The review of the development and performance of the business of the Group during the year and the future outlook of the Group is set out in the Chairman's Statement on pages 2 and 3 and the Strategic Report (Business Performance) on pages 10 and 11. Details of the principal risks and uncertainties faced by the Group are set out in the Strategic Report on pages 18 and 19. The key performance indicators are set out in the Strategic Report on pages 12 and 13. The Group's policy in respect of financial instruments is set out within the Accounting Policies on pages 74 to 78 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given in note 19 to the Financial Statements.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report (Business Performance) on pages 10 and 11. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report (Financial Review) on pages 14 to 16.

The Group meets its day-to-day working capital requirements through its cash resources and the committed loan facility, which was entered into in December 2013 and amended and restated in March 2016 with an expiry date of March 2019. As part of their regular going concern review the Directors specifically address all the risk areas that they consider material to the assessment of going concern. The report arising from these discussions is made available to the auditors and the conclusion is that the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of the financial statements and thus they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

Political donations

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

Directors and Directors' interests

The current Directors of the Company and their biographical details are shown on page 31. None of the Directors have any contracts of significance with the Company.

Mr Alan Martin resigned as Chief Financial Officer and Company Secretary in July 2015 and Mr Stefan Allanson was appointed as Chief Financial Officer and Company Secretary on the same date.

The beneficial and non-beneficial interests of the Directors and their connected persons in the shares of the Company at 30 June 2016 and as at the date of this report are disclosed in the Remuneration Report on page 60. Details of the interests of the Executive Directors in share options and awards of shares can be found on page 61 within the same report.

Director's Report (continued)

Appointment and replacement of Directors

In accordance with Code provision B.7.1 the Board has determined that all Directors will be subject to annual re-election by shareholders. The Company's Articles of Association ("Articles") provide that at each AGM at least one-third of the Directors shall retire from office and shall be eligible for reappointment. In any event, at the next AGM of the Company, to be held on 8 December 2016, all of the Directors will, voluntarily, offer themselves for re-election. Of the Directors standing for re-election, Jolyon Harrison and Stefan Allanson hold service contracts that may be terminated by the Company with a notice period of one year.

Share capital

During the period 423,015 shares were issued to satisfy shares vesting under the Performance Share Plan.

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

As at 23 September 2016 the Company has issued share capital of 54,120,495 ordinary shares, with a nominal value of £1.1m. Further details are given in note 27 to the financial statements.

Substantial shareholdings

On 16 September 2016, the shareholdings noted below, representing 3% or more of the issued share capital, had been notified to the Company. In addition, as at 16 September 2016, Capita IRG Trustees Limited held 238,082 ordinary shares as trustees of the Employee Share Purchase Plan.

Name of Shareholder	Number of shares	Proportion of total
Funds managed by Harwood Capital LLP	11,055,000	20.43%
Schroder Investment Management Limited	6,301,689	11.64%
Mrs J C Cooper & spouse*	2,654,065	4.90%
BlackRock Investment Management (UK)	2,281,361	4.22%
JP Morgan Asset Management	2,071,019	3.83%

*of which 547,250 shares are held in discretionary trusts of which Mrs J C Cooper is a Trustee.

Directors' Indemnity

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

As a result, the Company operates a Directors and Officers' liability insurance policy in order to indemnify Directors and other senior officers of the Company and its subsidiaries, as recommended by the Corporate Governance Code. This insurance policy does not provide cover where the Director or officer has acted fraudulently or dishonestly.

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

Employees

We are committed to ensuring that all employees, potential recruits and other stakeholders are treated fairly and equitably. The principles of equality and diversity are important to us and advancement is based upon individual skills and aptitude irrespective of sex, sexual orientation, race, colour, age, disability, nationality or marital/civil partnership status. Full consideration is given to the diverse needs of our employees and potential recruits and we are fully compliant with all current legislation. The Group is committed to upholding basic human rights within its business. The Group generates all its revenue from operations within the United Kingdom and its supply chain is sourced from within the United Kingdom, as such our supplier acceptance processes ensure we comply with national regulations and legislation. Our culture is aimed at ensuring that employees can grow to their full potential. We seek to improve employee retention by providing benefits that employees want including the Group stakeholder pension (including life assurance arrangements), private medical insurance, childcare vouchers and income replacement (PHI) arrangements. Employee share ownership continues to be encouraged through participation in the Group Share Purchase Plan.

We are committed to developing our employees in order that they can maximise their career potential and achieve their aspirations and our aim is to provide rewarding career opportunities in an environment where equality of opportunity is paramount. Our policy for selection and promotion is based on an assessment of an individual's ability and experiences; we take full consideration of all applicants on their merits and have processes and procedures in place to ensure that individuals with disabilities are given fair consideration.

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

Employee involvement

The Group regularly provides its employees with information on matters of concern to them. We consult with our employees in order to ensure that their views can be taken into account when making decisions. We utilise our intranet site to disseminate information and engage with our employees via manager briefings.

Health and safety

The health and safety of our employees and others is paramount. Further information on our approach to health and safety is provided in the Corporate Social Responsibility Report on page 26.

Greenhouse gas emissions

All disclosures concerning the Group's greenhouse gas emissions, as required to be disclosed under regulations introduced by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are contained in the Corporate Social Responsibility Report forming part of the Strategic Report on page 26.

Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Shareholder additional information

Following the implementation of the EU Takeover Directive in the UK, the Company is required to disclose certain additional information where not covered elsewhere in this Annual Report.

Rights and obligations attaching to shares

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

Amendment to the Articles of Association

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

Voting

Under and subject to the provisions of the Articles and subject to any special rights or restrictions as to voting attached to any shares, on a show of hands, every shareholder present in person shall have one vote and on a poll every shareholder who was present in person or by proxy shall have one vote for every share of which he is 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 him unless all calls and other sums presently payable by him in respect of that share have been paid.

Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM to be held on 8 December 2016 are set out in the Notice of the AGM.

Dividends and distributions

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

Director's Report (continued)

Winding up

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

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

Variation of rights

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

Transfer of shares

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

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

Repurchase of shares

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

Appointment and replacement of Directors

The Directors shall not, unless otherwise determined by an ordinary resolution of the Company, be less than three or more than 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 re-appointment. The Board may appoint one or more Directors to hold any office or employment under the Company for such period (subject to the Companies Acts) and on such terms as it may decide and may revoke or terminate any such appointment. At each AGM any Director who has been appointed by the Board since the previous AGM and any Director selected to retire by rotation shall retire from office. At each AGM, one-third of the Directors who are subject to retirement by rotation or, if the number is not an integral multiple of three, the number nearest to one-third but not exceeding one-third shall retire from office. In addition, there shall also be required to retire by rotation any Director who at any AGM of the Company shall have been a Director at each of the preceding two AGMs of the Company, provided that he was not appointed or re-appointed at either such AGM and he has not otherwise ceased to be a Director and been re-appointed by a general meeting of the Company at or since either such AGM.

The Company may, by ordinary resolution of which special notice has been given in accordance with the Companies Acts, remove any Director before his period of office has expired notwithstanding anything in the Articles or in any agreement between him and the Company. A Director may also be removed from office by the service on him of a notice to that effect signed by or on behalf of all the other Directors, being not less than three in number. The office of a Director shall be vacated if:

i. he is prohibited by law from being a Director;

ii. he becomes bankrupt or makes any arrangement or composition with his creditors generally;

iii. he is or may be suffering from a mental disorder as referred to in the Articles;

iv. for more than six months he is absent, without special leave of absence from the Board, from meetings of the Board held during that period and the Board resolves that his office be vacated; or

v. he serves on the Company notice of his wish to resign.

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

- the Company's share schemes and plans; and
- the £20m revolving credit facility whereby upon a 'change of control' all amounts become due and payable.

Information rights

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

Auditor

As a result of the EU Audit Reform Regulations all public interest entities are required to tender the external audit services every 10 years. The Committee is in the process of tendering the Group's external audit services and has invited the incumbent auditor, KPMG LLP, along with two other firms to submit proposals. The Committee intends to conclude the process during October 2016 and will seek shareholder consent at the AGM in December 2016.

Annual General Meeting

The Notice of the AGM to be held on 8 December 2016, together with details of the resolutions to be considered, are set out in a separate circular.

Deadlines for voting rights

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

By order of the Board

Stefan Allanson
Company Secretary
23 September 2016

Remuneration Committee Report

Chairman's Summary Statement

Introduction

I am pleased to take this opportunity to set out the Group's remuneration strategy and the way it has been implemented during the past year. Our remuneration report is split into three parts as follows:

- this letter, which provides an introduction to the remuneration report;
- our Policy on Directors' remuneration, which sets out our proposed future remuneration policy and is subject to a binding vote at the forthcoming AGM; and
- the Annual Report on Remuneration, which describes how the policy was implemented in the year to June 2016 and the plans for the year to June 2017.

Context to the Committees decisions

Since the appointment of the current Chief Executive Officer, Jolyon Harrison, in July 2012 the Group has seen year on year continued growth in its key performance metric of Profit before tax, from £5.8 million in 2013 (Jolyon's first year in office) up to £28.2 million in the current year being reported, an increase of 386% (equivalent to 69% per annum compound growth). Over the same period the increase in share price (and dividends paid) has resulted in an increase in total shareholder return of 313% (this compares to an increase of 187% in our peer group and a 68% increase in the FTSE Small Cap index).

Outcome of 2016 remuneration issues

During the financial year the Remuneration Committee ("the Committee") undertook its regular annual review of the Executive Directors' base salaries and agreed the performance targets for the annual bonus for 2016.

The Group continued to perform well during the year to 30 June 2016. The performance condition for the Executive Directors' 2016 annual bonuses was achievement of Group profit before tax (before exceptional items) of between £22.0m and £27.0m. The Group achieved profit before tax for both continuing and discontinued operations of £27.9m, which is an increase of 20.3% against the previous year. Accordingly, annual bonus payments for 2016 will be made at 100% of base salary for the Chief Executive Officer and 75% of base salary for the Chief Financial Officer, both to be paid in cash. Alan Martin resigned in July 2015 and will not receive any bonus for 2016.

Vesting of the November 2012 long term incentive plan award for the Chief Executive Officer, which matured in November 2015, was based upon a three year performance condition which ended on 30 June 2015. The performance condition was based on total shareholder return achieving £3.50 by the end of the performance period. The share price was £4.36 on 30 June 2015 and the performance condition was met in full. Accordingly 100% of the award, being 423,015 shares, vested to the Chief Executive Officer on 10 November 2015. As there were no other grants under the 2012 plan, this completed the 2012 plan.

No other long term incentive plan awards vested in the year ended 30 June 2016. However, under the October 2014 long term incentive award the grant to Alan Martin of 59,231 shares lapsed during the year to 30 June 2016 due to his resignation as a Director.

The Committee also approved a proposal to implement a new long term incentive plan for Executive Directors which will vest in whole or in part on or after the third anniversary of the date of grant if performance conditions have been met. The performance condition is based on total shareholder return for the three financial years from 1 July 2015 to 30 June 2018. The proposal was subsequently approved by the Board and the award was made on 30 September 2015.

2017 Executive Directors' remuneration

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

BASE SALARY

The base salary of the Chief Executive Officer for the year to 30 June 2017 has been increased by 0.8% to £400,000. The base salary of the Chief Financial Officer for the year to 30 June 2017 has been increased by 38.9% to £250,000 (£180,000 previously).

The material increase in the salary of the Chief Financial Officer reflects the fact that the he was employed initially as Chief Financial Officer and Company Secretary designate and only subsequently appointed to the Board as Chief Financial Officer on 31 July 2015. On his appointment his salary was set below-market and substantially below that of his predecessor. The Committee has determined that the increase proposed is appropriate and reflects the Chief Financial Officer's performance and contribution since his Board appointment. It is the Company's intention to potentially increase the salary to £300,000 at the next review date subject to the Chief Financial Officer's continued performance and development in the role.

ANNUAL BONUS

The maximum amount payable under the annual bonus scheme will be 100% of base salary for both the Chief Executive Officer and Chief Financial Officer. For the Chief Financial Officer, the performance conditions for the year to 30 June 2017 remain wholly linked to profit targets.

Chairman's Summary Statement (continued)

For the Chief Executive Officer, 2/3 of the award will be based on profit targets with 1/3 based on the achievement of personal, or strategic, performance targets.

LONG TERM INCENTIVE PLAN (LTIP)
The maximum amount payable under the LTIP will be 300% of base salary for the Chief Executive Officer and 150% of salary for the Chief Financial Officer. As in previous years, the LTIP will vest based on TSR performance measured over a period of three financial years. The awards will be subject to a two-year holding period following the performance period.

ONE-OFF CEO AWARD
In addition to the LTIP award it is also proposed to grant a one-off CEO Award to the Chief Executive Officer. Both of these awards are designed to ensure a significant portion of total remuneration is linked to the Group's strategy and to shareholder value creation.

New Remuneration Policy

The Group's current Policy on Directors' remuneration was approved by Shareholders at the Company's 2014 AGM on 12 December 2014 and received a 96.5% vote in favour. The Policy became effective for a period of up to three years from the date of approval, which would suggest a normal review date of 2017.

The development and growth of the business, along with a desire to ensure that future performance is sustained and rewarded led the Committee to conclude that a review of the Policy should be conducted. The Committee reviewed the remuneration policy for Executive Directors and subsequently agreed that an amended Policy would be put to shareholders in 2016.

When undertaking the review, the Committee believed it was important that the future remuneration Policy was tailored to MJ Gleeson's circumstances, such that it:

- Supports the Company's strategy over the next stage of development;
- Continues to act as an appropriate tool with which to attract, retain and motivate the Executive Directors who are critical to executing the business strategy and driving the continued creation of value for shareholders;
- Ensures that remuneration is competitive against companies of a similar size and complexity; and
- Takes into account practice in the Company's listing environment whilst being cognisant of its major shareholders' views and expectations.

As a result of this review, the Committee concluded that a number of changes to the Policy were required. These changes, if approved, will mean that MJ Gleeson has in place a Policy which is appropriate for the next three-year period of the Company's development.

Summary of proposed changes to Policy

The key proposed changes to the Policy are set out below:

- Introduce a one-off CEO Award with a value of £3m for the Chief Executive Officer payable on achievement of the earlier of:
  - Achieving a TSR of £10 per share at the end of a 3-year performance period or cessation if earlier, measured over an average of 180 days, or
  - A change of control or a substantial exit within a 3-year performance period for shareholders provided that the event was deemed by the Remuneration Committee to have delivered value to the shareholders.
- The adoption of a two-year holding period following the three-year performance period for future awards under the Long Term Incentive Plan (LTIP). Our current long-term incentive rules are due to expire next year, therefore we will be taking the opportunity to update our rules and put the LTIP to shareholders for approval alongside the Policy at the 2016 AGM.

A number of minor adjustments to the previous Policy wording will be included as part of the binding Policy vote at the 2016 AGM. These changes are intended to reflect best practice which has developed since the Policy was approved in 2014 and are intended to enable the effective operation of the existing arrangements. The Committee considered a number of approaches on how to motivate and incentivise the CEO to deliver against challenging strategic objectives.

The Committee recognise that a one-off award does not conform to standard market practice. However, the Committee believes that the proposed award provides the CEO with a meaningful incentive for delivering against our challenging strategic objectives over the next 3 years and creating significant additional value for our shareholders.

It is the Committee's opinion that the proposed approaches are better aligned with the Group's remuneration objectives and the Company's strategy and will enable us to ensure Executives continue to remain fully aligned with business performance.

As part of this review the Committee has taken independent advice, which included looking at comparable remuneration packages paid to executives in comparable businesses.

Remuneration for the year to 30 June 2016 was based on the 2014 policy as approved by shareholders. Proposed remuneration for the year ending 30 June 2017 detailed in this report is based on the policy which has been approved by the Committee but is still to be approved by shareholders. The Board reviewed the policy for the other Non-Executive Directors.

The Committee would like to thank shareholders for their past support and look forward to your endorsement of remuneration issues at the forthcoming AGM.

Ross Ancell
Chairman, Remuneration Committee
23 September 2016

Masefield Park

Remuneration Policy Report

This part of the report sets out the remuneration policy for the Group and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the UK Corporate Governance Code and the views of our major shareholders and describes the policy to be applied from 2016 onwards. The policy report will be put to shareholders for approval at the forthcoming AGM.

Policy overview

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

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

Components of Directors' remuneration

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

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

Element	BENEFITS
Purpose and link to strategy	Provides a benefits package in line with practice relative to comparators to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy.
Operation	The Company provides cash benefits and benefits in kind to Executive Directors. These include but are not limited to: • company car or cash equivalent • private fuel • private medical insurance – family cover • life insurance • permanent health insurance • annual health check • holiday and sick pay • professional subscriptions • reimbursement of expenses incurred on Group matters The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits may therefore be offered such as relocation allowances on recruitment. There are no provisions for recovery or withholding of payment.
Maximum opportunity	The value of benefits is based on the underlying cost to the Group and individual circumstances. There is no prescribed maximum but benefits are in line with market practice.
Performance targets	N/A

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

Remuneration Policy Report (continued)

Element	ANNUAL BONUS
Purpose and link to strategy	To incentivise the achievement of key financial and strategic targets for the forthcoming year without encouraging excessive risk taking.
Operation	The Committee will determine the bonus to be delivered following the end of the relevant financial year. The Company will set out in the section headed Annual Report on Remuneration, in the following financial year, the nature of the targets and details of the performance conditions, and weightings and their level of satisfaction for the year being reported. Normally payable in cash, but Executive Directors may elect to have their bonus payable in shares. Performance targets are reviewed annually by the Committee and can include financial and non-financial targets. The Committee has the discretion to override the formulaic outturn of the bonus to determine the appropriate level of bonus payable where it believes the outcome is not truly reflective of performance and to ensure fairness to both shareholders and participants. Malus and clawback provisions will apply.
Maximum opportunity	Maximum opportunity of 150% of base salary. Percentage of bonus maximum earned for levels of performance: Threshold: 0% Maximum: 100%
Performance targets	An award under the annual bonus is subject to satisfying financial and strategic / operational performance / personal performance conditions and targets measured over a period of one financial year. A minimum of two thirds of the bonus shall be based on financial performance measures. The Committe will determine the bonus to be delivered following the end of the relevant financial year. The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the Annual Bonus in advance would not be in shareholders' interests. Targets, performance achieved and awards made will be published at the end of the performance period so that shareholders can fully assess the basis for any pay-outs under the Annual Bonus. In exceptional circumstances the Committee retains the discretion to: • change the performance measures and targets and the weighting attached to the performance measures and targets part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate; and • make downward or upward adjustments to the amount of bonus earned resulting from the application of the performance measures, if the Committee believe that the bonus outcomes are not a fair and accurate reflection of business performance. Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report. The financial targets incorporate an appropriate sliding scale range around a challenging target.

Element	LONG-TERM INCENTIVE PLAN ("LTIP")
Purpose and link to strategy	The purpose of the LTIP is to incentivise and reward Executive Directors in relation to long term performance and achievement of Company strategy. This will better align Executive Directors' interests with the long-term interests of the Company and act as a retention mechanism. The award is designed to incentivise Executive Directors to maximise TSR by successfully delivering the Company's strategy and to share in the resulting increase in total shareholder value.
Operation	Awards are granted annually to Executive Directors in the form of a conditional share award, nil cost option or restricted share award. Details of the performance conditions for grants made in the year will be set out in the Annual Report on Remuneration and for future grants in the section headed Annual Report on Remuneration, in the following financial year. These will vest at the end of a three year period subject to: • the Executive Director's continued employment at the date of vesting; and • satisfaction of the performance conditions. Performance targets are reviewed by the Committee for each new award. Amounts equivalent to any dividends or shareholder distributions may be made in respect of awards at vesting, if the Committee so determines. Vested shares will be subject to a two-year holding period, during which participants cannot sell their vested LTIP awards (other than to cover Income Tax and NIC).
Maximum opportunity	Awards of up to 300% of base salary for the Chief Executive and 200% for other Directors. For awards made in 2016, the CEO will be awarded 300% of base salary and the CFO 150% of base salary. 20% of the award will vest for threshold performance. 100% of the award will vest for maximum performance. There is straight line vesting between these points.
Performance targets	The performance condition for the 2016 LTIP awards is absolute Total Shareholder Return ("TSR") and a fairness test, which would consider the underlying financial performance of the Company, including, but not limited to, the profitability of the Company and shareholder value creation including the ability of shareholders to access this value creation through the liquidity of the shares. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. No material change will be made to the type of performance conditions without prior major shareholder consultation. In exceptional circumstances the Committee retains the discretion to: • vary, substitute or waive the performance conditions applying to LTIP Awards if the Board considers it appropriate and that the new performance conditions are deemed reasonable and are not materially less difficult to satisfy than the original conditions; and • make downward or upward adjustments to the amount vesting under the LTIP resulting from the application of the performance measures if they believe that the outcomes are not a fair and accurate reflection of business performance. The LTIP contains clawback and malus provisions.

Remuneration Policy Report (continued)

Element	ONE-OFF CEO AWARD
Purpose and link to strategy	The proposed one-off award provides the CEO with a meaningful incentive that will reward him for achieving the Group's challenging strategic objectives and delivering additional shareholder value over the next 3 years.
Operation	The award is payable in cash at the earlier of 3 years, cessation or change of control/substantial exit. The award is subject to the achievement of performance conditions.
Maximum opportunity	A maximum of £3 million is payable for achievement of performance conditions. No award is payable if the performance conditions are not met.
Performance targets	The award will be payable subject to the earlier of the following: • Achieving a Total Shareholder Return (TSR) of £10 (i.e. average share price at the end of the performance period plus dividends paid over the period) at the end of the 3 year performance period, or cessation if earlier, measured over an average 180 days; or • A change of control / substantial exit for shareholders within 3 years, provided the event was deemed by the Committee at the time or shortly after the event to have delivered value to shareholders. The award contains clawback and malus provisions.

Element	HMRC APPROVED ALL-EMPLOYEE SCHEME
Purpose and link to strategy	The HMRC approved all-employee scheme has been designed to encourage all employees to become shareholders in the Company and thereby align their interests with shareholders.
Operation	The Company operates an all employee scheme in which the Executive Directors are eligible to participate (which is in line with HMRC legislation and is open to all eligible staff).
Maximum opportunity	The maximums set by legislation from time to time.
Performance targets	N/A

Remuneration policy for Non-Executive Directors

Element	**FEES FOR NON-EXECUTIVE DIRECTORS**
Purpose and link to strategy	Provides a level of fees to support recruitment and retention of Non-Executive Directors and a Chairman with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.
Operation	Fees for Non-Executive Directors are determined by the Chairman and the Executive Directors. Fees for the Chairman are set by the Remuneration Committee. Fees are set at levels with reference to sector, FTSE Small Cap and general Non-Executive Director benchmarking data as appropriate. Fees are paid in cash and are not performance related. Non-Executive Directors are paid an annual fee and additional fees are paid to the Chairmen of the Audit, Remuneration and Nominations Committees to reflect the additional responsibilities. The Chairman is part of the Group private health scheme. There are no other benefits or incentive schemes for Non-Executive Directors.
Maximum opportunity	There is no prescribed maximum annual increase. In general the level of fee increase for the Non-Executive Directors and the Chairman will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The Company will set out in the section headed Annual Report on Remuneration, in the following financial year, the fees for that year. The Company will pay reasonable expenses incurred by the Non-Executive Directors and Chairman and may settle any tax incurred in relation to these.
Performance targets	N/A

Rationale for change to Remuneration Policy

There have been no changes to the operation of base salary, pension or benefits. The one-off CEO award is a new element that did not form part of the previously approved Remuneration Policy.

The following table summarises how the proposed Policy for the Executive Directors differs from the previous Policy and sets out the rationale for the changes.

Element	**ANNUAL BONUS**
Proposed changes to Policy	There will be no change to the maximum annual opportunity. Annual bonuses will continue to be paid in cash. In future, all Executive Directors (not just the Chief Executive Officer) will be able to elect to defer a portion into shares. The previous requirement that at least 100% of the annual bonus should be based on financial targets and no more than 50% could be based on non-financial, strategic and/or personal objectives is re-worded to clarify that a minimum of two-thirds of the maximum bonus opportunity shall be based on financial measures and up to one-third can be based on non-financial measures.
Rationale for change	The introduction of voluntary deferral into shares for all Executive Directors brings all Executive Directors in line with each other and with emerging best practice on use of deferred bonuses. The wording relating to the mix of financial and non-financial targets is a clarification of the wording set out in the previously approved Policy.

Remuneration Policy Report (continued)

Element	LONG-TERM INCENTIVE PLAN ("LTIP")
Proposed changes to Policy	There will be no change to the maximum annual LTIP opportunity or performance conditions. A two-year holding period post-vesting is to be introduced, during which participants cannot sell their vested LTIP awards (other than to cover Income Tax and NIC).
Rationale for change	The introduction of a holding period increases the long-term nature of the package and aims to strengthen the alignment of interests between management and shareholders.

Selection of performance measures and target setting

In the selection of performance measures the Committee takes into account the Group's strategic objectives and short and long-term business priorities. The performance measures selected reward the delivery of stretching financial performance and the creation of shareholder value.

The performance targets chosen are set in accordance with the Group's operating plan and are reviewed annually to ensure they are sufficiently stretching. In selecting the targets the Committee also takes into account analysts' forecasts, economic conditions and the Committee's expectation of performance over the relevant period.

Remuneration Policy for the broader employee population

The executive remuneration framework set out in this report follows similar principles as that applied to the Group's senior leadership team to ensure our senior management team is rewarded on a consistent basis. Any differences that exist arise either because of the Remuneration Committee's assessment of business need or commercial necessity. The principles that underpin our executive remuneration philosophy also cascade throughout the organisation, although quantum will vary by level and the provision of certain components of remuneration (such as benefits, allowances and long-term incentives) will vary by seniority.

How the Committee will use its discretion

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

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

- Who is invited to participate or receive grants of awards;
- The size and timing of award grants or payments;
- Discretion required when changes or adjustments are required in special circumstances (e.g. change of control, rights issues, special corporate or dividend events, or change in business strategy);
- The annual review of performance measures and targets for the annual bonus and incentive schemes (including LTIP) from year to year;
- The determination of vesting (or payment), and the treatment of leavers and vesting for leavers;
- The annual review of performance measures and weighting, and targets for incentive plans over time; and
- As permitted by HMRC and other regulations, in respect of Sharesave and any Share Incentive Plans.

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

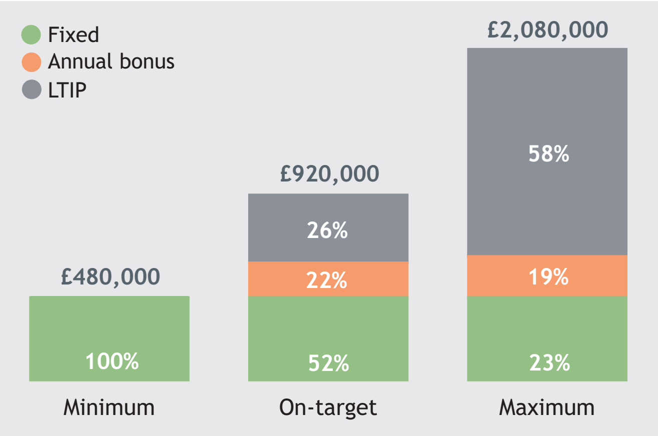
Legacy arrangements

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

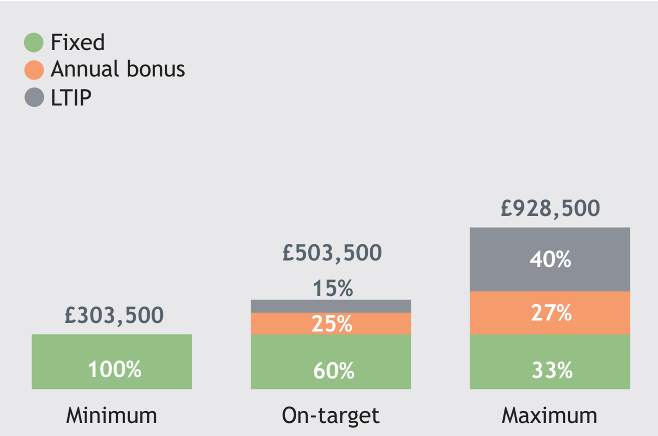
Illustration of the application of Remuneration Policy

The following charts illustrate the future remuneration packages of the CEO and CFO under the policy set for FY17 onwards for three indicative levels of performance - minimum, on-target and maximum:

CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



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

- Fixed elements comprise base salary, pension and other benefits. As an example, for the Chief Executive Officer, fixed elements comprise salary of £400,000, pension of £60,000 and benefits of £20,000;
- Base salary levels applying on 1 July 2016;
- Benefit levels are assumed to be the same as the year ended 30 June 2016;
- Minimum performance assumes no award under the annual bonus and no vesting is achieved under the performance share plan;
- On target performance assumes 50% of annual bonus is earned and threshold vesting for the performance share plan;
- Maximum performance assumes full bonus pay out and full vesting under the performance share plan; and
- Share price movement has been excluded from the above analysis.

Note the one-off CEO award opportunity of up to £3m has not been included in the scenario charts as it is a one-off award and does not form part of the recurring remuneration policy.

Service agreements and policy in respect of loss of office

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

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

Executive Director	Date of service agreement
Jolyon Harrison	1 July 2012
Stefan Allanson	29 June 2015
Alan Martin*	11 December 2008

* Resigned on 31st July 2015

Base salary, pension and benefits

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

Annual bonus

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

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

Remuneration Policy Report (continued)

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

Long-term incentive plan

Awards under the Long Term Incentive Plan will be determined by the Plan rules which contain discretionary good leaver provisions for designated reasons (i.e. participants who leave early on account of injury, disability, death, a sale of their employer or business in which they were employed, statutory redundancy, retirement or any other reason at the discretion of the Committee). In these circumstances a participant's awards will not be forfeited on cessation of employment and instead will vest on the normal vesting date. In exceptional circumstances, the Committee may decide that the participant's awards will vest early on the date of cessation of employment. In either case, the extent to which the awards will vest depends on the extent to which the performance conditions have been satisfied and a pro rata reduction of the awards will be applied by reference to the time of cessation (although the Committee has discretion to disapply time pro rating if the circumstances warrant it). A two-year holding period will apply in respect of shares that vest in the event of cessation of employment. "Bad" leavers forfeit their awards on cessation of employment.

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

One-off CEO award

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

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

Chairman and other Non-Executive Directors' terms of engagement

The Chairman and the Non-Executive Directors are not employees; they have letters of appointment which set out their duties and responsibilities. The dates of each Non-Executive Directors' original appointment are as follows:

Non-Executive Director	Date of original appointment	Expiry of current term
Dermot Gleeson	27/11/1975	30/09/2016
Ross Ancell	01/10/2006	30/09/2016
Colin Dearlove	03/12/2007	30/09/2016
Christopher Mills	01/01/2009	30/09/2016

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

Recruitment policy

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

If it is considered appropriate to appoint a new Director on a below market salary (for example, to allow them to gain experience in the role) their salary may be increased to a market level by way of a series of above inflation increases over two to three years.

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

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

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

Statement of consideration of employment conditions elsewhere in the Group

The Committee does not consult with employees on Directors' remuneration but regularly reviews the remuneration of staff throughout the Group to ensure that it is attuned to general pay and conditions when considering the remuneration of executive pay. For example, in determining salary increases for the Executive Directors the Committee looks at salary increases across the Group.

Statement of consideration of shareholder views

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


Carlisle Park

Annual Report on Remuneration

The Remuneration Committee

During the year under review the Committee was chaired by Ross Ancell. The other committee member is Colin Dearlove. Both of the Directors are independent Non-Executive Directors and they have no personal financial interest in matters to be decided, no potential conflicts of interest arising from cross directorships and no day-to-day involvement in running the business. Biographical details of the members of the Committee are shown on page 31, and details of their attendance at the meetings of the Committee during the year ended 30 June 2016 are shown on page 34.

Role and responsibilities of the Remuneration Committee

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

The Committee has written terms of reference, which are available on the MJ Gleeson Group section of its website at www.mjgleeson.com, and its responsibilities include:

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

Remuneration Committee: support and advice

The Committee is supported by the Head of Human Resources, Beth Broughton, and the Company Secretary, Stefan Allanson.

The Company has engaged PricewaterhouseCoopers LLP to provide a one-off project on benchmarking and incentive design to the Committee on matters relating to remuneration of Executive Directors and senior management, including best practice in relation to appropriate levels of remuneration. They have specifically advised on the new policy being proposed to the shareholders this year, the use of LTIP schemes as part of executive remuneration packages and the level of base pay for Executive Directors and other senior managers. Pricewaterhousecoopers LLP do not provide any other services to the Group and accordingly the Committee was satisfied that the advice provided was objective and independent.

Statement of voting at Annual General Meeting

At the Annual General Meetings held on 11 December 2015 and 12 December 2014, votes cast by proxy and at the meetings in respect of the remuneration report and remuneration policy are shown in the table.

	Votes in favour		Votes against		Total votes cast	Votes witheld
	No.	%	No.	%		
2015 AGM: Approval of the Directors' Remuneration Report	34,682,871	95.89%	1,485,555	4.11%	36,168,426	1,732,133
2014 AGM: Approval of the Directors' Remuneration Policy	39,362,735	96.47%	1,439,820	3.53%	40,802,555	1,000

The Remuneration Committee's Annual Report on Remuneration for the year ended 30 June 2016 is set out below, including remuneration for the year ended 30 June 2016 and the proposed implementation of the approved Remuneration Policy for 2017.

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

SINGLE TOTAL FIGURE OF REMUNERATION FOR EACH DIRECTOR FOR THE YEAR ENDED 30 JUNE 2016

	Salary & fees £000 2016	Benefits £000 2016	Annual bonus £000 2016	Value of LTIP award vesting £000 2016	Pension £000 2016	Total £000 2016	Salary & fees £000 2015	Benefits £000 2015	Annual bonus £000 2015	Value of LTIP award vesting £000 2015	Pension £000 2015	Total £000 2015
Chairman												
Dermot Gleeson	105	1	-	-	-	106	90	-	-	-	-	90
Executive Directors												
Jolyon Harrison	397	20	397	2,085	60	2,959	378	19	378	964	57	1,796
Stefan Allanson[1]	181	16	135	-	27	359	-	-	-	-	-	-
Alan Martin[2]	19	1	-	-	5	25	231	19	231	551	58	1,090
Non-Executive Directors												
Ross Ancell	50	-	-	-	-	50	40	-	-	-	-	40
Colin Dearlove	50	-	-	-	-	50	40	-	-	-	-	40
Christopher Mills	40	-	-	-	-	40	30	-	-	-	-	30
	842	38	532	2,085	92	3,589	809	38	609	1,515	115	3,086

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

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

Notes to the single total figure of remuneration

Taxable benefits provided to Executive Directors

The main benefits available to the Executive Directors during the year to 30 June 2016 (and their associated values) were: car allowance of £13,000 for Jolyon Harrison, £13,000 for Stefan Allanson and £1,083 for Alan Martin; car fuel of £4,557 for Jolyon Harrison, £2,036 for Stefan Allanson and £nil for Alan Martin; and private medical insurance of £2,040 for Jolyon Harrison, £769 for Stefan Allanson and £60 for Alan Martin. This package of benefits is unchanged from 2015.

Determination of annual bonus

The annual performance-related bonus for the year to 30 June 2016 was based upon achievement against the financial measure of Group's pre-exceptional Profit before Tax, for both continuing and discontinued operations, (the "Profit Measure"), with the following target figures and straight line vesting between the relevant target figures.

Target	Profit measure £m	Bonus achievable as percentage of salary
Threshold	22.0	0%
Target	27.0	100%

The Profit Measure achieved for the year to 30 June 2016 was £27.9m, as per the basis of calculation above, and exceeded that of the prior year by 20.3%. As a result, the annual bonus payments for 2016 will be made, in cash, at 100% of base salary for the Chief Executive Officer and 75% of base salary for the Chief Financial Officer. In line with the remuneration policy no bonus will be paid to Alan Martin as he resigned on 31 July 2015.

Annual Report on Remuneration (continued)

Long Term Incentive Plan – Performance Share Plan

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

In the year to 30 June 2016 share awards were made to Jolyon Harrison and Stefan Allanson.

2015 PSP awards	Number of shares awarded	Threshold award at £4.92, 20% of award made £ *	Target award at £6.15, 100% of award made £ *
Jolyon Harrison	250,737	246,725	1,542,032
Stefan Allanson	28,421	27,966	174,789

* excludes dividends

In the year to 30 June 2016 shares under the November 2012 Performance Share Scheme vested. The November 2012 long term incentive award for the Chief Executive Officer, Jolyon Harrison, achieved the three year performance condition which ended on 30 June 2015. The performance conditions were based on total shareholder return achieving £3.50 by the end of the performance period on 30 June 2015 and a fairness test. The share price was £4.36 on 30 June 2015 and the fairness test was passed in FY16; the performance conditions were met in full. Accordingly the 423,015 share award vested to the Chief Executive Officer on 10 November 2015. The award was valued at the market share price on the day that the shares vested, being £4.93.

2012 PSP awards	Number of shares awarded	Number of shares vesting	Value of shares vesting
Jolyon Harrison	423,015	423,015	£2,085,464

Pension

The Executive Directors are eligible to participate in the MJ Gleeson Group Pension Plan, a defined contribution arrangement and both Executive Directors are members of the Plan. The Chief Executive Officer receives a pension contribution of 15% of salary (2016: £59,550). Alan Martin who resigned on 31 July 2015 as Chief Financial Officer received a pension contribution of 25% of salary (2016: £4,813) and Stefan Allanson who became Chief Financial Officer on 31 July 2015 receives a pension contribution of 15% of salary (2016: £27,000).

Directors' shareholdings and share interests

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

Director	30 June 2016	30 June 2015
Dermot Gleeson	1,086,821	1,066,846
Jolyon Harrison	1,732,188	1,472,218
Stefan Allanson (appointed 31 July 2015)	15,634	-
Alan Martin (resigned effective 31 July 2015)	-	55,412
Ross Ancell	-	-
Colin Dearlove	-	-
Christopher Mills	11,055,000[1]	12,055,000[1]

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

There are no share ownership requirements for the Directors.

Directors' interest in shares under the Long Term Incentive Plan

Director	Scheme	30 June 2015	Granted during year	Exercised during year	Lapsed in year	Share price at date of grant of award	Total interests outstanding at 30 June 2016	Shares vested but not exercised	Date from which share may be exercised
J Harrison	PSP 2012	423,015	-	(423,015)	-	£1.52	-	-	
	PSP 2014	290,769	-	-	-	£3.90	290,769	-	30/09/2017
	PSP 2015	-	250,737	-	-	£4.82	250,737	-	30/09/2018
S Allanson	PSP 2015	-	28,421	-	-	£4.82	28,421	-	30/09/2018
A Martin*	PSP 2014	59,231	-	-	(59,231)	-	-		

* Following the resignation of Alan Martin on 31 July 2015 his award lapsed.

The middle market price on 30 June 2016 was £4.20 and the range during the year to 30 June 2016 was between £4.05 and £6.25.

Loss of office payments or payments to past Directors

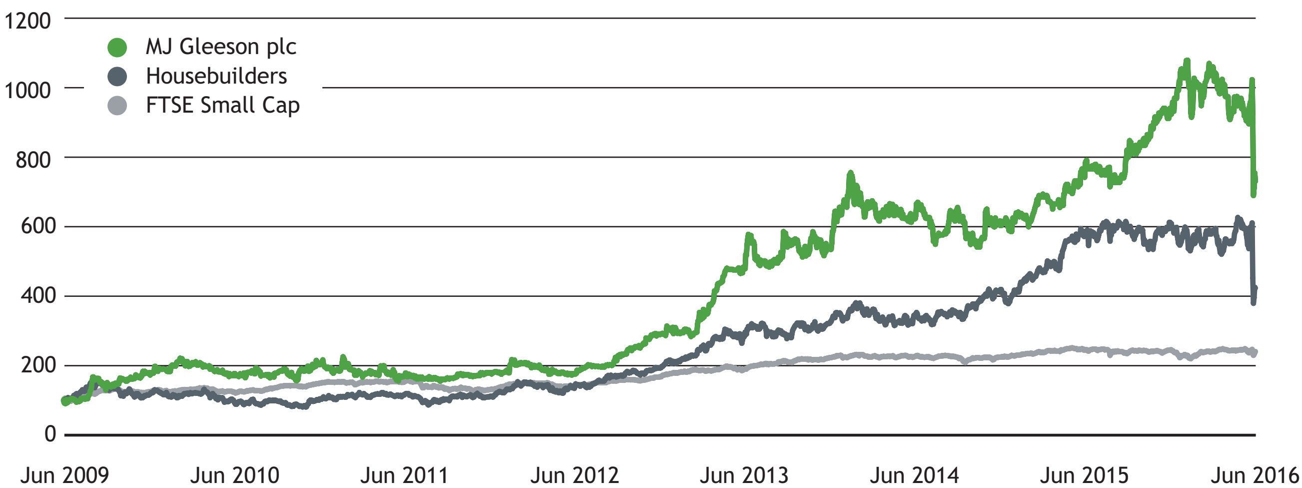
Payments totalling £321,496 were made to Alan Martin in lieu of notice and for loss of office. This comprised amounts for base salary (£231,000), car allowance (£13,000), pension contributions (£57,500), car fuel (£4,500), untaken holidays (£7,996), private health cover (£1,200), statutory redundancy (£5,700), and share plan contribution (£600). These payments were in line with his service contract and are in full and final settlement and no further payments are due to be made.

Total shareholder return performance

We have chosen to compare the Company's total shareholder return performance over the last seven years with the total shareholder return for the FTSE Small Cap Index, of which the Company is a member, and a comparator index of listed housebuilders. The Comparator Group consists of a group of listed housebuilders comprising Barratt Developments, Bellway, Bovis Homes, Crest Nicholson, Persimmon, Redrow, Taylor Wimpey and Telford Homes.

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

MJ GLEESON PLC AND INDEX COMPARISON: JUNE 2009 TO JUNE 2016



Annual Report on Remuneration (continued)

Chief Executive Officer's remuneration 2010 to 2016

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

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

Chief Executive Officer's change in remuneration

Set out below is a comparison of the change in remuneration of the Chief Executive Officer from 30 June 2015 to 30 June 2016, compared to the change in remuneration of the Group's salaried employees, excluding Executive Directors.

	Percentage change from 2015 to 2016		
	Annual salary %	Bonus %	Value of taxable benefits %
Chief Executive Officer	5.0	5.0	0.0
Average of salaried employees	5.8	11.8	0.1

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.

	2016 £m	2015 £m	Difference in spend £m	Difference as percentage %
Remuneration for all employees	16.1	13.8	2.3	17
Total distributions paid	6.4	4.1	2.3	56

Implementation of the Policy for the year to 30 June 2017

Executive Directors

BASE SALARIES

After taking into consideration the increases to Group employees' salaries on 1 July 2016 (monthly paid employees received an average 5.2% base salary increase), the Committee has awarded salary increases of 0.8% to the Chief Executive Officer and 38.9% to the Chief Financial Officer from 1 July 2016. Details for the increase in the Chief Financial Officer's salary are included in the Chairman's Summary Statement on pages 45 to 47.

	Base salary from 1 July 2016 £	Base salary for the year to 30 June 2016 £
Jolyon Harrison	400,000	396,900
Stefan Allanson (appointed 31 July 2015)	250,000	180,000
Alan Martin (resigned 31 July 2015)	-	231,000

ANNUAL BONUS

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

The Committee has decided that the Chief Executive Officer's performance conditions for the 2017 annual bonus will be based on 2/3 profit before tax and 1/3 strategic objectives. The Chief Financial Officer's performance condition will be a profit before tax target. The profit before tax targets are commercially sensitive but will be disclosed in the next Annual Report on Remuneration. The Committee considers that the target it has set is stretching. The bonus continues to be subject to robust clawback provisions.

LONG TERM INCENTIVE PLAN AWARDS (LTIP)

In the year to 30 June 2017 no shares are due to vest to Executive Directors under any of the current LTIP schemes. The LTIP PSP 2014 performance period ends on 30 June 2017. The earliest this scheme can vest is 30 September 2017.

The Committee proposes to make awards to the Executive Directors in the year to 30 June 2017, in line with the disclosed policy on page 51. These awards are expected to be at 300% and 150% of salary for Jolyon Harrison and Stefan Allanson respectively. The performance measures are expected to include an absolute TSR target and a fairness test which would consider the underlying financial performance of the Company, including, but not limited to, the profitability of the Company and shareholder value creation including the ability of shareholders to access this value creation through the liquidity of the shares. In addition it is proposed to make a one-off CEO Award to the Chief Executive Officer of up to £3 million. This award will be paid if TSR over the next 3 years is at least £10.00 per share or there has been a substantial exit for shareholders which is deemed by the Committee to have delivered substantial additional value to shareholders.

PENSION

There are no changes to pension benefits for 2017; current arrangements are set out on page 60.

Chairman and Non-Executive Directors fees

The Committee has agreed that the Chairman's fee for 2017 should increase by £5,500, to £110,500 with effect from 1 July 2016 which includes the additional fee of £10,500 for chairing the Nomination Committee. The Board as a whole determine the fees for the Non-Executive Directors. The fees for the Non-Executive Directors remain unchanged at £39,500 plus an additional £10,500 for chairing a Board Committee.

Financial Statements

Lowfield Park phase 2

Statement of Directors' Responsibilities

Statement of Directors' responsibilties in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

Responsibility statement of the Directors in respect of the annual financial report
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

J Harrison
Director
23 September 2016

S Allanson
Director
23 September 2016

Independent Auditor's Report

Independent Auditor's Report to the Members of MJ Gleeson plc only

Opinions and conclusions arising from our audit

1 **Our opinion on the financial statements is unmodified**
We have audited the financial statements of MJ Gleeson plc for the year ended 30 June 2016 set out on pages 68 to 100. In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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.

2 **Our assessment of risks of material misstatement**
In arriving at our audit opinion above on the financial statements the risk of material misstatement that has the greatest effect on our audit was as follows:

Recoverable amount of inventories, including margin recognition - £114.2m (2015: £108.2m)
Risk vs 2015: ◀▶
Refer to page 37 Audit Committee Report, page 76 accounting policy, and page 88 notes.

The risk
Inventories, relating to work-in-progress on sites under development, and land, represent 63.2% of total assets. As work-in-progress is held at the lower of cost and recoverable amount (which is determined based on net realisable value), the recoverable amount is dependent on estimates of total build costs (including future costs to complete) and future selling prices. Actual build costs may differ from those forecast due to both changing market conditions, and unforeseen events during construction. Sales prices have inherent uncertainty due to changes in market conditions. Incorrect estimates of selling prices and future costs may result in the Group failing to identify when net realisable value is below cost and therefore a failure to record the necessary reduction in carrying value. The risk in this area is greater where there is significant work in progress, costs to complete and/or low margins.

As the gross profit recognised on individual sales depends on the carrying value of work in progress relating to that site and the method of allocation of the carrying amount to sales made during the year, these estimates also impact the timing and amount of profit recognition.

Our response
Our procedures included:
- Assessing the adequacy of the Group's controls over site valuations, including costs to complete, sales prices, and the authorisation and recording of costs;
- Focusing our detailed testing on the higher risk sites (high inventory values at year-end, high costs to complete with low expected margin or slow rates of sale). For a sample of such sites with a higher risk, we assessed the historical accuracy of forecast costs to complete against actual amounts incurred and assessed the reasonableness of forecast selling prices against those currently being achieved;
- Assessing the level of gross margin achieved on individual sites against that recorded previously and against future forecasts;
- For a sample of sites, assessing whether suitable amounts of work in progress were transferred to the Income Statement on plot sales in order to give comfort over appropriate inclusion of these transactions at an appropriate margin through recalculation. Considering the profit recognised on completed sites over the period to confirm consistency of the margins;
- Assessing the carrying value of land and appropriateness of provisions in relation to its realisable value based on forecast sales prices;
- Assessing the carrying amount of work in progress on individual sites against sales reservations and agreed contracts to assess realisable value; and
- Assessing the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the carrying value of work in progress.

3 **Our application of materiality and an overview of the scope of our audit**
The materiality for the Group financial statements as a whole has been set at £1.41 million (2015: £1.1m) determined by reference to a benchmark of Group profit before taxation (of which it represents approximately 5% (2015: 4.7%)).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding individual divisional reporting thresholds, in addition to other identified misstatements that warranted reporting on qualitative grounds. Furthermore, we reported differences exceeding the Group reporting threshold of £70.5k.

Audits for group reporting purposes were performed over all the Group's components covering 100% of Group revenue, profit before taxation and total assets. These audits were performed to component materiality levels, which were set individually for each component and ranged from £0.30 million to £0.95 million, having regard to the mix of size and risk profile of the Group across the components.

The Group audit team performed and reviewed all of the work discussed above.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' Viability Statement on page 38, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Group's continuing in operation over the three years to 30 June 2019; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the directors' statements, set out on pages 38 to 39, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on page 36 in the Corporate Governance Report relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 65, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square, Sovereign Street, Leeds LS1 4DA
23 September 2016

Consolidated Income Statement

for the year ended 30 June 2016

	Note	2016 £000	2015 £000
Continuing operations			
Revenue		142,065	117,588
Cost of sales		(94,509)	(77,287)
Gross profit		47,556	40,301
Administrative expenses before restructuring costs		(19,390)	(17,019)
Exceptional restructuring costs	4	-	(1,236)
Administrative expenses		(19,390)	(18,255)
Operating profit		28,166	22,046
Exceptional provision for diminution in value of investments	4	-	(4,896)
Financial income	7	512	496
Financial expenses	7	(440)	(383)
Profit before tax		28,238	17,263
Tax	8	(4,934)	(4,848)
Profit for the year from continuing operations		23,304	12,415
Discontinued operations			
Loss for the year from discontinued operations (net of tax)	3	(345)	(207)
Profit for the year		22,959	12,208
Earnings per share attributable to equity holders of parent company			
Basic	10	42.59 p	22.77 p
Diluted	10	42.51 p	22.61 p
Earnings per share from continuing operations			
Basic	10	43.23 p	23.16 p
Diluted	10	43.15 p	22.99 p

The notes on pages 74 to 100 form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2016

	Note	2016 £000	2015 £000
Profit for the year		22,959	12,208
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Change in value of available for sale financial assets		(584)	-
Other comprehensive income for the year, net of tax		(584)	-
Total comprehensive income for the year attributable to equity holders of parent company		22,375	12,208

The notes on pages 74 to 100 form part of these financial statements.

Consolidated Statement of Financial Position

at 30 June 2016

	Note	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Non-current assets					
Plant and equipment	11	1,274	1,236	5	10
Investment property	12	506	506	-	-
Investments in joint ventures	13	-	15	-	-
Investments in subsidiaries	15	-	-	60,800	20,800
Trade and other receivables	17	13,527	19,606	-	-
Deferred tax assets	23	4,567	5,668	15	-
		19,874	27,031	60,820	20,810
Current assets					
Inventories	16	114,238	108,222	-	-
Trade and other receivables	17	23,284	17,530	92,826	56,108
Cash and cash equivalents	25	23,244	15,809	1,359	848
		160,766	141,561	94,185	56,956
Total assets		180,640	168,592	155,005	77,766
Non-current liabilities					
Provisions	21	(100)	(59)	-	-
Current liabilities					
Trade and other payables	20	(26,904)	(31,790)	(50,127)	(1,916)
Provisions	21	(111)	(214)	-	-
UK corporation tax	8	(620)	-	3,174	-
		(27,635)	(32,004)	(46,953)	(1,916)
Total liabilities		(27,735)	(32,063)	(46,953)	(1,916)
Net assets		152,905	136,529	108,052	75,850
Equity					
Share capital	27	1,082	1,074	1,082	1,074
Share premium account		23	23	23	23
Capital redemption reserve		-	-	-	-
Available for sale reserve		(584)	-	-	-
Retained earnings		152,384	135,432	106,947	74,753
Total equity		152,905	136,529	108,052	75,850

The financial statements were approved by the Board of Directors on 23 September 2016 and were signed on its behalf by:

J Harrison
Director

S Allanson
Director

Reg. No. 9268016

The notes on pages 74 to 100 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Available for sale reserve £000	Retained earnings £000	Total £000
GROUP							
At 1 July 2014		1,063	6,436	120	-	120,472	**128,091**
Total comprehensive income for the period							
Profit for the period		-	-	-	-	12,208	**12,208**
Total comprehensive income for the period		-	-	-	-	12,208	**12,208**
Transactions with owners, recorded directly in equity							
Contributions and distributions to owners							
Share issue		11	55	-	-	-	**66**
Issue of preference shares		50	-	-	-	-	**50**
Redemption of preference shares		(50)	-	-	-	-	**(50)**
Scheme of arrangement with shareholders	28	77,324	(6,468)	(120)	-	(70,736)	**-**
Share reduction	27	(77,324)	-	-	-	77,324	**-**
Purchase of own shares		-	-	-	-	(25)	**(25)**
Share-based payments		-	-	-	-	266	**266**
Dividends	9	-	-	-	-	(4,077)	**(4,077)**
Transactions with owners, recorded directly in equity		11	(6,413)	(120)	-	2,752	**(3,770)**
At 30 June 2015		1,074	23	-	-	135,432	**136,529**
Total comprehensive income for the period							
Profit for the period		-	-	-	-	22,959	**22,959**
Other comprehensive income		-	-	-	(584)	-	**(584)**
Total comprehensive income for the period		-	-	-	(584)	22,959	**22,375**
Transactions with owners, recorded directly in equity							
Contributions and distributions to owners							
Share issue		8	-	-	-	-	**8**
Purchase of own shares		-	-	-	-	(46)	**(46)**
Share-based payments		-	-	-	-	420	**420**
Dividends	9	-	-	-	-	(6,381)	**(6,381)**
Transactions with owners, recorded directly in equity		8	-	-	-	(6,007)	**(5,999)**
At 30 June 2016		1,082	23	-	(584)	152,384	**152,905**

	Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Available for sale reserve £000	Retained earnings £000	Total £000
COMPANY							
At 1 July 2014		-	-	-	-	-	**-**
Total comprehensive income for the period							
Loss for the period		-	-	-	-	(1,220)	**(1,220)**
Total comprehensive income for the period		-	-	-	-	(1,220)	**(1,220)**
Transactions with owners, recorded directly in equity							
Contributions and distributions to owners							
Share issue		1,074	23	-	-	-	**1,097**
Issue of preference shares		50	-	-	-	-	**50**
Redemption of preference shares		(50)	-	-	-	-	**(50)**
Scheme of arrangement with shareholders		77,324	-	-	-	-	**77,324**
Share reduction		(77,324)	-	-	-	77,324	**-**
Purchase of own shares		-	-	-	-	(64)	**(64)**
Share-based payments		-	-	-	-	161	**161**
Dividends		-	-	-	-	(1,448)	**(1,448)**
Transactions with owners, recorded directly in equity		1,074	23	-	-	75,973	**77,070**
At 30 June 2015		1,074	23	-	-	74,753	**75,850**
Total comprehensive income for the period							
Profit for the period		-	-	-	-	38,254	**38,254**
Total comprehensive income for the period		-	-	-	-	38,254	**38,254**
Transactions with owners, recorded directly in equity							
Contributions and distributions to owners							
Share issue		8	-	-	-	-	**8**
Purchase of own shares		-	-	-	-	(99)	**(99)**
Share-based payments		-	-	-	-	420	**420**
Dividends		-	-	-	-	(6,381)	**(6,381)**
Transactions with owners, recorded directly in equity		8	-	-	-	(6,060)	**(6,052)**
At 30 June 2016		1,082	23	-	-	106,947	**108,052**

Consolidated Statement of Cashflow

for the year ended 30 June 2016

	Note	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Operating activities					
Profit before tax from continuing operations		28,238	17,263	38,289	(1,220)
Loss before tax from discontinued operations	3	(336)	(207)	-	-
		27,902	17,056	38,289	(1,220)
Depreciation of plant and equipment	11	763	798	5	4
Share-based payments		420	266	420	161
Profit on sale of available for sale assets		(73)	(171)	-	-
Loss on sale of other property, plant and equipment		129	104	-	-
Profit on sale of assets held for sale		-	(50)	-	-
Impairment of investments in joint ventures		15	-	-	-
Capitalisation of available for sale assets		-	(22)	-	-
Financial income		(512)	(496)	(40,854)	(539)
Financial expenses		440	383	440	207
Dividends received		-	-	-	(5,000)
Operating cash flows before movements in working capital		29,084	17,868	(1,700)	(6,387)
Impairment of investment		-	4,896	-	-
Increase in inventories		(6,016)	(7,506)	-	-
(Increase)/decrease in receivables		(604)	(16,420)	571	(251)
(Decrease)/increase in payables		(4,940)	9,602	(294)	1,748
Increase/(decrease) in amounts due from subsidiary undertakings		-	-	48,224	(55,609)
Decrease in amounts due to subsidiary undertakings		-	-	(37,010)	-
Cash generated/(utilised) in operating activities		17,524	8,440	9,791	(60,499)
Tax paid		(3,224)	(79)	(3,224)	(79)
Interest paid		(440)	(383)	(440)	(207)
Net cash flow surplus/(deficit) from operating activities		13,860	7,978	6,127	(60,785)
Investing activities					
Proceeds from disposal of available for sale assets		926	735	-	-
Proceeds from disposal of investment properties		-	236	-	-
Proceeds from disposal of plant and equipment		8	15	-	-
Dividends received		-	-	-	5,000
Interest (paid)/received		-	(3)	856	538
Purchase of plant and equipment	11	(940)	(870)	-	(14)
Investments in subsidiaries		-	-	-	(20,800)
Net cash flow (deficit)/surplus from investing activities		(6)	113	856	(15,276)

	Note	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Financing activities					
Repayment of borrowings		-	(1,933)	-	-
Proceeds from issue of shares		8	66	8	78,421
Purchase of own shares		(46)	(25)	(99)	(64)
Dividends paid	9	(6,381)	(4,077)	(6,381)	(1,448)
Net cash flow (deficit)/surplus from financing activities		(6,419)	(5,969)	(6,472)	76,909
Net increase in cash and cash equivalents		7,435	2,122	511	848
Cash and cash equivalents at beginning of year		15,809	13,687	848	-
Cash and cash equivalents at end of year	25	23,244	15,809	1,359	848

Notes to the Financial Statements

for the year ended 30 June 2016

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.

Statement of compliance

Both the Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs").

Basis of preparation

Assets and liabilities in the financial statements have been valued at historic cost except where otherwise indicated in these accounting policies.

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements. The profit of the parent company in the financial year amounted to £38,254,000 (2015: loss of £1,220,000).

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings (together referred to as the "Group"). Joint ventures are accounted for using the equity method of accounting.

Going concern

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

Subsidiaries

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

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

Revenue recognition

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

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

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

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Executive Directors to make decisions about resources to be allocated to the segment and to assess its performance. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire plant and equipment.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

Impairment: Non-financial assets
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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.

Exceptional items
Items that are both material in size and unusual or infrequent in nature are presented as exceptional items in the Statement of Comprehensive Income. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance. Examples of events that may give rise to the classification of items as exceptional are the restructuring of existing and newly-acquired businesses; gains or losses on the disposal of businesses or individual assets; asset impairments, including land, work-in-progress and amounts recoverable on construction contracts; and recognition of deferred tax asset for previously unrecognised tax losses.

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

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

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

Plant and equipment
Depreciation is charged so as to write off cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Plant and machinery	between 3 and 6 years

Depreciation of these assets is charged to the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

Investment properties

Investment properties, which are ground rent properties held to earn rentals and/or for capital appreciation, are stated at their fair values at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the period in which they arise.

Investment properties held by the Group comprise ground rents which are carried at fair value based on a Directors' valuation. The properties are valued on a value-in-use basis.

Joint ventures

A joint venture is an entity over which the Group is in a position to exercise joint control through participation in the financial and operating policy decisions of the venture. The joint venture entity operates in the same way as other enterprises, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity. Joint ventures are accounted for using the equity method of accounting. The Group's share of the results of joint ventures is reported in the Statement of Comprehensive Income as part of the operating profit and the net investment disclosed in the Statement of Financial Position. Revaluation gains and losses which arise on investment properties held by joint ventures are recognised in the Statement of Comprehensive Income in share of joint venture results net of any related deferred tax.

Other investments

Other investments are stated at fair value, with any resultant gains or losses taken to equity.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Deferred land purchases are included in inventories at their net present values at original purchase date. Land options are included in inventories at the lower of cost or net realisable value.

Amounts due from construction contract customers

Amounts due from construction contract customers represent the value of work carried out at the balance sheet date, less a provision for foreseeable losses less progress billings (see revenue recognition accounting policy).

Available for sale financial assets

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

Trade receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The Group had no bank overdrafts at the year end.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of or has been abandoned.

Discontinued operations are presented in the Statement of Comprehensive Income (including the comparative period) as a single line entry recording the gain or loss of the discontinued operation and the gain or loss recognised on the remeasurement to fair value less costs to sell. If the discontinued operations are sold, the net gain or loss from the sale is also recognised in the single line entry.

Loans and borrowings

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

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the values used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and the Group can control the timing of the reversal. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Employee benefits

Obligations for contributions to defined contribution pension schemes are charged to the Statement of Comprehensive Income in the period to which the contributions relate.

Share options

The share option schemes allow employees to acquire shares in the ultimate parent company; these awards are granted by the ultimate parent company. The fair value of options granted is recognised as an employee expense, with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Monte Carlo valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is due only to share prices not achieving the threshold for vesting. The cost of the share-based award relating to each subsidiary is calculated, based on an appropriate apportionment, at the date of grant and recharged through intercompany.

Own shares held by Employee Benefit Trusts

The Group has elected to treat the Employee Benefit Trusts (“EBT”) as separate legal entities and as subsidiaries of the parent. Any loan made to the EBT is accounted for as an intercompany loan with the parent. These shares are not treasury shares as defined by the London Stock Exchange.

Dividends

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

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements (continued)

The key judgement and sources of estimation uncertainty at the balance sheet date are:

Land and work in progress
Valuations which include an estimation of costs to complete and remaining revenues are carried out at regular intervals throughout the year, during which site development costs are allocated between units built in the current year and those to be built in future years. These assessments include a degree of inherent uncertainty when estimating the profitability of a site and in assessing any impairment provisions which may be required.

Available for sale financial assets (shared equity)
Management has reviewed the valuation of the available for sale financial assets in the light of current market conditions, expected house price inflation, cost of money and the expected time to realisation of the assets and is therefore subject to a degree of inherent uncertainty.

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

Investments and investments in subsidiaries
Investments and investments in subsidiaries are stated at the lower of cost and net realisable value, which is dependent upon management's assessment of future trading activity and is therefore subject to a degree of inherent uncertainty.

Adoption of new and revised standards

For the year ended 30 June 2016, the Group has adopted the following standards:

IFRS 14 ‘Regulatory Deferral Accounts’
IFRS 11 (Amended) ‘Accounting for Acquisitions of Interests in Joint Operations’
IAS 16 (Amended) ‘Property, plant and equipment’
IAS 38 (Amended) ‘Intangible Assets’
IAS 27 (Amended) ‘Separate Financial Statements’
Annual Improvements 2012-2014

Standards not yet applied

There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period. The following have not been adopted by the Group in preparing the accounts for the year ended 30 June 2016:

Standard		Effective for periods
IAS 12	(Amended) ‘Income Taxes’ (issued January 2016)*	1 January 2017
IFRS 15	‘Revenue from Contracts with Customers’ (issued May 2014)*	1 January 2018
IFRS 9	‘Financial Instruments’ (issued July 2014)*	1 January 2018
IFRS 16	‘Leases’ (issued January 2016)*	1 January 2019

* not yet endorsed by the EU.

The application of these standards and interpretations is not expected to have a material impact on the Group's reported financial performance or position except as discussed below. However, they may give rise to additional disclosures being made in the financial statements.

The Directors are in the process of assessing the potential impacts of IFRS 15 and IFRS 16. IFRS 15 will impact on both revenue recognition and disclosure requirements. The standard becomes mandatory for periods commencing on or after 1 January 2018. IFRS 16 will impact on both lease liabilities and disclosure requirements. The standard becomes mandatory for periods commencing on or after 1 January 2019. At the date of this report both IFRS 15 and IFRS 16 have yet to be adopted by the EU.

2 Segmental analysis

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

- Gleeson Homes
- Gleeson Strategic Land

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

	Note	2016 £000	2015 £000
Revenue			
Continuing activities:			
Gleeson Homes		113,633	96,078
Gleeson Strategic Land		28,432	21,510
		142,065	117,588
Discontinued activities	3	-	237
Total revenue		142,065	117,825
Profit on activities:			
Gleeson Homes		19,465	17,384
Gleeson Strategic Land		10,163	8,147
		29,628	25,531
Administrative expenses		(1,462)	(2,249)
Exceptional restructuring costs		-	(1,236)
Exceptional provision for diminution in value of investments		-	(4,896)
Financial income		512	496
Financial expenses		(440)	(383)
Profit before tax		28,238	17,263
Tax		(4,934)	(4,848)
Profit for the year from continuing operations		23,304	12,415
Loss for the year from discontinued operations (net of tax)	3	(345)	(207)
Profit for the year attributable to equity holders of the parent company		22,959	12,208

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

Balance sheet analysis of business segments:

	2016 Assets £000	2016 Liabilities £000	2016 Net assets £000	2015 Assets £000	2015 Liabilities £000	2015 Net assets £000
Gleeson Homes	106,440	(20,195)	86,245	94,960	(5,788)	89,172
Gleeson Strategic Land	50,633	(7,323)	43,310	51,756	(13,213)	38,543
Group Activities/Discontinued Operations	323	(217)	106	6,067	(13,062)	(6,995)
Net cash	23,244	-	23,244	15,809	-	15,809
	180,640	(27,735)	152,905	168,592	(32,063)	136,529

Notes to the Financial Statements (continued)

Other information:

	2016 Capital additions £000	2016 Depre-ciation £000	2015 Capital additions £000	2015 Depre-ciation £000
Continuing operations:				
Gleeson Homes	932	757	868	786
Gleeson Strategic Land	8	1	-	2
Group Activities	-	5	2	10
	940	763	870	798

All the Group's operations are carried out in the United Kingdom.

3 Discontinued operations

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

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

	Gleeson Construction Services 2016 £000	Total 2016 £000	Gleeson Construction Services 2015 £000	Total 2015 £000
Revenue	-	-	237	237
Cost of sales	(6)	(6)	(275)	(275)
Gross loss	(6)	(6)	(38)	(38)
Administrative expenses	(330)	(330)	(169)	(169)
Operating loss	(336)	(336)	(207)	(207)
Loss before tax	(336)	(336)	(207)	(207)
Tax	(9)	(9)	-	-
Loss for the year from discontinued operations	(345)	(345)	(207)	(207)

Loss per share: impact of discontinued operations

	Note	2016 p	2015 p
Basic	10	(0.64)	(0.39)

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

	2016 £000	2015 £000
Operating activities	(47)	(73)

4 Exceptional items

	2016 £000	2015 £000
Exceptional restructuring costs	-	(1,236)
Exceptional provision for diminution in value of investments	-	(4,896)
	-	(6,132)

No exceptional costs were incurred in the current year.

Restructuring costs

In the prior year reorganisation costs of £1,236,000 were incurred on consultancy and legal costs relating to the Scheme of Arrangement as detailed in Note 28.

Provision for diminution in value of investments

In the prior year the Group made a provision against its investment in GB Building Solutions Limited and GB Group Holdings Limited ("GBGH") which went into administration on 9 March 2015.

5 Expenses and Auditor's remuneration

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

	Note	2016 £000	2015 £000
Staff costs	6	16,129	13,772
Depreciation of plant and equipment (continuing operations)		763	798
Profit on sale of investment properties		-	(221)
Profit on sale of available for sale assets		(73)	(171)
Loss on sales of property plant and equipment		129	104
Auditor's remuneration for:			
• Audit of these financial statements		65	63
• Audit of financial statements of subsidiaries pursuant to legislation		12	11
• Taxation compliance services		30	32
• Other tax advisory services		61	25
• Other services		-	33

Notes to the Financial Statements (continued)

6 Staff costs

	Note	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Wages and salaries		13,415	10,930	1,271	181
Redundancy		-	89	-	89
Compensation for loss of office		-	632	-	632
Share-based payments	**29**	420	266	(2)	15
Social security costs		1,749	1,312	80	37
Other pension costs	22	545	543	31	49
		16,129	13,772	1,380	1,003

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

	Group 2016 No.	Group 2015 No.
Gleeson Homes	299	249
Gleeson Strategic Land	9	10
Group Activities	6	7
	314	266

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

Directors' remuneration

Full details of the Directors' remuneration is provided in the audited part of the Remuneration Report on pages 44 to 63.

7 Financial income and expenses

Group	2016 £000	2015 £000
Financial income		
Interest on bank deposits	4	4
Other interest	-	1
Unwinding of discount	508	491
	512	496
Financial expenses		
Bank charges	(440)	(383)
	(440)	(383)
Net financial income	72	113

Note 19 discloses any further exposure for the Group to interest rate risk.

8 Tax

	Note	Group continuing operations 2016 £000	Group continuing operations 2015 £000	Group discontinued operations 2016 £000	Group discontinued operations 2015 £000	Group total 2016 £000	Group total 2015 £000
Current tax:							
Current year charge		3,797	-	-	-	3,797	-
Adjustment in respect of prior years		45	3	-	-	45	3
Current tax expense for the year		3,842	3	-	-	3,842	3
Deferred tax:							
Current year expense	23	1,335	4,959	7	-	1,342	4,959
Adjustment in respect of prior years	23	(519)	(54)	-	-	(519)	(54)
Impact of rate change	23	276	(60)	2	-	278	(60)
Deferred tax expense for the year		1,092	4,845	9	-	1,101	4,845
Total tax		4,934	4,848	9	-	4,943	4,848

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Corporation tax has been calculated at 17.7% of assessable profit for the year (2015: 28.4%).

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

	Note	2016 £000	2016 %	2015 £000	2015 %
Profit before tax on continuing operations		28,238		17,263	
Loss before tax from discontinued operations	3	(336)		(207)	
Profit before tax		27,902		17,056	
Profit before taxation multiplied by the standard rate of UK corporation tax 20.0% (2015: 20.8%)		5,580	20.0	3,539	20.7
Tax effect of:					
Expenses not deductible for tax purposes		99	0.4	1,313	7.7
Deduction in respect of share options exercised		(417)	(1.5)	-	-
Land remediation relief		(60)	(0.2)	-	-
Utilisation of tax losses not previously recognised		-	-	110	0.6
Deferred tax not recognised		(74)	(0.3)	-	-
Impact of rate change on deferred tax assets		289	1.0	(60)	(0.4)
Adjustments in respect of prior years - current tax		45	0.2	-	-
Adjustments in respect of prior years - deferred tax	23	(519)	(1.9)	(54)	(0.3)
Tax charge and effective tax rate for the year		4,943	17.7	4,848	28.4

Notes to the Financial Statements (continued)

9 Dividends

	2016 £000	2015 £000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 June 2016 of 4.5p (2015: 2.7p) per share	2,433	1,448
Final dividend for the year ended 30 June 2015 of 7.3p (2014: 4.9p) per share	3,948	2,629
	6,381	**4,077**

The proposed final dividend for the year ended 30 June 2016 of 10.0p per share (2015: 7.3p) makes a total dividend for the year of 14.5p (2015: 10.0p).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated final dividend to be paid is £5,412,000.

10 Earnings per share

Continuing and discontinued operations

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

Earnings	2016 £000	2015 £000
Earnings for the purposes of basic earnings per share, being net profit attributable to equity holders of the parent company		
• Profit from continuing operations	23,304	12,415
• Loss from discontinued operations	(345)	(207)
Profit for the purposes of basic and diluted earnings per share	22,959	12,208

Number of shares	2016 No. 000	2015 No. 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	53,907	53,614
Effect of dilutive potential ordinary shares:		
• Share options	103	383
Weighted average number of ordinary shares for the purposes of diluted earnings per share	54,010	53,997

Continuing operations	2016 p	2015 p
Basic earnings per share	43.23	23.16
Diluted earnings per share	43.15	22.99

Discontinued operations	2016 p	2015 p
Basic loss per share	(0.64)	(0.39)
Diluted loss per share	(0.64)	(0.39)

Continuing and discontinued operations	2016 p	2015 p
Basic earnings per share	42.59	22.77
Diluted earnings per share	42.51	22.61

Normalised earnings per share from continuing and discontinuing operations	2016 £000	2015 £000
Profit for the purposes of basic and diluted earnings per share	22,959	12,208
Adjusted for the impact of exceptional costs in the year	-	6,132
Normalised earnings	22,959	18,340

	2016 p	2015 p
Normalised basic earnings per share	42.59	34.21
Normalised diluted earnings per share	42.51	33.96

11 Plant and equipment

	Group Plant and equipment £000	Company Plant and equipment £000
Cost or valuation		
At 1 July 2014	4,270	-
Additions	870	14
Disposals	(1,106)	-
At 30 June 2015	4,034	14
Additions	940	-
Disposals	(868)	-
At 30 June 2016	4,106	14
Accumulated depreciation		
At 1 July 2014	3,002	-
Charge for the year	798	4
Disposals	(1,002)	-
At 30 June 2015	2,798	4
Charge for the year	763	5
Disposals	(729)	-
At 30 June 2016	2,832	9
Net book value		
At 30 June 2016	1,274	5
At 30 June 2015	1,236	10
At 1 July 2014	1,268	-

The Group has recorded a depreciation charge of £763,000 (2015: £798,000), of which £62,000 (2015: £100,000) has been charged in cost of sales and £701,000 (2015: £698,000) in administrative expenses.

The Company has recorded a depreciation charge of £5,000 (2015: £4,000), all of which has been charged in administrative expenses.

Notes to the Financial Statements (continued)

12 Investment property

Group	Freehold investment property £000
Cost or valuation	
At 1 July 2014	571
Disposals	(65)
At 30 June 2015 and At 30 June 2016	506

Investment properties are included at Directors' valuation. The properties are valued on a value-in-use basis.

The Company does not hold any investment property.

13 Interest in joint ventures

Share of results and investment in joint ventures

	2016 £000
At 1 July 2015	15
Share of loss in joint ventures for the year	(15)
At 30 June 2016	-

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

	2016 £000	2015 £000
Current assets	-	15
At 30 June	-	15

There are no significant contingent liabilities in the joint ventures.

Joint ventures

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

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

14 Other investments

Group other investments

	Other investments	
	2016 £000	2015 £000
At 1 July	-	4,896
Provision for diminuation in value	-	(4,896)
At 30 June	-	-

The Directors consider that the carrying amount of other investments is £nil.

Other investments represent equity investment of £4,896,000 in GB Building Solutions Limited and GB Group Holdings Limited ("GBGH"). On 9 March 2015, the Group was advised that GBGH had entered administration and as a consequence full provision has been made against the value of the investment.

15 Investments in subsidiaries

	Company £000
Cost	
At 1 July 2014	-
Additions	20,800
At 30 June 2015	20,800
Additions	40,000
At 30 June 2016	60,800

Investments in subsidiary undertakings are included in the balance sheet at cost less any provision for diminution in value.

During the year an additional investment of £40,000,000 was made in Gleeson Regeneration Limited.

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.

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

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

1 shares held by Gleeson Developments Limited

Notes to the Financial Statements (continued)

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

	Principal activity
Colroy Limited [3]	Dormant
Haredon Developments Limited [3]	Dormant
Gleeson Capital Solutions Limited	Dormant
Gleeson Classic Homes Limited [1]	Dormant
Gleeson Construction Services Limited [2]	In run off - Construction services
Gleeson Homes (Holdings) Limited	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 [4]	Dormant
MJ Gleeson (International) Limited	Dormant
MJ Gleeson Group Limited	Intermediate holding company
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
4 shares held by Gleeson Homes (Holdings) Limited

16 Inventories

	2016 £000	2015 £000
Land held for development	50,488	47,767
Work in progress	63,750	60,455
	114,238	108,222

17 Trade and other receivables

	Note	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade receivables		28,588	28,142	39	162
Amounts due from construction contract customers	18	-	18	-	-
VAT recoverable		1,090	484	-	-
Prepayments and accrued income		522	554	-	168
Available for sale financial assets		6,611	7,938	-	-
Amount due from subsidiary undertakings		-	-	92,787	55,778
		36,811	37,136	92,826	56,108
Non-current		13,527	19,606	-	-
Current		23,284	17,530	92,826	56,108
		36,811	37,136	92,826	56,108

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

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

See note 19 for reference to credit risk associated with trade receivables and further disclsoures in respect of available for sale financial assets.

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

18 Construction contracts

	Note	Group 2016 £000	Group 2015 £000
Contracts in progress at the balance sheet date:			
Amounts due from contract customers included in trade and other receivables	17	-	18
		-	18
Contract costs incurred plus recognised profits less recognised losses to date		-	33,137
Less: progress billings		-	(33,137)
		-	-

At 30 June 2016, retentions held by customers for contract work amounted to £nil (2015: £nil).

Notes to the Financial Statements (continued)

19 Financial instruments

Risk exposure

MJ Gleeson plc operates a central treasury function providing services to the Group. The treasury function arranges loans and funding, invests any surplus liquidity and manages financial risk. The treasury function is not a profit centre and no speculative trades are permitted or executed. It operates within specific policies, agreed by the Board, to control and monitor financial risk within the Group. Prudent and controlled use of financial instruments is permitted where appropriate, principally to reduce fluctuation in interest costs.

Cash and cash equivalents

Cash and cash equivalents comprises cash and short-term deposits with a maturity of three days or less held by the Group and the Company. The carrying amount of these assets equals their fair value.

Credit risk

The Group's principal financial assets are trade and other receivables and investments.

The Group's and Company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowance for doubtful debts, estimated by the Group's management based on prior experience and their assessment of specific circumstances.

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

At 30 June 2016, the Group's most significant credit risk was a privately-owned housebuilder and amounted to £4,550,000 (2015: £2,419,000 from a local authority) of the trade and other receivables carrying amount, which was received subsequent to year end. The Group's remaining credit risk is spread over a large number of counterparties and customers.

Trade receivables ageing

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

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Not past due	28,542	27,907	39	162
Past due 0-30 days	-	-	-	-
Past due 31-120 days	-	36	-	-
Past due 121-365 days	-	9	-	-
Past due more than one year	65	190	-	-
	28,607	28,142	39	162

All trade receivables are from UK customers.

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

Included in trade receivables not past due are £6,916,000 (2015: £11,668,000) receivables due in more than one year.

In addition to the above, the Company has intercompany receivables which are repayable on demand.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Balance at 1 July	-	74	-	-
Impairment loss recognised	19	(74)	-	-
Balance at 30 June	19	-	-	-

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

Interest rate risk
The Group closely monitors its exposure to variations in interest rates and, if this is significant as a result of the quantum of debt and level of interest rates, will hedge the exposure using approved financial instruments such as interest rate swaps. At the year end, the Group had no debt or related interest rate swaps.

A 1% increase in interest rates would improve the annual income of the Group and Company by £232,000 (2015: £158,000) based on the cash balance at the year end. A 1% decrease would cause income to fall by the same amount.

Liquidity risk
The Group renewed a £20,000,000 three year credit facility with Lloyds Bank plc on 18 March 2016 and all banking is conducted by Lloyds Bank plc. As at 30 June 2016 the Group had not drawn on the facility.

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

	2016 Effective interest rate %	2016 Due within one year £000	2015 Effective interest rate %	2015 Due within one year £000
Bank balances	0.25	23,244	0.00	15,809

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Non-derivative financial liabilities

Group	Carrying amount £000	Contractual cash flows £000	6 mths or less £000	6-12 mths £000	1-2 years £000	2-5 years £000	More than 5 years £000
As at 30 June 2016							
Trade and other payables	26,904	(26,904)	(23,751)	(37)	(658)	(2,458)	-
	26,904	(26,904)	(23,751)	(37)	(658)	(2,458)	-
As at 30 June 2015							
Trade and other payables	30,431	(30,431)	(19,913)	(10,436)	(82)	-	-
	30,431	(30,431)	(19,913)	(10,436)	(82)	-	-

Company: The non-derivative financial liabilities of the Company in the current and prior year are predominantly intercompany balances which are payable on demand. The external balances are payable within 6 months.

Exposure to currency risk
The Group has no exposure to foreign currency risk.

Notes to the Financial Statements (continued)

Fair values

The fair value of the Group's financial assets and liabilities are not materially different from the carrying values. The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Available for sale financial assets

	Group 2016 £000	Group 2015 £000
Balance at 1 July	7,938	8,116
Additions	-	25
Redemptions	(853)	(322)
Unwind of discount (finance income)	110	119
Fair value movement recognised in Other Comprehensive Income	(584)	-
Balance at 30 June	6,611	7,938

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

Redemptions in the year of shared equity loans carried at £853,000 generated a profit on redemption of £73,000 which has been recognised within Administrative Expenses in the Income Statement.

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: 2.5% - 4.0%
- Average period to redemption: 5.5yrs
- Discount rate: 8%

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

Change in assumption	Increase/ (decrease) in fair value £
Forecast regional house price inflation – increase by 1%	348,000
Average period to redemption – increase by 1 year	(308,000)
Discount rate – decrease by 1%	334,000

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

The primary objective of the Group's capital management is to ensure that it maintains investor, creditor and market confidence and to support its business and to maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders and issue or return capital to shareholders.

Neither the Company nor any of the subsidiaries are subject to externally imposed capital requirements.

20 Trade and other payables

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade payables	15,552	28,021	271	404
Other taxation and social security	437	566	150	267
VAT payable	-	225	257	208
Accruals and deferred income	10,915	2,978	1,056	869
Amount due to subsidiary undertakings	-	-	48,393	168
	26,904	31,790	50,127	1,916

The Directors consider that the carrying amount of trade payables approximates their fair value.

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

21 Provisions

	Group Onerous leases and dilapidations £000	Group Total £000
At 1 July 2014	289	289
Provisions used during the year	(16)	(16)
At 1 July 2015	273	273
Provisions used during the year	(62)	(62)
At 30 June 2016	**211**	**211**

	2016 £000	2015 £000
Non-current	100	59
Current	111	214
	211	273

Notes to the Financial Statements (continued)

Onerous leases

Onerous leases relate to sublet properties. Where the rent receivable on the properties is less than the rent payable, a provision based on present value of the net cost is made to cover the expected shortfall. The remaining lease commitment is 1 year. Market conditions have a significant impact on the assumptions for future cash flows.

Dilapidations

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

At 30 June 2016, the Company did not have any other provisions.

22 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 Statement of Comprehensive Income of £545,000 (2015: £543,000) represents contributions payable to the defined contribution pension plan by the Group at rates specified in the plan rules. At 30 June 2016, contributions of £67,000 (2015: £64,000) 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 Statement of Comprehensive Income of £67,000 (2015: £49,000) represents contributions payable to the defined contribution pension plan by the Company at rates specified in the plan rules.

23 Deferred tax

Group

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

	Plant and machinery £000	Losses £000	Short-term timing differences £000	Total £000
At 1 July 2014	517	9,946	50	10,513
Restatement	35	39	(20)	54
Credit to income	(31)	(4,928)	-	(4,959)
Impact of rate change	-	60	-	60
At 30 June 2015	521	5,117	30	5,668
Adjustment in respect of prior year	25	373	121	519
(Credit) / Charge to income	(55)	(1,399)	112	(1,342)
Impact of rate change	(25)	(247)	(6)	(278)
At 30 June 2016	**466**	**3,844**	**257**	**4,567**

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

	Group 2016 £000	Group 2015 £000
Deferred tax assets	4,567	5,668
	4,567	5,668

Further reductions in the UK corporation tax rate, to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020, were substantively enacted into law before the balance sheet date. In the opinion of the Directors, the relevant timing differences are expected to reverse prior to 1 April 2020 and therefore deferred tax has been provided at a rate of 19.1%. If deferred tax balances were restated at a rate of 18% rather than 19.1%, deferred tax assets would reduce by £263,000 to £4,304,000.

In March 2016 the UK Government announced that the reduction in the corporation tax rate on 1 April 2020 will be to 17% rather than 18%; however, this change had not been substantively enacted as at 30 June 2016 so this does not impact the deferred tax provisions in these financial statements. If deferred tax balances were restated at a rate of 17%, deferred tax assets would reduce by £502,000 to £4,065,000.

At the balance sheet date, the Group has gross tax losses of £28,310,000 (2015: £30,976,000) of which £20,133,000 (2015: £25,821,000) have been recognised as a deferred tax asset. The Group has unrecognised tax losses of £8,177,000 (2015: £8,868,000) available for offset against future profits. Losses may be carried forward indefinitely against future taxable trading profits.

Company

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

	Plant and machinery £000	Short-term timing differences £000	Total £000
At 1 July 2014	-	-	-
At 30 June 2015	**-**	**-**	**-**
Charge to income	15	-	15
At 30 June 2016	**15**	**-**	**15**

24 Operating lease arrangements

Operating leases: lessee

	Group 2016 £000	Group 2015 £000
Minimum lease payments under non-cancellable operating leases recognised as an expense for the year		
Minimum lease payments	543	392
	543	392

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 Land and buildings 2016 £000	Group Land and buildings 2015 £000
Within one year	554	387
Within two to five years	1,153	558
After five years	995	226
	2,702	1,171

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

Notes to the Financial Statements (continued)

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

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

In the current year, onerous lease provisions of £62,000 were released (2015: £16,000). See note 21 for details.

Operating leases: lessor

The Group's total future minimum sub-lease receipts expected under non-cancellable sub-leases as at 30 June 2016 is £192,000 (2015: £384,000). These receipts are included within the minimum rent receivables table below.

The Company has no future minimum sub-lease receipts.

	Group 2016 £000	Group 2015 £000
Minimum rental income under operating leases recognised as revenue for the year	192	196

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

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

	Group Land and buildings 2016 £000	Group Land and buildings 2015 £000
Within one year	192	192
Within two to five years	-	192
	192	384

25 Analysis of cash and cash equivalents

	Group £000	Company £000
At 1 July 2014	13,687	-
Cashflow	2,122	848
At 30 June 2015	15,809	848
Cashflow	7,435	511
At 30 June 2016	**23,244**	**1,359**

26 Bonds and sureties

Group and Company

As at 30 June 2016, the Group had bonds and sureties of £9,717,000 (2015: £7,283,000) provided by financial institutions in support of ongoing contracts.

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

27 Share capital

	2016 No. 000	2016 £000	2015 No. 000	2015 £000
Issued and fully paid ordinary shares:				
At the beginning of the year	53,697	1,074	-	-
Shares issued during year	423	8	53,697	1,074
At the end of the year	54,120	1,082	53,697	1,074

Ordinary shares

The Company has one class of Ordinary share which carries no rights to fixed income.

On 19 December 2014 the parent company of the Group became MJ Gleeson plc replacing MJ Gleeson Group plc. Under a Scheme of Arrangement ("Scheme") entered into by the former parent company (see Note 28), the share capital of MJ Gleeson Group plc was cancelled and the shareholders of that company received one share of MJ Gleeson plc for each share it previously held in MJ Gleeson Group plc.

With effect from 19 December 2014 the rights attaching to the new MJ Gleeson plc shares were the same as those attaching to the MJ Gleeson Group plc shares immediately prior to 19 December 2014. Upon the implementation of the Scheme, the new MJ Gleeson plc shareholders will have the same voting rights and the same proportionate interest in the profits, net assets and dividends of MJ Gleeson plc as they previously held as a MJ Gleeson Group plc shareholder.

In order to reflect the book value of MJ Gleeson Group plc, the new MJ Gleeson plc shares issued under the Scheme had a nominal value of 146 pence each, while the old MJ Gleeson Group plc shares had a nominal value of 2 pence each. However, following the confirmation of the capital reduction of MJ Gleeson plc on 22 January 2015, the nominal value of the new MJ Gleeson plc shares was reduced to 2p each.

The number of Ordinary shares of 2p in issue as at 30 June 2016 was 54,120,295 (2015: 53,697,480).

At 30 June 2016, the Employee Benefit Trusts ("EBT") held 60,000 (2015: 70,000) shares at a cost of £251,000 (2015: £306,000). The shares are held in the EBT for the purpose of satisfying options that have been granted under the employee share ownership plans. Of these ordinary shares, the right to dividend has been waived on none of these shares (2015: nil).

All shares issued during the year were the result of share options being exercised; details of share options are given in note 29.

28 Scheme of Arrangement

On 19 December 2014 the Group completed a Scheme of Arrangement to change its corporate structure by introducing a new holding company. The purpose of the restructure was to protect the continuing businesses of the Gleeson Group from potential liabilities of the legacy building contracting and engineering businesses and contracts, the majority of which were disposed of in 2005 and 2006. The old Group holding company, MJ Gleeson Group plc and its subsidiary Gleeson Construction Services Ltd, are now held indirectly by the new holding company, MJ Gleeson plc.

The Court approved Scheme of Arrangement also approved a capital reduction of the old holding company, since renamed MJ Gleeson Group Limited, to reduce its net asset position to an amount which would cover any potential future liabilities.

The capital reduction became effective on 22 January 2015.

Notes to the Financial Statements (continued)

29 Share-based payments

During the year to 30 June 2016, the Group had three share-based payment arrangements. The recognition and measurement principles in IFRS 2 have not been applied to those options granted before 7 November 2002 in accordance with the transitional provisions in IFRS 1 and IFRS 2.

Following the implementation of the Scheme of Arrangement (See Note 28) ("Scheme") on 18 December 2014, all share based payment arrangements in place at that time in respect of the shares of MJ Gleeson Group PLC were replaced on a one for one basis with shares in MJ Gleeson PLC. It is the intention of the Directors that awards under the MJ Gleeson Group PLC employee share plans will not vest early as a result of the Scheme but will continue on the same basis under the MJ Gleeson PLC employee share plans, other than they will ultimately deliver MJ Gleeson PLC shares rather than MJ Gleeson Group PLC shares.

A summary of the share-based payment arrangements now reflecting shares in MJ Gleeson PLC are shown below:

Arrangement	Contractual life	Vesting conditions	Settlement basis
Share purchase plan	Rolling scheme	The Group matches shares purchased by employees on a 1 for 3 basis. The shares purchased by the employees are immediately exercisable. The Group matching shares are only exercisable after 3 years.	Equity
Performance share plan (PSP) - 2012	3 years	For the Chief Executive Officer the award vested in whole on the third anniversary of the date of grant on 5 November 2015 as the performance condition was met. The performance condition was based on the total shareholder return for the three financial years from 1 July 2012 to 30 June 2015.	Equity
Performance share plan (PSP) - 2014	3 years	For Executive Directors and senior executives the award will vest in whole or in part on or after the third anniversary of the date of grant if performance conditions have been met. The performance condition is based on the total shareholder return for the three financial years from 1 July 2014 to 30 June 2017.	Equity
Performance share plan (PSP) - 2015	3 years	For the Executive Directors the award will vest in whole or in part on the third anniversary of the date of grant of 30 September 2015 if performance conditions have been met. The performance condition was based on the total shareholder return for the three financial years from 1 July 2015 to 30 June 2018.	Equity

Share options granted after 7 November 2002

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

Share purchase plan

The fair value of each share granted in the share purchase plan is equal to the share price at the date of the grant. Shares are granted on a monthly basis.

Performance share plan

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

Date of grant	PSP 05/11/12	PSP 30/09/14	PSP 30/09/15
The model inputs were:			
• Share price at grant date	£1.52	£3.90	£4.82
• Total shareholders return target	£3.50	£4.80	£4.92
• Exercise price	£0.00	£0.00	£0.00
• Expected volatility	36%	32%	32%
• Expected dividends	1.50%	2.00%	2.00%
• Expected life	3 years	3 years	3 years
• Risk-free interest rate	0.27%	1.27%	0.76%
• Fair value of one option	£0.23	£1.44	£2.37

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

Further details of the option plans are as follows:

Date of grant	Share purchase plan MJ Gleeson Group plan Monthly No. of shares	Share purchase plan MJ Gleeson Group 2014 plan Monthly No. of shares	PSP 05/11/12 No. of shares	PSP 30/09/14 No. of shares	PSP 30/09/15 No. of shares
Outstanding at 1 July 2014	74,587	-	423,015	-	-
Granted in the year	4,414	3,827	-	573,888	-
Forfeited	(261)	-	-	(27,591)	-
Exercised	(20,628)	-	-	-	-
Outstanding at 30 June 2015	58,112	3,827	423,015	546,297	-
Granted in the year	-	6,743	-	-	279,158
Forfeited	(104)	(30)	-	(59,231)	-
Exercised	(10,762)	(758)	(423,015)	-	-
Outstanding at 30 June 2016	47,246	9,782	-	487,066	279,158
Remaining contractual life	Rolling scheme	Rolling scheme	nil	1.3 years	2.3 years
Weighted average exercise price	-	-	-	-	-
Weighted average share price at date of exercise - current year	£3.19	£4.57	n/a	n/a	n/a
Weighted average share price at date of exercise - prior year	£1.17	£0.00	n/a	n/a	n/a

Share options granted prior to 7 November 2002

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

	MJ Gleeson Group plan No. of shares	MJ Gleeson Group 2014 plan No. of shares	Total No. of shares
Total shares outstanding under share purchase plans	47,786	9,782	57,568

The total share based payment cost charged to the Statement of Comprehensive Income was £420,000 (2015: £266,000).

Notes to the Financial Statements (continued)

30 Capital commitments

At 30 June 2016, the Group had no capital commitments (2015: £nil).

31 Related party transactions

Identity of related parties

The Group has a related party relationship with its joint ventures and key management personnel.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

Transactions with key management personnel

The Group's key management personnel are the Executive and Non-Executive Directors, as identified in the Remuneration Report on pages 44 to 63.

In the year, the Group purchased cladding materials from a company, JDP Contracting Services Ltd, in which Jolyon Harrison is a director. During the current year the Group purchased £25,000 (2015: £20,000) of goods from the company. The terms were at normal market rates and payment terms. There were no guarantees provided.

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

Identity of related parties with which the Company has transacted

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

Related party transactions	Administrative expenses 2016 £000	Administrative expenses 2015 £000
Subsidiaries	7,856	2,939
	7,856	2,939

Related party transactions	Receivables outstanding 2016 £000	Receivables outstanding 2015 £000	Payables outstanding 2016 £000	Payables outstanding 2015 £000
Subsidiaries	92,787	55,776	48,393	168
	92,787	55,776	48,393	168

Further Information

Five Year Review

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Revenue	142,065	117,588	81,442	60,656	40,807
Reinstatement of inventories and contract provisions	-	-	800	1,028	2,879
Exceptional restructuring costs	-	(1,236)	-	-	-
Operating profit	28,166	22,046	12,064	6,009	2,724
Provision for diminution in value of investments	-	(4,896)	-	-	-
Net finance income/(cost)	72	113	96	(230)	302
Profit before tax	28,238	17,263	12,160	5,779	3,026
Tax (charge)/credit	(4,934)	(4,848)	5,499	4,320	(130)
Profit after tax	23,304	12,415	17,659	10,099	2,896
Discontinued operations	(345)	(207)	(231)	1,344	710
Profit for year attributable to equity holders of the parent company	22,959	12,208	17,428	11,443	3,606
Total assets	180,640	168,592	152,577	140,112	116,220
Total liabilities	(27,735)	(32,063)	(24,486)	(28,023)	(15,826)
Net assets	152,905	136,529	128,091	112,089	100,394

	pence	pence	pence	pence	pence
Total dividend per share for the year	14.5	10.0	6.0	2.5	5.0
Earnings per share from continuing operations	43.2	23.2	33.4	19.1	5.5
Earnings per share - normalised*	42.6	34.2	17.2	13.7	0.0
Net assets per share	283	254	241	212	190

* Normalised earnings per share exclude the impact of exceptional costs.

Further Information

Corporate directory

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

REGISTERED NUMBER
9268016
Incorporated in England and Wales

COMPANY SECRETARY
Stefan Allanson

WEBSITE
www.mjgleeson.com

AUDITOR
KPMG LLP
1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA

BANKERS
Lloyds Bank plc
14 Church Street, Sheffield, S1 1HP

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

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

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

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

Shareholder information

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

SHARE PRICE INFORMATION
London Stock Exchange
Symbol: GLE

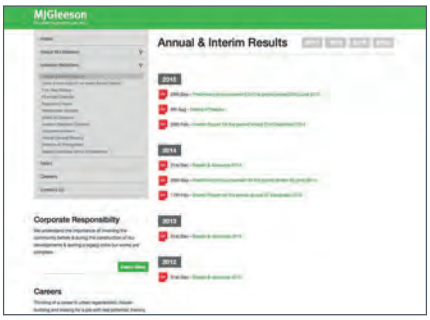
INVESTOR RELATIONS
MJ Gleeson plc
6 Europa Court, Sheffield Business Park, Sheffield, S9 1XE
Email: enquiries@mjgleeson.com
Tel: 0114 261 2900 Fax: 0114 261 2939

Financial calendar

Financial year end	30 June 2016
Full year results announced	26 September 2016
Ex-dividend date for final dividend	17 November 2016
Record date for final dividend	18 November 2016
Annual General Meeting	8 December 2016
Final dividend payment	15 December 2016

Information regarding our websites

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



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Thank you!

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

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

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