

gleeson

builders for generations

MJ Gleeson Group plc

Report and Accounts
for the year ended 30 June 2014



Contents

Financial Highlights	1
Chairman's Statement	2
Strategic Report	4
Key Performance Indicators (KPIs)	7
Financial Review	8
Operating Risk Statement	12
Corporate Social Responsibility Report	14
Chairman's Introduction	19
Board of Directors	20
Corporate Governance Statement	22
Directors' Report	27
Remuneration Committee Chairman's Summary Statement	32
Remuneration Policy Report	33
Annual Report on Remuneration	39
Statement of Directors' Responsibilities	45
Independent Auditor's Report	46
Consolidated Statement of Comprehensive Income	48
Consolidated Statement of Financial Position	49
Consolidated Statement of Changes in Equity	50
Consolidated Statement of Cashflow	52
Notes to the Financial Statements	54
Five Year Review	79
Advisers	80



MJ Gleeson Group plc

The Group is engaged in:

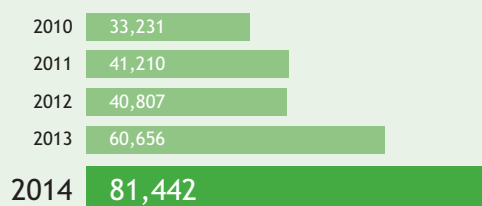
- housebuilding on brownfield land in the North of England with a particular emphasis on low cost homes for local communities;
- strategic land trading, primarily in the South of England, and benefiting from the enhancement of the value of green field sites by securing residential planning consents.

Financial highlights

	2014	2013	
Operating profit continuing operations	£12.1m	£6.0m	101%
Gleeson Homes operating profit	£9.4m	£4.0m	135%
Gleeson Strategic Land operating profit	£4.8m	£3.5m	40%

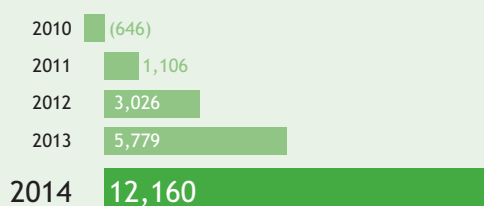
Revenue

£'000



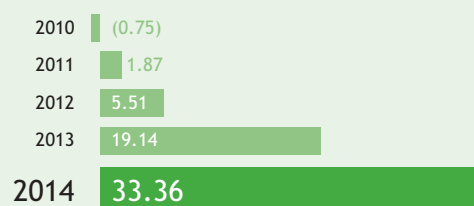
Profit before tax continuing operations

£'000



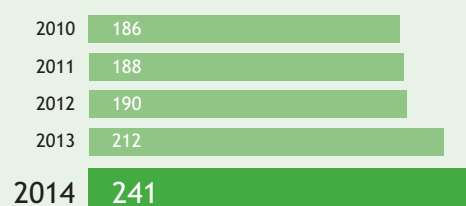
Earnings per share continuing operations

(p)



Net Assets per share

(p)



Chairman's Statement



Another year of excellent progress as the Group continues to benefit from its unique business model.

Dermot Gleeson, Chairman

I am pleased to report another year of excellent progress as the Group continues to benefit from its unique business model and to implement its growth strategy.

Gleeson Homes substantially increased unit sales by 38% to 561 units (2013: 406 units). This increase in volume was accompanied by a modest improvement in selling prices and the maintenance of a very stringent approach to cost control. As a result the division has once again achieved a significant uplift in profitability, helping drive a doubling of operating profit for the Group as a whole.

In addition, Gleeson Homes continued to substantially expand its land bank, taking advantage of the relatively low land prices in our target geographies in the North of England.

Gleeson Strategic Land also made strong progress during the year, increasing profits by 40%. This increase reflects both a high level of success in securing residential planning consents for sites in the South of England and the continuing strength of the demand for such sites, once consented, from volume house builders.



Cllr John Robinson opening show home at Ferndale Court, Wingate.

Financial performance

Group revenues increased 34% to £81.4m (2013: £60.7m). The Group recorded an operating profit from continuing operations of £12.1m, an increase compared to the previous year of 101% (2013: £6.0m). Discontinued operations incurred a post-tax loss of £0.2m (2013: post-tax profit £1.3m).

Profit for the year attributable to equity holders of the parent company, including an exceptional deferred tax credit of £8.3m (2013: £4.2m), totalled £17.4m (2013: £11.4m).

Net assets increased by 14.3% to £128.1m (2013: £112.1m), representing net assets per share of 241p (2013: 212p). Cash and cash equivalents at 30 June 2014 totalled £13.7m (2013: £9.9m).

Normalised basic earnings per share, which excludes the impact of recognising unrecognised tax losses, was 17.2p (2013: 10.6p).

Market context

Unlike a number of other regions, such as central London, in which a period of high house price inflation is now being followed by some limited downward adjustments in values, the regeneration areas within the North of England in which Gleeson Homes operates have only experienced very modest price rises in the last two years and house prices are expected to remain broadly stable for the foreseeable future. Our confidence in this respect is reinforced by the fact that mortgage providers take a very favourable view of both the value for money offered by Gleeson Homes' product range and the financial dependability of our core customer base of hard working, low income families committed to home ownership.

Employees

The average number of employees during the year increased to 217 (2013: 201). The number at the year end was 228 (2013: 215).

The Group's strong performance during the year is a result of the commitment and professionalism of our employees and, on behalf of the Board, I would like to congratulate and thank them.

Dividends

Against the background of 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 4.9 pence per share (2013: 2.0 pence per share). Combined with the interim dividend, this will give a total dividend for the year of 6.0 pence per share, an increase compared to the previous year of 140% (2013: 2.5 pence per share). Subject to shareholder approval at the Annual General Meeting ("AGM"), the final dividend will be paid on 17 December 2014 to shareholders on the register at close of business on 21 November 2014.

Prospects

The outlook for the Group remains highly encouraging.

The appetite of the volume housebuilders for consented land in the South of England remains strong and Gleeson Strategic Land expects to achieve a substantial increase in the number of sites sold in the current financial year.

Similarly, demand for low cost family homes continues to be strong amongst Gleeson Homes' core customer base and our forward order book is at a record high of £44.2m (2013: £25.9m). Our commitment to ensuring that our homes remain affordable to buyers on low incomes means that we do not anticipate a significant increase in sales prices. However, the substantial increase in the size of the land bank achieved over the last year means that there is considerable scope to generate significant further, year on year, profit growth by means of an increase in sales volume.



Dermot Gleeson
Chairman



Cllrs Brian & Christina O'Hare at Knowsley Lane, Huyton.

Strategic Report

GROUP BUSINESSES

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

Gleeson Homes

A housing regeneration specialist building homes for people on low incomes on brownfield land in the North of England.

The key features of the Gleeson Homes business model are:

- **Successful land purchase.** We have a very carefully targeted land buying strategy that has clearly defined and challenging hurdle rates. We partner with local authorities and private land owners to acquire land in socially and economically deprived areas which will benefit from urban regeneration.
- **Driving down building costs.** We build traditional 2, 3 and 4 bedroom detached and semi-detached homes. We ensure that our homes are built with good quality but inexpensive products to the specification that our customers require.
- **Low overheads.** We ensure that overhead costs are kept low by having small and similarly structured management teams in each operating region and continuously measuring their relative performance.
- **Enabling the customer.** We offer our customers a large range of bespoke financial packages to enable them to become homeowners.

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 volume housebuilders.

The key features of the Gleeson Strategic Land business model are:

- **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 division's team of land surveyors and town planners, along with legal and technical experts, steer the land through the planning process with a view to 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.

DISCONTINUED OPERATIONS

Gleeson Capital Solutions: The Group commenced winding down this business unit in 2011. The Group sold its last PFI investment in February 2013.

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

STRATEGIC PRIORITIES

The strategy of the Group is to build a larger and increasingly profitable business by increasing the number of housebuilding sites in its target markets, increasing its housebuilding land pipeline and improving profitability on individual unit sales. Our strategic priorities are set out below:

Increased housebuilding footprint: We will increase the number of selling outlets throughout the North of England, particularly in areas of urban regeneration, which will lead to increased sales volumes and profitability.

Improved 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 require. We will ensure that our homes are energy efficient and have low running costs. We will use appropriate construction methods to build efficiently and overcome any potential labour shortages.

Increased land pipeline: We will continue to acquire land, at appropriate cost, in socially and economically deprived areas, which would benefit from urban regeneration.

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 the safety culture and will maintain a high level of compliance with health and safety standards.

BUSINESS PERFORMANCE

Gleeson Homes

Gleeson Homes' results for the year were as follows:

	2014	2013
Revenue	£70.6m	£47.9m
Operating profit	£9.4m	£4.0m

During the year, 561 homes were sold, an increase of 38% on the prior year's total of 406. During the year Gleeson Homes had on average 33 selling outlets open compared to 28 during the prior year. The outlets were located in County Durham, Derbyshire, Merseyside, Manchester, Newcastle, Nottinghamshire, Tyneside and Yorkshire. The number of outlets is expected to increase during the course of the current financial year to in excess of 40.

The Average Selling Price ("ASP") for the homes sold in the year was £121,000 (2013: £118,000). Our expected ASP is usually in the range of £115,000 to £120,000 in order to ensure our homes remain affordable to our customers. On a small number of sites, where demand has been exceptionally high, selling prices have increased, which has given rise to the moderate overall increase in the ASP.

The proportion of homes sold from newer, higher margin sites rose from 75% in the prior year to 84%.

Gross profit margin increased to 29.2% (2013: 27.8%) due to a combination of the continued improvement in the mix of homes sold from the new, higher margin sites, an increase in the ASP 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 has resulted in gross profit increasing by 55% to £20.6m (2013: £13.3m).

Included within the Operating Profit is an exceptional credit of £0.8m (2013: £1.0m) relating to, as in the previous year, the partial reversal of a debtor provision.

Gleeson Homes has a large range of bespoke packages to assist customers to become homeowners. The Government's Help to Buy schemes have been popular with many of our customers, with 46% of the homes sold in the year utilising this scheme, but our own packages are also attracting a healthy level of interest.

Lenders currently have an appetite for mortgage lending and there has been growth in mortgage availability outside of the

three main "High Street" institutions, offering our customers a more competitive choice. Despite the tightening of qualifying criteria under the Mortgage Market Review, our customers have been able to qualify for loans on reasonable terms.

The business unit continued to take advantage of the relatively low land prices in the North of England to build up a substantially enlarged land pipeline. During the year, 12 sites were purchased which added 1,180 plots to the pipeline. A further 24 sites that have been conditionally purchased are expected to add a further 1,815 plots to the pipeline in the near future. When and if these acquisitions are completed, the land pipeline will total in excess of 5,065 plots. Impaired plots now represent only 4% of the land bank. In addition to owned and conditionally purchased plots, there are a further 1,600 plots which are being actively considered for acquisition.



Alfresco dining at Parson Green, Sheffield.

Strategic Report continued

Gleeson Strategic Land

	2014	2013
Revenue	£10.8m	£12.7m
Operating profit	£4.8m	£3.5m

Demand for residential land in the South of England from the major housebuilders remained strong throughout the year. As a result, the business unit was able to complete seven land sales, with a combined acreage of 85 acres, with the potential to deliver 617 plots for development.

During the year, seven new sites were secured by means of either option, promotion, or subject to planning agreements. These covered 236 acres, with the potential to deliver 1,445 houses. In addition, heads of terms have been agreed for a further 6 sites covering 216 acres, with the potential for 1,365 plots.

Gleeson Strategic Land continues to progress the portfolio

through the planning system. The business currently has four sites with planning permission and two further sites with resolutions to grant planning permission subject to entering into legal agreements. These sites have the potential to deliver 1,480 plots, a nursing home and 40 assisted living units. A further 16 sites are the subject of either submitted planning applications or lodged planning appeals and have the potential to deliver approximately 2,000 plots and 100 acres of commercial land. During the current financial year, planning applications are expected to be submitted on a further 9 sites, potentially delivering a further 3,500 plots.

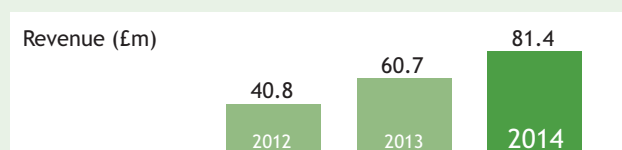
At the year end, Gleeson Strategic Land's portfolio totalled 3,802 acres (2013: 3,582 acres), of which 155 acres (2013: 155 acres) were wholly or part owned by the Group, 2,037 acres (2013: 2,162 acres) were held under option and 1,610 acres (2013: 1,265 acres) were the subject of promotion agreements. The geographic bias of the portfolio is towards the South of England, predominantly in: Buckinghamshire, Dorset, Essex, Hampshire, Hertfordshire, Kent, Oxfordshire, Surrey, Sussex and Wiltshire. The 65 sites have the potential to deliver 21,500 plots.



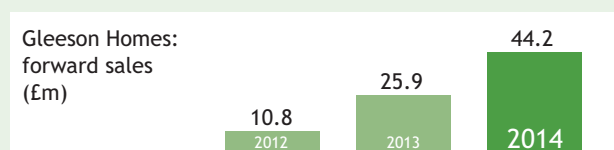
Key Performance Indicators (KPIs)

Revenue Measures

The strength of revenue is an important measure of the success of the business plan. The Group's revenue has doubled over the past three years.

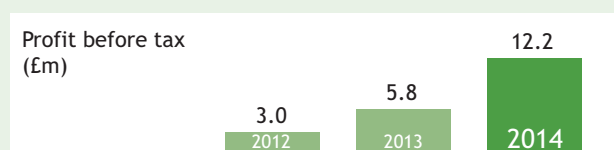
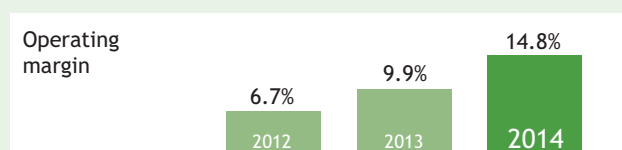


Gleeson Homes has forward sales at 30 June each year, being the value of homes that have been reserved or exchanged. The forward sales have significantly increased over the past three years as the division has grown.



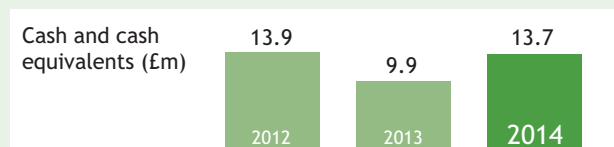
Profit Measures

The Group's operating margin is an important measure of the implementation of the business plan. As Gleeson Homes has become established in its restructured form, the Group's operating profit margin has improved, resulting in a significant increase in profitability.



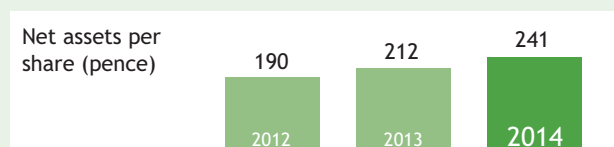
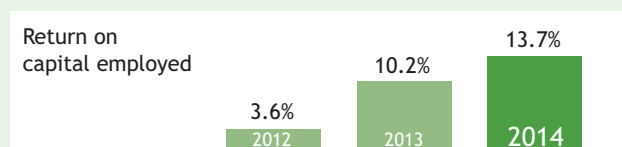
Cash Measure

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.



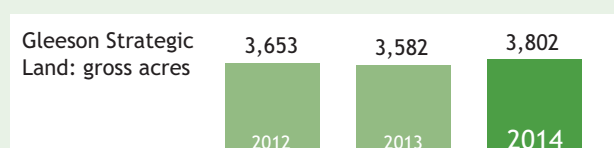
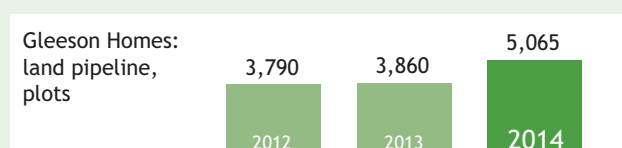
Return Measures

The return measures illustrate how the business plan is improving shareholders' returns over time. A combination of revenue and margin improvements is delivering growth in the return on invested capital.



Non-Financial KPIs

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



Financial Review

HIGHLIGHTS

Revenue
Increased by 34% to £81.4m

Profit before tax
Increased by 110% to £12.2m

Normalised earnings per share*
Increased by 62% to 17.2 pence

Net assets per share
Increased by 14% to 241 pence per share

Dividend for the year
Increased by 140% to 6.0 pence

* Normalised earnings per share exclude the impact of recognising unrecognised tax losses of £8.3m in 2014 (2013: £5.3m).

Consolidated Statement of Comprehensive Income

Revenue increased by 34% in the year to £81.4m (2013: £60.7m). The revenue of Gleeson Homes increased by 47% to £70.6m (2013: £47.9m) due to a combination of the 38% increase in volume to 561 homes sold (2013: 406 homes) and a 2.9% increase in the average selling price to £121,000 (2013: £118,000). Revenue for Gleeson Strategic Land decreased by £1.9m to £10.8m as the majority of the transaction in the year to 30 June 2014 were promotional agreements, whereby only the Group's fee is recorded as revenue rather than the full land value.

Gross profit increased by 48.2% to £26.7m (2013: £18.0m). The gross profit of Gleeson Homes increased by 54.9% to £20.6m (2013: £13.3m) due to the increase in volume, the continuing reduction of units sold from older lower margin sites, improved margin being recorded due to our stringent approach to cost control and the inclusion of an exceptional credit of £0.8m due to the reversal of a debtor provision (2013: £1.0m). The gross profit of Gleeson Strategic Land increased by 29.6% to £6.1m (2013: £4.7m) primarily due to the increase in acres 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 £2.6m (22%). Sales & marketing costs increased by £1.1m being an increase of 27% in order to service new sites and generate increased revenue of 47%. Recurring administrative overheads increased by £1.0m mainly due to increased employment and recruitment costs.

Discontinued operations incurred a loss of £0.2m during the year (2013: profit £1.3m). The loss relates to the costs of Gleeson Construction Services, whose only activity is limited to resolving occasional contractual claims from the businesses that were sold in 2005 and 2006. The profit in 2013 included the profit on disposal of the Group's last remaining PFI investment, totalling £1.4m.

Financing

Financial income of £0.5m (2013: £0.4m) consists primarily of the unwinding of discounts on deferred receipts. Interest earned on unwinding of deferred receipts was higher than the prior year as a result of a higher level of deferred receipts outstanding. There is no interest on joint venture loans recorded within discontinued operations for the current year as the joint venture was disposed of in February 2013 at which point interest ceased to be accrued (2013: £0.2m).

Financial expenses of £0.4m (2013: £0.6m) consist of interest

payable on bank loans and overdrafts, bank charges and interest and unwinding of discounts relating to deferred payments. Financial expenses are lower in the current year, primarily due to the interest expense on deferred payments for land acquisitions being lower due to a lower level of deferred payments outstanding. The cost of bank charges increased in the year due to the entering into a three year £20m facility.

Tax

A net tax credit for continuing operations, of £5.5m (2013: £4.3m) has been recorded for the year. The tax credit includes an exceptional credit relating to deferred tax of £8.3m (2013: £4.2m). 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 £57.6m (2013: £67.9m) of tax losses, of which £49.2m have been recognised as a deferred asset, which can be carried forward indefinitely.

The tax charge attributable to discontinued operations was £0.1m (2013: £10k), so the total tax credit was £5.4m (2013: £4.3m).

The net deferred tax asset recorded within the Statement of Financial Position totals £10.5m (2013: £5.0m).

Earnings per share

Basic earnings per share improved by 52% to 32.9p (2013: 21.7p). The normalised basic earnings per share, which excludes the impact of recognising unrecognised tax losses of £8.3m (2013: £5.8m) improved by 62% to 17.2p (2013: 10.6p).

Dividend

Against the background of significant improvements in the results of Gleeson Homes' and Gleeson Strategic Land, the Board has proposed a final dividend of 4.9 pence per share (2013: 2.0 pence per share). Combined with the interim dividend, the dividend for the full year totals 6.0 pence per share being an increase of 140% on the prior year (2013: 2.5 pence per share).

Statement of financial position

During the year to 30 June 2014, shareholders' funds increased by £16.0m to £128.1m (2013: £112.1m). Net assets per share increased to 241 pence, an increase of 14% year on year (2013: 212 pence).



Financial Review continued

In the year, non-current assets increased by £5.4m to £25.4m (2013: £20.0m). The primary reason for this increase is the £5.5m increase in the deferred tax asset balance from £5.0m to £10.5m following the recognition of tax losses. The non-current trade receivable and other receivable represents deferred receivables from shared equity loans provided to our customers. The carrying value of this receivables portfolio was £8.1m at 30 June 2014 (2013: £7.8m). The Government's Help to Buy scheme commenced during 2013 and has resulted in a much reduced need from customers for the Group's equity support.

Current assets increased by £7.0m to £127.2m (2013: £120.2m), with inventories increasing by £3.9m to £100.7m (2013: £96.8m), and cash balances increasing by £3.8m to £13.7m (2013: £9.9m).

Total liabilities decreased by £3.5m to £24.5m (2013: £28.0m), with non-current liabilities decreasing by £1.9m to £0.1m (2013: £2.0m) and current liabilities decreasing by £1.6m, to £24.4m (2013: £26.0m). Gleeson Homes had drawn down on the Government's Get Britain Building Fund in the year to 30 June 2013, with £2.2m outstanding at that date, of which £1.9m was

non-current. At 30 June 2014 the Get Britain Building liability stood at £1.9m all of which is now due within 12 months. Land creditors within Trade and Other payables totalled £7.6m (2013: £9.8m).

Cash flow

The Group generated £3.8m (2013: £3.9m utilised) of cash in the year, resulting in a net cash balance at 30 June 2014 of £13.7m (2013: £9.9m).

Operating cash flows before working capital movements, generated £12.1m (2013: £4.2m). Investment in working capital of £6.4m (2013: £12.9m) resulted in cash generated from operating activities of £5.3m (2013: £8.9m utilised). Cash generated from investing activities totalled £0.3m (2013: £2.8m), with £3.3m of the cash generated in the prior year due to the sale of the Group's last PFI investment. Net cash flows from financing activities utilised £1.8m (2013: £2.1m generated), including £1.6m (2013: £0.3m) on dividend payments.

Treasury risk management

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

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

Bank facilities

The Group entered in to a three year £20m revolving working capital facility with Lloyds Bank Commercial Banking in December 2013. The facility provides the Group with the additional flexibility and capacity for growth.

Pension

The Group contributes to a defined contribution pension scheme. A charge of £0.5m (2013: £0.4m) was recorded in the Income Statement for pension contributions. The Group has no exposure to defined benefit pension plans.



Broad Park Happy Buyer, Sarah Kerrigan - February 2014

Joylon Harrison
Chief Executive Officer
26 September 2014

Alan Martin
Chief Financial Officer
26 September 2014



Broad Park, South Elmsall April 2014

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	Mitigation
Economic environment The impact of economic fragility and government austerity measures.	Any uncertainty in the wider economy, including government austerity measures, will 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.
Mortgage availability The limited availability of mortgages for first time buyers.	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 on 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.	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.	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.

Risk	Description	Mitigation
People An inability to attract, develop or retain good people.	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 generously reward the achievement of performance targets. • The Group encourages employee share ownership. • Our apprenticeship schemes enable us to identify and secure the loyalty of talented individuals at an early age. • We perform regular performance and development reviews. • We monitor staff turnover and benchmark remuneration against competitors.
Availability of raw materials and subcontractors An inability to secure materials and skilled labour on a timely basis at suitable prices.	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.
Health & Safety A failure to prevent unsafe practices within our construction activities, causing injury or death.	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 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.

Corporate Social Responsibility Report

The Group recognises the importance that its activities have on all its stakeholders, including shareholders, employees, customers, the supply chain and the communities in which it operates.

Health & safety

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

There have been no prohibition or improvement notices issued to the Group during the year. There were 2 reportable injuries in the year under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR"). In the previous 3 years the Group reported zero, one and two injuries per year respectively under RIDDOR.

The overall Accident Incidence Rate ("AIR") was 268 in spite of a further sizable increase in construction activity and is below the house building industry average of 330 injuries per 100,000 employees, as published by the HBF (Housebuilders Federation) and the Health & Safety Executive. The AIR is an industry-wide indicator of health & safety performance.

Community matters

The Group is heavily engaged in housing regeneration, and its work is therefore at the heart of the communities where this regeneration takes place. The Group is committed to improving these communities and creating positive and long term enhancements to the environment and the life of the community

itself. The Group understands the importance of involving the community before and during the construction of our developments, and leaving a beneficial legacy once our works are complete. The following are just some of the ways the Group helps local communities:

The Living Wage: We are the first major house builder to be accredited as a Living Wage employer.

Secured by Design: Gleeson Homes was chosen by the Chief Police Officers Association to work with them to produce a new Secured by Design National House Type Approval Scheme for new homes. This partnership has resulted in the ability of house builders to register their house designs when built to this standard, on a National database and this will save time when planning applications are being made. Secured by Design comprises a series of practical standards that will ensure that complying homes will be appropriately secure. Gleeson Homes was the first company to be registered under the new scheme.

The Gleeson Community Sports Foundation: Our sports foundation provides sponsorship opportunities for local junior sports clubs. Local teams are invited to apply annually for funding towards sports kit.

Engagement with local schools: We work with schools to educate children on the dangers of playing on building sites.



Newcomen Primary School Health and Safety Talk

We build homes in areas that are often in challenging communities and crime prevention is often a serious problem. As a result of this we have been working with the Association of Chief Police Officers to produce a Secured by Design National House Type Approval scheme.

The object of the exercise has been to provide superior levels of security at no additional cost to the home buyer, whilst also demonstrating a reasonable approach to crime prevention.

As a result of our close involvement in designing the scheme we are the first house builder to sign up for the new National House Type Approval Scheme.



Gleeson Homes accepting the first Secured by Design House Type approval award given to a developer

Background: Michael Brooke (SBD Development Officer, SBD), Tony Lee (Gleeson's Technical Director), Maxine Baxter (Gleeson's Sales Manager Yorkshire Region), Dan Burgoyne (Gleeson's Technical Manager), John Shillito (South Yorkshire Police Force ALO)

Foreground - Bryan Simpson (Gleeson's Regional Director Yorkshire) and Richard Childs (SBD Managing Director)

Corporate Social Responsibility Report continued

Apprenticeship Schemes: We are dedicated to giving people the opportunity to start a career in the housebuilding industry. We provide training packages for local unemployed people to include apprenticeships in conjunction with a local college.

Local jobs for local people - We are committed to giving priority of employment to people living within two miles of each site. We will assist local labour initiatives and make lasting contributions to the local community and economy.

Design for Disability - We carry out alterations to our homes free of charge for disabled occupants. We acknowledge that people with apparently identical disabilities may have totally different needs and we are happy to adapt our homes to suit their individual needs, such as installing wet rooms and changes to the internal configuration.

Environmental 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.



New Apprentices 2014

Back Row L-R: Connor Hallinan, 17, Apprentice Bricklayer. Joe Fynan, 17, Apprentice Joiner. Alex Wilson, 17, Apprentice Joiner. Curtis Mune, 18, Apprentice Joiner. Jak Corrie, 16, Apprentice Bricklayer.

Front Row L-R: Jack Pringle, 16, Apprentice Bricklayer. Liam Brown, 17, Apprentice Bricklayer. Joseph Felce, 18, Apprentice Bricklayer. Kyle Shepherd, 16, Apprentice Joiner.

Gleeson is the first major housebuilder to become accredited to the Government's Living Wage initiative.

The Living Wage is an hourly rate of pay which is set independently and updated annually. The accreditation applies to all Gleeson's directly employed and regularly contracted staff and all subcontractors have also joined the programme.



Waste management: minimisation and recycling

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

Timber policy

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

Greenhouse gas reporting

Our greenhouse gas emissions for the year ended 30 June 2014 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 (CO₂e).

Corporate Social Responsibility Report continued

CO ₂ emissions	Tonnes CO ₂ e 2014
Scope 1 - Emissions from combustion of fuel	975
Scope 2 - Electricity, heat, steam and cooling purchased for own use	367
Total emissions	1,342
Emission per £m revenue	16.48

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 2014, we employed 228 people, comprising 157 males and 71 females. Our senior management team comprises 18 employees of which 3 (17%) are female.

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 are 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 year end there were 21 apprentices employed by the Group (2013: 12) and we anticipate that further development of the apprenticeship programme will continue over future years.

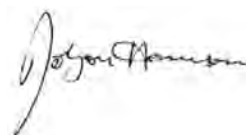
All of the Group's site-based employees are accredited under the Construction Skills Certification Scheme.

Charitable donations

Charitable donations in 2014 totalled £10,700 (2013: £10,225).

Strategic Report Approval Statement

The Strategic Report, contained in pages 4 to 18 has been approved by the Board of Directors and is signed on its behalf by



Jolyon Harrison
Chief Executive Officer
26 September 2014



Holly Grist of Montenev Primary School and The Lord Mayor of Sheffield, Councillor Rippon, are shown opening the Kildare show home at Parson Green where Holly's design has been replicated. We often run a 'design a bedroom' competition with schools local to our sites. This is where the pupils are invited to design their dream bedroom. The winner is chosen and their design replicated in one of our show homes.

Chairman's Introduction

I am pleased to have the opportunity to introduce this report which describes our corporate governance arrangements during the year ending 30 June 2014 and explains how these arrangements have worked for the benefit of the Company 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 business units and to understand the conditions in which they are operating;
- 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 Rules and Transparency Rules.



Dermot Gleeson
Chairman
26 September 2014

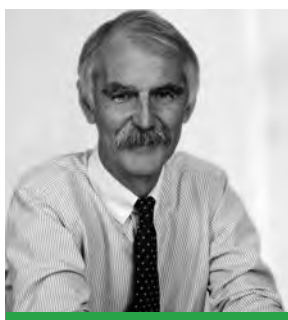
Board of Directors



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. Currently a Non-Executive Director of GB Group Holdings Limited (the parent company of GB Building Solutions Limited, previously Gleeson Building Limited). 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.



Jolyon Harrison, FCIQB, FIoD, FCMI

Chief Executive Officer and Managing Director, Gleeson Homes

Appointed to the Board in July 2010 and appointed Chief Executive on 1 July 2012. Jolyon joined the Group in November 2009 as Managing Director of Gleeson Homes. He has over 40 years of house building experience, most recently as founder and Chairman of Pelham Construction/North Country Homes Group and prior to that as Managing Director of Shepherd Homes. Currently Chairman of York Housing Association, JDP Rooflines 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.



Alan Martin, BSc, ACA

Chief Financial Officer and Company Secretary

Appointed to the Board in January 2009. Alan joined the Group in November 2006 as Group Financial Controller from Psion PLC where he held a similar role. Alan qualified as a Chartered Accountant in 1990, following which he specialised in corporate recovery with PricewaterhouseCoopers in London and in Sydney, Australia.



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 the Senior Independent Director and Chairman of the Remuneration Committee and member of the Audit and Nomination Committees.



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 Chairman of the Audit Committee and member of the Remuneration and Nomination Committees.



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 2012 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 25.

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 business units 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,

all of which were considered 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 2014. The Directors' biographies are set out on pages 20 and 21.

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. Ross Ancell is the Senior Independent Non-Executive Director.

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, North Atlantic Value 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 by 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 six occasions. Board packs, which include a formal agenda, are circulated in advance of such meetings. Attendance by individual Directors at Board meetings and by members at Committee meetings was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
No of scheduled meetings	6	4	3	1
Attendance				
Dermot Gleeson	6	*	***	1
Ross Ancell	6	4	3	1
Colin Dearlove	6	4	3	1
Christopher Mills	4	*	*	*
Jolyon Harrison	6	**	***	**
Alan Martin	6	**	**	**

* Not a member of this Committee.

** Whilst not a member of this Committee, the Director was in attendance at all meetings.

*** Whilst not a member of this Committee, the Director was in attendance for the meetings to which he was invited.

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. Ross Ancell, 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.

Corporate Governance Statement continued

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.

The Board is of the view that there is an adequate ongoing process for identifying, evaluating and managing the Group's significant risks, which satisfies the internal control guidance for Directors detailed in provision C.2.1 of the Code. This process takes the form of a formal Risk Management Policy supported by financial and management controls that are operated Group-wide and which are subject to both internal review by the Chief Financial Officer and external review as part of the statutory audit carried out by the Auditor.

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 is 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 then 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 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 Accounts.

Whistleblowing arrangements

The 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 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.

The Company uses the Investor Relations section of its website, www.mjgleeson.com, to publish statutory documents and communications to shareholders, such as the Annual Report and Financial Statements, 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 business units.

Compliance statement

The Company has complied with the vast majority of the provisions of the September 2012 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.

A.4.2, B.6.3

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

Nomination Committee

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

The Committee met once during the year. Attendance at this meeting by the Committee members is shown in the table on page 23.

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; 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.

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 four times during the year to 30 June 2014 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 2014 are set out in the Remuneration Report on pages 33 to 44.

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 Auditors, when required. The Committee met on four occasions during the year, with both members being in attendance for all meetings. The Committee regularly meet with the auditor and the internal auditor without the presence of the Company's management.

Corporate Governance Statement continued

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 risks 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 issues considered by the Committee during the year have been assessed by determining the key risks of misstatement of the Group's financial statements relating to:

- the carrying value of the Group's inventories and profit recognition;
- the recognition of deferred tax assets.

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 both of these critically important areas 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 the homes sales and the costs and possible future costs relating to individual sites. The Committee has reviewed the assumptions adopted by management supporting the margin to be recognised on sale of individual units and concluded that they are appropriate.

The Committee has reviewed the assumptions adopted by management supporting the quantum of tax losses that will probably be used against future profits. The Committee has concluded that these assumptions are appropriate resulting in the recognition of deferred tax assets.

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;
- review of half year and annual results;
- review of the Group's Risk Register; 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 2014 financial year the primary risks identified were in relation to the margin to be recognised on the sale of homes and the carrying value of the Group's land and work in progress.

The Committee formulates and oversees the Company's policy on monitoring external auditor objectivity and independence in relation to non-audit services. 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. The auditor is therefore not allowed to carry out 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 2014 financial year was 1 to 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 on page 61.

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 ensure 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 lead audit partner has now been in place for five years, which means that this will be the last year that he is involved with the audit.

At the request of the Board, the Audit Committee considered whether the 2014 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.

Directors' Report

The Directors have pleasure in presenting the Annual Report and the audited Financial Statements for the year ended 30 June 2014.

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 2014 and of the position of the Group at the end of the financial year along with a description of the principal risks and uncertainties faced in the Strategic Report on pages 4 to 18.

Corporate governance statement

The Disclosure Rules 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 Governance on pages 22 to 26.

Results and Dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 48. The principal active 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 1.1 pence per share was paid to shareholders on 4 April 2014 (2012: 0.5 pence). The Board proposes to pay, subject to shareholder approval at the 2014 AGM, a final dividend of 4.9 pence per share (2013: 2.0 pence) in respect of the 2014 financial year on 17 December 2014 to shareholders on the register at the close of business on 21 November 2013. On this basis, the total dividend for the year will be 6.0 pence per share (2013: 2.5 pence).

Business Review

The review of the development and performance of the business of the Group during the year and the future outlook of the Group is set out in the Chairman's Statement on pages 2 and 3 and the Strategic Report (Business Performance) on pages 5 to 10. Details of the principal risks and uncertainties that the Company faces are set out in the Strategic Report on pages 12 and 13. The key performance indicators are set out in the Strategic Report on page 7. The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 54 to 58 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in note 19.

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 4 to 6. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report (Financial Review) on pages 8 to 10.

The Group meets its day-to-day working capital requirements through its cash resources and the secured loan facility, which was entered into in December 2013 with a renewal date of December 2016. The current economic conditions create uncertainty for all businesses over a number of risk areas. 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 the foreseeable future 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 pages 20 and 21. None of the Directors have any contracts of significance with the Company.

The beneficial and non-beneficial interests of the Directors and their connected persons in the shares of the Company at 30 June 2014 and as at the date of this report are disclosed in the Remuneration Report on page 41. Details of the interests of the Executive Directors in share options and awards of shares can be found on pages 41 to 42 within the same report.

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 12 December 2014, all of the Directors will, voluntarily, offer themselves for re-election. Of the Directors standing for re-election, Jolyon Harrison and Alan Martin hold service contracts that may be terminated by the Company with a notice period of one year.

Directors' Report continued

Share capital

The Company has one class of share in issue, being ordinary shares with a nominal value of 2 pence each, with no right to fixed income. During the year 277,597 shares were issued to satisfy shares vesting under the Performance Share Plan. As at 26 September 2014, the Company has issued share capital of 53,697,481 ordinary shares, with a nominal value of £1.1m. Further details are given in note 28.

Substantial shareholdings

On 26 September 2014, the shareholdings noted below, representing 3% or more of the issued share capital, had been notified to the Company. In addition, as at 26 September 2014, Capita IRG Trustees Limited held 281,805 ordinary shares as trustees of the Employee Share Purchase Plan.

Name of shareholder	Number of shares	Proportion of total
North Atlantic Value LLP	13,655,000	25.43%
Schroder Investment Management Limited	7,305,510	13.60%
Mrs J C Cooper & spouse*	2,815,365	5.24%

* of which 542,800 are held in discretionary trusts of which she 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. 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 Responsibility Report on page 14.

Greenhouse gas emissions

All disclosures concerning the Group's greenhouse gas emissions, as required to be disclosed under regulations introduced by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are contained in the Corporate Responsibility Report forming part of the Strategic Report on page 17 to 18.

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 for the time being of the Company (the Board) 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 12 December 2014 are set out in the Notice of AGM.

Dividends and distributions

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

Winding up

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

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

Variation of rights

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

Directors' Report continued

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 nor 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 Act) 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 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 Act, 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

KPMG LLP, has signified its willingness to remain in office and resolutions re-appointing KPMG LLP as auditor and authorising the Directors to fix the remuneration will be put to the forthcoming AGM.

Annual General Meeting

The Notice of the AGM to be held on 12 December 2014, together with details of the Resolutions to be considered, is set out in a separate circular.

Special business

As special business at the AGM, the Directors will seek shareholders' approval of Resolutions as follows:

1. Resolution 12 seeks shareholders' authority for the allotment of Ordinary shares up to an aggregate maximum nominal amount of £357,980 (being the nominal amount equal to one third of the issued share capital of the Company) in substitution for all existing authorities. This authority will expire at the conclusion of the next Annual General Meeting or 31 December 2015 whichever is earlier.
2. Resolution 13 asks shareholders to waive their pre-emption rights for a further year in respect of any rights issue and in respect of the allotment of shares having a maximum aggregate nominal value of £53,697 which is equivalent to approximately 5% of the Company's issued equity share capital as at 26 September 2014.
3. Resolution 14 has been prepared in connection with the renewal of the general authority to the Company to make market purchases of its own shares having a maximum aggregate nominal value of £107,395, being equivalent to approximately 10% of the issued share capital as at 26 September 2014. The Directors would exercise this authority only if they believed that to do so would be in the interests of shareholders generally and would be likely to result in an increase in earnings per share. Any EPS targets included in employee share incentive schemes will be adjusted to take account of any buyback.
4. Resolution 15 asks shareholders' approval to call General Meetings other than Annual General Meetings on not less than 14 clear days' notice.

By order of the Board



Alan Martin
Company Secretary

26 September 2014

Remuneration Committee Chairman's Summary Statement

Dear Shareholder

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. In accordance with the new regulations governing the disclosure and approval of directors' remuneration, our remuneration report has been split into two parts:

- our Policy on Directors' remuneration, which sets out our future remuneration policy; it will be the subject of a binding shareholder vote at the forthcoming AGM;
- the Annual Report on Remuneration, which describes how the policy was implemented in the year to June 2014 and will be implemented in the year to June 2015; it will be the subject of an advisory shareholder vote.

During the year, the Remuneration Committee ("the Committee") reviewed the remuneration policy for Executive Directors and the Chairman. The Board as a whole reviewed the policy for the other Non-Executive Directors. Although we concluded that the current policy for Directors' remuneration was suitable, we took the opportunity to ensure it remains fit for purpose for future years.

During the year to 30 June 2014, the Committee undertook its regular annual review of the Executive Directors' base salaries, agreed the performance targets for the annual bonus for 2014 and proposed changes to the Performance Share Plan which were agreed by shareholders at the 2013 AGM. The changes to the Performance Share Plan approved by shareholders include granting the Remuneration Committee the power to make awards of shares worth three times a participant's annual salary at the date of award in any financial year, though it is intended that only the Chief Executive will receive the maximum level of award, and the power to set alternative vesting dates for awards other than the third anniversary of the date of award.

2014 remuneration outcomes

The Group continued to perform well during the year to 30 June 2014. The performance condition for Executive Directors' 2014 annual bonuses was achievement of Group profit before tax (before exceptional items) of between £7.7m and £12.2m. The Group achieved profit before tax of £12.2m, which is an increase

of 110% against previous year pre-exceptional results. Accordingly, annual bonus payments for 2014 will be made at 100% of base salary, to be paid in cash.

Vesting of the long term incentive plan awards, which matured in December 2013, was based upon a three year performance condition which ended in 30 June 2013. The performance condition was based on total shareholder return achieving £2.10 by the end of the performance period. The share price was £2.92 on 30 June 2013 and so the performance condition was met in full and 100% of the award will vest to the participants. By December 2013, the third anniversary of the share awards, the Group's market capitalisation had grown by 165%.

2015 remuneration

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

The maximum earnable under the annual bonus scheme will again be 100% of base salary. The performance conditions for the year to 30 June 2015 remain linked to profit targets.

The base salary for the year to 30 June 2015 for both the Chief Executive Officer and the Chief Financial Officer have been increased by 5%, which is comparable to the increases received to other employees with similar levels of performance within the Group.

The Committee would welcome your support for the remuneration resolutions to be tabled at the forthcoming AGM.

Yours sincerely



Ross Ancell
Chairman, Remuneration Committee

26 September 2014

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 2012 and the views of our major shareholders and describes the policy to be applied from 2015 onwards. The policy report will be put to a binding shareholder vote at the Annual General Meeting on 12 December 2014. This policy is intended to apply for the 3 years beginning on the date of approval at the 2014 Annual General Meeting.

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 financial and TSR performance 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 and governance risks);
- to provide a significant proportion of performance linked pay in shares allowing executives to build significant shareholdings in the business, therefore, 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:

Base Salary

Purpose and link to strategy: Set to attract, retain and motivate talented individuals.

Operation	Maximum opportunity	Performance targets
Salaries are normally reviewed annually.	There is no prescribed maximum annual increase, though increases for executive directors will not normally exceed the average salary increases across the Group.	N/A
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.	Current salary levels are set out in the Annual Report on Remuneration.	
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.		

Remuneration Policy Report continued

Benefits

Purpose and link to strategy: To provide market competitive benefits to aid retention.

Operation	Maximum opportunity	Performance targets
The Company provide cash benefits and benefits in kind to Executive Directors. These include but are not limited to: • company car or cash equivalent; • private fuel; • private medical insurance - family cover • life insurance; • permanent health insurance, • annual health check; • holiday and sick pay; • professional subscriptions; • reimbursement of expenses incurred on Group matters. Other benefits may be provided where appropriate.	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.	N/A

Pension

Purpose and link to strategy: To offer market competitive retirement benefits to aid retention.

Operation	Maximum opportunity	Performance targets
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).	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, which will reduce their National Insurance Contributions.	N/A

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	Maximum opportunity	Performance targets
Normally payable in cash, but CEO may elect to have his bonus payable in shares.	Maximum opportunity of 150% of base salary.	At least 100% of the bonus will be based on financial objectives (for example PBT), set relative to the Group's budget.
Performance targets are reviewed annually by the Committee.		No more than 50% of the bonus may be based on non-financial, strategic and/or personal objectives to provide a rounded assessment of Group and management's performance.
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. Clawback provisions apply for overpayments due to material misstatement or error.		The financial targets incorporate an appropriate sliding scale range around a challenging target.

Long-Term Incentive Plan ("LTIP")

Purpose and link to strategy: To focus motivation on the long-term performance of the Group and reward shareholder value creation.

Operation	Maximum opportunity	Performance targets
Awards of performance shares, structured as nil cost options with vesting dependant on the achievement of performance conditions over periods of up to 3 years.	Awards of up to 300% of base salary for the Chief Executive and 200% for other Directors.	The awards are subject to performance conditions based on 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.
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.		
Clawback provisions apply for overpayments due to material misstatement or error.		

HMRC approved all-employee scheme

Purpose and link to strategy: HMRC approved all-employee schemes are to encourage employees to take a stake in the business, which aligns their interest with that of shareholders.

Operation	Maximum opportunity	Performance targets
Executive Directors are eligible to participate in all-employee schemes.	Maximum is subject to HMRC approved limits.	N/A

Remuneration Policy Report continued

Fees for Non-Executive Directors

Purpose and link to strategy: To reflect the time commitment and responsibilities of the role

Operation	Maximum opportunity	Performance targets
Fees are determined by the Board as a whole. They are set at levels with reference to sector, FTSE SmallCap and general Non-Executive Director benchmarking data as appropriate. Fees are paid in cash and are not performance related. Additional fees are paid to the Chairmen of the Audit and Remuneration Committees to reflect the additional responsibilities. There are no benefits or incentive schemes for Non-Executive Directors	As with the Executive Directors, there is no prescribed maximum annual increase. Current fee levels are set out in the Annual Report on Remuneration.	N/A

Selection of performance measures and target setting

In the selection of performance measures the Committee takes into account the Group's strategic objectives and short and long-term business priorities. The performance measures selected rewards 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 and 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;
- As permitted by HMRC and other regulations, in respect of Sharesave and any Share Incentive Plans.

In relation to incentive schemes including annual bonus and LTIP, the Committee may adjust performance measures and/or targets

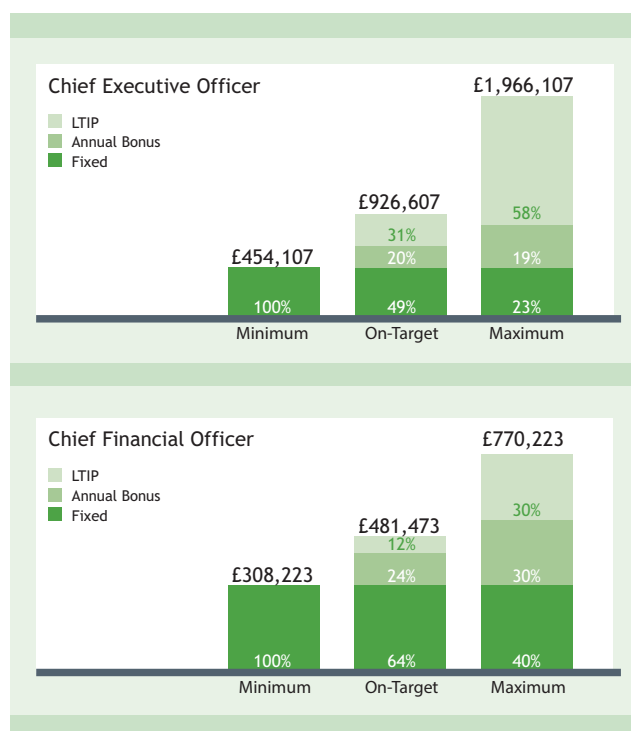
if these have ceased to be appropriate provided that such adjusted measures or targets will not be materially less difficult to satisfy. Any use of the above discretions would, where relevant, be explained in future Directors Remuneration Reports and may, as appropriate, be the subject of consultation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

Legacy arrangements

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

Illustration of application of remuneration policy

The following charts illustrate the future remuneration packages of the CEO and CFO under the policy set for 2014 onwards for three indicative levels of performance - minimum, on-target and maximum:



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

- Fixed elements comprise base salary, pension and other benefits. As an example, for the CEO fixed elements comprise salary of £378,000, pension of £56,700 and benefits of £19,107.
- Base salary levels applying on 1 July 2014.
- Benefit levels are assumed to be the same as the year ended 30 June 2014.
- 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 payout and full vesting under the performance share plan.
- Share price movement has been excluded from the above analysis.

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.

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.

No payments will be made for annual bonus to Executives under notice.

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

Remuneration Policy Report continued

time of cessation (although the committee has discretion to disapply time pro rating if the circumstances warrant it).

The service agreements do not contain specific provisions for enhanced payments in the event of a change of control of the Company.

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

Jolyon Harrison	1 July 2012
Alan Martin	11 December 2008

Chairman and other Non-Executive Directors' terms of engagement

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

Non-Executive Director	Date of original appointment	Expiry of current term
Dermot Gleeson	27/11/1975	30/09/2014
Ross Ancell	01/10/2006	30/09/2014
Colin Dearlove	03/12/2007	02/12/2014
Christopher Mills	01/01/2009	31/12/2014

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

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

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 the light of this feedback.

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 pages 20 and 21, and details of their attendance at the meetings of the Committee during the year ended 30 June 2014 are shown on page 23.

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 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;
- Agreeing the terms of reference of any remuneration consultants it appoints.

Advisors to the Remuneration Committee

The Committee is supported by the Head of Human Resources (Julie Kershaw until May 2014 and then Caroline Lee) and the Company Secretary (Alan Martin).

The Committee appoints consultants to provide specific advice to the Committee. During the year both Towers Watson and BDO were engaged by the Remuneration Committee to provide advice. Towers Watson were appointed by the Committee to provide it with independent advice in relation to the quantum of grants and performance measures of the Performance Share Plan, along with advice on legislative requirements and market practice. Towers Watson fees for this work amounted to £19,435. BDO were engaged by the Committee to provide specific advice regarding the rules of the Performance Share Plan. BDO fees for this work amounted to £7,960.

The Remuneration Committee is satisfied that the advice provided by both firms is objective and independent and that no conflict of interest arises as a result of other services.

Annual Report on Remuneration continued

Implementation of Policy in the year to 30 June 2014

Single total figure of remuneration for each Director

This table and the associated footnotes have been audited by KPMG LLP.

	2014						2013					
	Salary & fees £'000	Benefits £'000	Annual Bonus £'000	Value of LTIP award vesting £'000	Pension £'000	Total £'000	Salary & fees £'000	Benefits £'000	Annual bonus £'000	Value of LTIP award vesting £'000	Pension £'000	Total £'000
Chairman												
Dermot Gleeson	80	-	-	-	-	80	80	-	-	-	-	80
Executive Directors												
Jolyon Harrison	360	19	360	-	54	793	321	20	262	964	48	1,615
Alan Martin	220	19	220	-	55	514	185	19	150	551	46	951
Non-Executive Directors												
Ross Ancell	30	-	-	-	-	30	30	-	-	-	-	30
Colin Dearlove	30	-	-	-	-	30	30	-	-	-	-	30
Christopher Mills	25	-	-	-	-	25	25	-	-	-	-	25
	745	38	580	-	109	1,472	671	39	412	1,515	94	2,731

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

Notes to the single total figure remuneration

Taxable benefits provided to Executive Directors

The main benefits available to the Executive Directors during the year to 30 June 2014 (and their associated values) were car allowance for both of £13,000, car fuel of £5,167 for Jolyon Harrison and £5,066 for Alan Martin and private medical insurance of £940 for Jolyon Harrison and £1,156 for Alan Martin. This package of benefits is unchanged from 2013.

Determination of annual bonus

The annual performance-related bonus for the year to 30 June 2014 was based upon achievement against the financial measure of Profit before Tax, for both continuing and discontinued operations, before accruing for Executive Directors bonuses (the "Profit Measure"), with the following target figures and straight line vesting between the relevant target figures.

Target	Profit measure	Bonus achievable as percentage of salary
Threshold	£7.7m	0%
Target	£12.2m	100%

The Profit Measure achieved for the year to 30 June 2014 was £12.6m, as per the basis of calculation above, and exceeded that of the prior year by 55%. As a result, the annual bonus payments for 2014 will be made, in cash, at 100% of base salary.

Long Term Incentive Plan - performance share plan

The LTIP columns refer to the Company's Performance Share Plan, which delivers free shares to the Executive Directors subject to performance targets being reached.

In the year to 30 June 2014 no shares under the Performance Share Scheme were due to vest.

In the year to 30 June 2013 share awards made to Jolyon Harrison and Alan Martin in December 2010 achieved their performance targets. The target for the shares was that the share price over the three year period of 1 July 2010 to 30 June 2013, would achieve £2.10, on a Total Shareholder Return basis, with the final three months of the performance period being averaged to avoid fluctuations.

2010 PSP awards	Number of shares awarded	Number of shares vesting	Value of shares vesting *
Jolyon Harrison	242,857	242,857	£963,646
Alan Martin	138,888	138,888	£551,102

* The shares vested on 15 July 2014. The Performance Share awards have been valued at 3.968 being the mid-market price on the day the shares vested, plus £0.086 which is the value of the dividend equivalent payable on the awards that vested. The dividend equivalent is based on the dividends to shareholders with record dates occurring between 17 December 2010, being the date of grant and 15 July 2014, being the vesting date.

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 CEO receives pension contributions of 15% of salary (2014: £54,000) and the CFO receives pension contributions of 25% of salary (2014: £55,000).

Loss of office payments or payments to past Directors

No loss of office payments or payments to past Directors were made in the year under review.

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 2014	30 June 2013
Dermot Gleeson	1,053,086	1,053,086
Jolyon Harrison	1,302,386	1,301,760
Alan Martin	11,404	10,817
Ross Ancell	-	-
Colin Dearlove	-	-
Christopher Mills	13,655,000 ¹	13,927,000 ¹

¹ Shares are held in name of North Atlantic Value LLP, of which Christopher Mills is a Member.

There are no share ownership requirements for the Directors.

Annual Report on Remuneration continued

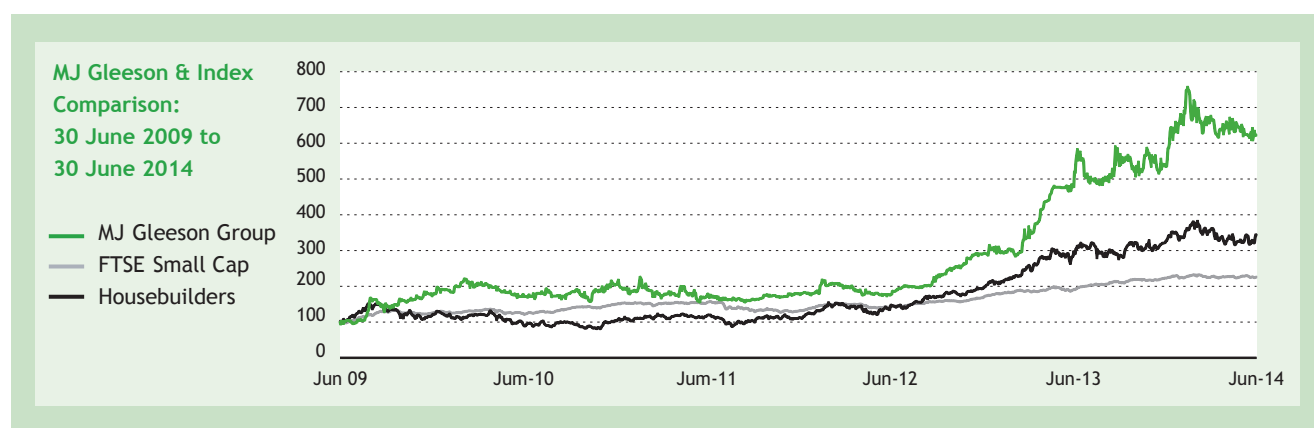
Directors' interest in shares under the Long Term Incentive Scheme

Director	Scheme	30 June 2013	Granted during year	Exercised during year	Lapsed in year	Share price at date of award	Total interests outstanding at 30 June 2013	Shares vested but un-exercised	Date from which share may be exercised
J Harrison	PSP	242,857	-	-	-	£1.26	242,857	-	15/07/2014
	PSP	423,015	-	-	-	£1.52	423,015	-	05/11/2015
		665,872	-	-	-		665,872		
A Martin	PSP	138,888	-	-	-	£1.26	138,888	-	15/07/2014
		138,888	-	-	-		138,888		

- No payment was made in relation to the grant of the performance shares.
- The middle market price on 30 June 2014 was 374 pence and the range during the year to 30 June 2014 was from 293 pence to 455 pence.

Total shareholder return performance

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



Chief Executive Officer's remuneration 2010 to 2014

Year	Chief Executive	Single figure of total remuneration £	Annual bonus paid against maximum opportunity %	LTIP awards vesting against maximum opportunity %
2014	Jolyon Harrison	739,107	100%	- ¹
2013	Jolyon Harrison ²	1,614,646	81%	100%
2012	N/A ³	-	-	-
2011	Chris Holt ⁴	416,608	0%	- ¹
2010	Chris Holt	326,388	40%	0%

1 No LTIP vesting in this year

2 Jolyon Harrison appointed Chief Executive from 1 July 2012

3 No Chief Executive was appointed during this year.

4 This is the 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 from 2013 to 2014, compared to the change in remuneration of the Group's salaried employees. We have selected the salaried workforce as this includes 164 junior to senior employees with the most relevant pay structure.

	Percentage change from 2013 to 2014		
	Annual salary	Bonus	Value of taxable benefits
Chief Executive	12%	37%	-5%
Salaried employees	9%	15%	6%

The annual bonus of the Chief Executive increased significantly more than the average of salaried employees as 100% of entitlement is being paid in 2014, whereas in 2013 achievement against targets resulted in 81% of the bonus entitled being paid.

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.

	2014 £m	2013 £m	Difference in spend £m	Difference as percentage %
Remuneration for all employees	9.96	9.06	0.90	9.9%
Total distributions paid	1.64	0.26	1.38	530%

Annual Report on Remuneration continued

IMPLEMENTATION OF THE POLICY FOR THE YEAR TO 30 JUNE 2015

Executive Directors

Base salaries

After taking into consideration the increases to Group employees' salaries on 1 July 2014 (monthly paid employees generally received a 3.5% base salary increase), general market conditions and increases received by other employees with similar levels of performance, who received increases up to 10.4%, the Committee has awarded salary increases of 5% to the Executive Directors from 1 July 2014.

	Base salary from 1 July 2014 £	For the year to 30 June 2013 £
D Jolyon Harrison	378,000	360,000
Alan Martin	231,000	220,000

Annual bonus

The maximum bonus that can be earned in the year will be 100% of base salary.

In line with the Group's strategy to increase profitability, the Committee has decided that the most appropriate performance condition for the 2015 annual bonus will be based on profit before tax. The targets are based on figures which are commercially sensitive, but which 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

The Committee intends to make awards to the Executive Directors in the year to 30 June 2015, in line with the disclosed policy on page 35. These awards are expected to be at 300% and 100% of salary for Jolyon Harrison and Alan Martin respectively. The performance measures are expected to include an absolute TSR target share price and a fairness test, which would consider the underlying financial performance of the company, including, but not limited to, the profitability of the company and shareholder value creation including the ability of shareholders to access this value creation through the liquidity of the shares.

Pension

There are no changes to pension benefits for 2015; current arrangements are set out on page 41.

Chairman and Non-Executive Directors' fees

The Committee has agreed that the Chairman's fee for 2015 should be increased by £10,000, making his fee from 1 July 2014 £90,000. The Board as a whole determine the fees for the Non-Executive Directors. The Board has agreed that the fees from 1 July 2014 should increase by £5,000 to £30,000 plus an additional fee of £5,000 for extra responsibilities in chairing the Audit and Remuneration Committees.

Statement of Directors' Responsibilities

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the 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 Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

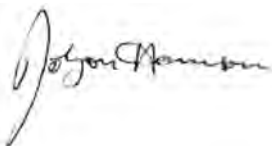
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 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



A Martin
Director

26 September 2014

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF M J GLEESON GROUP 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 M J Gleeson plc for the year ended 30 June 2014 set out on pages 48 to 78. 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 2014 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 risks of material misstatement that had the greatest effect on our audit were as follows:

Carrying amount of Inventories (£100.7m)

Refer to page 26 (Audit Committee Report), page 56 (accounting policy) and page 68 (financial disclosure).

- The risk: The recognition of gross profit on sales of completed buildings and serviced land and the carrying value of work-in-progress are both dependent upon the group's estimation of future selling prices and build costs. Sales prices have inherent uncertainty due to changes in market conditions; adverse movements in sale prices can affect the valuation of WIP. Build costs can vary with market conditions and may also be incorrectly estimated due to errors in build cost modelling and unforeseen events during construction. As work-in-progress is held at the lower of cost and net realisable value, errors in these estimates 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 is higher where there is significant work in progress but low levels of sales. As gross margin is recognised for completed sales in

relation to whole site selling prices and build costs, margin recognition is also at risk of error.

- Our response: In this area our audit procedures included, among others, assessing profit recognition for plot sales against that recorded previously and against future site forecasts and testing that appropriate amounts of work in progress were transferred to the Income Statement on plot sales. We assessed the historical accuracy of forecast costs against actual amounts incurred, analysed plot numbers reserved or contracted versus those held in inventory and assessed the reasonableness of forecast sales prices against those currently being achieved. We also performed procedures to identify higher risk sites based on risk indicators (high inventory values at year-end, low margin sites, and slow selling sites), and assessed the margins achieved in the year and forecast plot sales in the future. We have also considered the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the valuation.

Recognition of a Deferred Tax Asset (c£9.8m)

Refer to page 26 (Audit Committee Report), page 57 (accounting policy) and page 73 (financial disclosure).

- The risk: The risk relating to the recognition of deferred tax assets arises due to the uncertainty over the probability that future taxable profits will be available against which unused tax losses can be utilized; historically there have been low levels of profitability. The utilisation of the losses is dependent upon a number of assumptions made in Management forecasts including future land and house selling prices, and the effects of trends in the housing market in general.
- Our response: In this, area our audit procedures included, among others, a review of the profit and cash flow forecasts for the period over which the deferred tax asset is expected to be realised, performing sensitivity analysis over the key assumptions and matching the forecast profitability to the legal entities in which the losses exist. The inputs into the forecast have been checked to ensure they are appropriate and consistent with our understanding of future activities. We have also considered the adequacy of the Group's disclosures in respect of tax and uncertain tax positions.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the group financial statements as a whole was set at £0.9 million. This has been determined based on a benchmark of profit before tax (of which it represents 7.5%), which we consider to be one of the principal considerations

for members of the company in assessing the financial performance of the group.

We agreed with the Audit Committee to report to it all corrected and uncorrected audit misstatements we identified during our audit with a value in excess of £45,000 in addition to other audit misstatements below that threshold if there is evidence of a systematic error, or if the item is unusual.

Audits were performed for components covering 100% of Group revenue, 100% of Group profit before taxation and 100% of Group total assets. The audits undertaken for the key reporting components of the company were all performed to component materiality levels, which were set individually for each subsidiary and ranged from £0.4m to £0.9m. These audits were all completed by the Group audit team.

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 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 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' Statement, set out on page 27, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 22 to 26 relating to the Company's compliance with the nine provisions of the 2010 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 45, 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/auditscopeukco2013a, 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.



Chris Hearld (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 The Embankment
Neville Street
Leeds LS1 4DW
26 September 2014

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2014

	Note	2013 £000	2013 £000
Continuing operations			
Revenue		81,442	60,656
Cost of sales before reinstatement of inventories and contract provisions		(55,497)	(43,641)
Reinstatement of inventories and contract provisions	4	800	1,028
Cost of sales		(54,697)	(42,613)
Gross profit		26,745	18,043
Administrative expenses		(14,681)	(12,034)
Operating profit		12,064	6,009
Financial income	7	485	417
Financial expenses	7	(389)	(647)
Profit before tax		12,160	5,779
Tax for the period before recognition of additional deferred tax asset on losses brought forward		(2,827)	82
Recognition of additional deferred tax asset on losses brought forward	4	8,326	4,238
Tax	8	5,499	4,320
Profit for the year from continuing operations		17,659	10,099
Discontinued operations			
(Loss)/profit for the year from discontinued operations (net of tax)	3	(231)	1,344
Profit for the year attributable to equity holders of the parent company		17,428	11,443
Other comprehensive income			
Share of joint venture's cashflow hedges		-	118
Total comprehensive income for the year attributable to equity holders of parent company		17,428	11,561
Earnings per share attributable to equity holders of parent company			
Basic	10	32.92 p	21.69 p
Diluted	10	32.36 p	21.46 p
Earnings per share from continuing operations			
Basic	10	33.36 p	19.14 p
Diluted	10	32.79 p	18.94 p

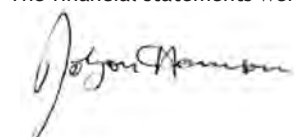
The notes on pages 54 to 78 form part of these financial statements.

Consolidated Statement of Financial Position

at 30 June 2014

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Non-current assets					
Plant and equipment	11	1,268	1,467	18	39
Investment property	12	571	748	-	-
Investments in joint ventures	13	15	15	-	-
Other investments	14	4,896	4,896	4,896	4,896
Investments in subsidiaries	15	-	-	16,707	32,062
Trade and other receivables	17	8,116	7,797	-	-
Deferred tax assets	24	10,513	5,032	354	407
		25,379	19,955	21,975	37,404
Current assets					
Inventories	16	100,717	96,820	-	-
Trade and other receivables	17	12,794	13,401	62,769	66,535
Cash and cash equivalents	26	13,687	9,936	4,842	3,583
		127,198	120,157	67,611	70,118
Total assets		152,577	140,112	89,586	107,522
Non-current liabilities					
Loans and borrowings	20	-	(1,885)	-	-
Provisions	22	(75)	(85)	-	-
		(75)	(1,970)	-	-
Current liabilities					
Loans and borrowings	20	(1,933)	(308)	-	-
Trade and other payables	21	(22,182)	(25,509)	(7,296)	(22,220)
Provisions	22	(214)	(236)	-	-
UK corporation tax		(82)	-	(79)	-
		(24,411)	(26,053)	(7,375)	(22,220)
Total liabilities		(24,486)	(28,023)	(7,375)	(22,220)
Net assets		128,091	112,089	82,211	85,302
Equity					
Share capital	28	1,063	1,058	1,063	1,058
Share premium account		6,436	6,343	6,436	6,343
Capital redemption reserve		120	120	120	120
Retained earnings		120,472	104,568	74,592	77,781
Total equity		128,091	112,089	82,211	85,302

The financial statements were approved by the Board of Directors on 26 September 2014 and were signed on its behalf by:



J Harrison
Director



A Martin
Director

The notes on pages 54 to 78 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2014

GROUP

At 1 July 2012

Total comprehensive income for the period

Profit for the period

Other comprehensive income

Cashflow hedges

Total comprehensive income for the period

Transactions with owners, recorded directly in equity

Contributions and distributions to owners

Share issue

Purchase of own shares

Share-based payments

Dividends

Transactions with owners, recorded directly in equity

At 30 June 2013

Total comprehensive income for the period

Profit for the period

Total comprehensive income for the period

Transactions with owners, recorded directly in equity

Contributions and distributions to owners

Share issue

Purchase of own shares

Share-based payments

Dividends

Transactions with owners, recorded directly in equity

At 30 June 2014

Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
	1,055	6,114	120	93,105	100,394
	-	-	-	11,443	11,443
	-	-	-	118	118
	-	-	-	11,561	11,561
	3	229	-	-	232
	-	-	-	(15)	(15)
	-	-	-	181	181
9	-	-	-	(264)	(264)
	3	229	-	(98)	134
	1,058	6,343	120	104,568	112,089
	-	-	-	17,428	17,428
	-	-	-	17,428	17,428
	5	93	-	-	98
	-	-	-	(28)	(28)
	-	-	-	144	144
9	-	-	-	(1,640)	(1,640)
	5	93	-	(1,524)	(1,426)
	1,063	6,436	120	120,472	128,091

COMPANY**At 1 July 2012****Total comprehensive income for the period**

Profit for the period

Total comprehensive income for the period**Transactions with owners, recorded directly in equity****Contributions and distributions to owners**

Share issue

Own shares disposed

Share-based payments

Dividends

Transactions with owners, recorded directly in equity**At 30 June 2013****Total comprehensive income for the period**

Loss for the period

Total comprehensive income for the period**Transactions with owners, recorded directly in equity****Contributions and distributions to owners**

Share issue

Purchase of own shares

Share-based payments

Dividends

Transactions with owners, recorded directly in equity**At 30 June 2014**

Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
	1,055	6,114	120	73,396	80,685
	-	-	-	4,352	4,352
	-	-	-	4,352	4,352
	3	229	-	-	232
	-	-	-	116	116
	-	-	-	181	181
9	-	-	-	(264)	(264)
	3	229	-	33	265
	1,058	6,343	120	77,781	85,302
	-	-	-	(1,662)	(1,662)
	-	-	-	(1,662)	(1,662)
	5	93	-	-	98
	-	-	-	(31)	(31)
	-	-	-	144	144
9	-	-	-	(1,640)	(1,640)
	5	93	-	(1,527)	(1,429)
	1,063	6,436	120	74,592	82,211

Consolidated Statement of Cashflow

for the year ended 30 June 2014

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Operating activities					
Profit before tax from continuing operations		12,160	5,779	(1,609)	4,359
(Loss)/profit before tax from discontinued operations	3	(131)	1,354	-	-
		12,029	7,133	(1,609)	4,359
Depreciation of plant and equipment	11	828	597	28	27
Impairment of investments in subsidiaries		-	-	153	138
Reinstatement of investments in subsidiaries		-	-	-	(1,000)
Share-based payments		144	181	144	181
Profit on sale of investment property		(313)	-	-	-
Profit on sale of assets held for sale		(21)	(1,372)	-	-
Share of loss of joint ventures (net of tax)	13	-	107	-	-
Capitalisation of available for sale assets		(426)	(2,443)	-	-
Financial income		(485)	(570)	(1,021)	(1,081)
Financial expenses		389	647	287	133
Dividends received		-	(117)	(77)	(4,117)
Operating cash flows before movements in working capital		12,145	4,163	(2,095)	(1,360)
Increase in inventories		(3,897)	(20,325)	-	-
Decrease/(increase) in receivables		995	(2,075)	132	8
(Decrease)/increase in payables		(3,484)	9,490	191	(319)
Decrease/(increase) in amounts due from subsidiary undertakings		-	-	3,945	(7,979)
Cash generated/(utilised) in operating activities		5,759	(8,747)	2,173	(9,650)
Tax received		-	19	-	6
Interest paid		(477)	(133)	(432)	(133)
Net cash flows from operating activities		5,282	(8,861)	1,741	(9,777)

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Investing activities					
Proceeds from disposal of assets held for sale		-	3,314	-	-
Proceeds from disposal of available for sale assets		244	157	-	-
Proceeds from disposal of investment property		490	-	-	-
Interest received		194	345	1,021	1,169
Dividends received		-	117	77	4,117
Purchase of plant and equipment	11	(629)	(1,144)	(7)	(21)
Investments in subsidiaries		-	-	-	(1,000)
Net cash flows from investing activities		299	2,789	1,091	4,265
Financing activities					
Increase in loans and borrowings		-	2,193	-	-
Repayment of borrowings		(260)	-	-	-
Proceeds from issue of shares		98	232	98	232
Purchase of own shares		(28)	(15)	(31)	-
Own shares disposed		-	-	-	116
Dividends paid	9	(1,640)	(264)	(1,640)	(264)
Net cash flows from financing activities		(1,830)	2,146	(1,573)	84
Net increase/(decrease) in cash and cash equivalents		3,751	(3,926)	1,259	(5,428)
Cash and cash equivalents at beginning of year		9,936	13,862	3,583	9,011
Cash and cash equivalents at end of year	26	13,687	9,936	4,842	3,583

Notes to the Financial Statements

for the year ended 30 June 2014

1. ACCOUNTING POLICIES

MJ Gleeson Group plc ("the Company") is a company incorporated in the United Kingdom.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in joint ventures.

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 EU ("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.

Judgements made by management in the application of IFRSs, that have significant effect on the financial statements and estimates, include the carrying value of land held for development, work-in-progress, investment in subsidiaries, loans to joint ventures, amounts recoverable on contracts and trade receivables.

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 accounts. The loss of the parent company for the financial year amounted to £1,662,000 (2013: profit £4,342,000).

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

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.

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.
- Revenue from rental income from investment properties is recognised as the Group becomes entitled to the income.
- Revenue from construction services activities represents the value of work carried out during the year, including amounts not invoiced.

Revenue and margin on construction contracts are recognised by reference to the stage of completion of the contract at the accounts date. The stage of completion is determined by valuing the cost of the work completed at the accounts date and comparing this to the total forecasted cost of the contract. Full provision is made for all forecasted losses. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and that they are capable of being reliably measured.

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. All operating segments' operating results are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. 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 largely 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.

The Group's freehold investment properties are carried at Directors' valuation. The following assumptions have been used to determine the fair value:

- i) a review of the current prices of similar properties in the same location and condition;
- ii) a review of the current and future rental income for current and future leases and the cash outflows that are expected in respect of these properties; and
- iii) a review of submitted offers where the properties were being marketed for sale.

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 Balance Sheet. Revaluation gains and losses which arise on investment properties 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. Gains and losses arising from changes in fair value with respect to impairment losses, cashflows and interest are recognised in profit in the year. 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.

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.

The Group conducted a review of inventory and, following cost savings and improvements in sales values, impairments which had been made in a prior year were reversed to the extent that they were no longer required. The review was conducted on a site by site basis, using valuations that incorporated selling price, based on local management and the Board's assessment of market conditions existing at the balance sheet date.

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.

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. The management has assessed that it is now probable that all tax losses within the Gleeson Homes and Gleeson Strategic Land divisions will be utilised in full in future years and these have been fully recognised at 30 June 2014. The judgement to recognise the deferred tax asset is dependent upon taxable profits arising in the same company as the losses originally arose and the Group's expectations regarding future profitability including site revenue and cost forecasts for future years which contain a degree of inherent uncertainty.

Adoption of new and revised standards

For the year ended 30 June 2014, the Group has adopted the following standards:

IFRS 10 'Consolidated Financial Statements' which clarifies consolidation principles.

IFRS 11 'Joint Arrangements' which clarifies the accounting requirements for joint arrangements.

IFRS 12 'Disclosure of Interests in Other Entities' (issued October 2012) which clarifies disclosure requirements.

IFRS 13 'Fair Value Measurement' which defines fair value and requires disclosure about fair value measurement.

IAS 28 'Investments in Associates and Joint Ventures' which specifies the accounting treatment of investments.

IAS 32 'Financial Instruments: Presentation' which clarifies the treatment of the tax effect of a distribution to holders of equity instruments

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 2014:

Standard	Effective for periods beginning on or after
IFRS 14 'Regulatory Deferral Accounts' (issued 30 January 2014)*	1 January 2016
IFRS 15 'Revenue from Contracts with Customers' (issued 28 May 2014)*	1 January 2017
IAS 38 'Intangible Assets' (issued May 2014)*	1 January 2016
IAS 39 'Financial Instruments: Recognition and Measurement' (issued June 2013)	1 January 2014

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

* not yet endorsed 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	2014 £000	2013 £000
Revenue			
Continuing activities:			
Gleeson Homes		70,646	47,940
Gleeson Strategic Land		10,796	12,716
		81,442	60,656
Discontinued activities	3	100	1,146
Total revenue		81,542	61,802
Profit on activities			
Gleeson Homes		9,408	4,007
Gleeson Strategic Land		4,844	3,450
		14,252	7,457
Group Activities		(2,188)	(1,448)
Financial income		485	417
Financial expenses		(389)	(647)
Profit before tax		12,160	5,779
Tax		5,499	4,320
Profit for the year from continuing operations		17,659	10,099
(Loss)/profit for the year from discontinued operations (net of tax)	3	(231)	1,344
Profit for the year attributable to equity holders of the parent company		17,428	11,443

All rental income from investment properties, totalling £32,000 (2013: £4,000), is reported within the Gleeson Homes segment. 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:

	2014 Assets £000	2014 Liabilities £000	2014 Net assets £000	2013 Assets £000	2013 Liabilities £000	2013 Net assets £000
Gleeson Homes	99,614	(16,436)	83,178	92,190	(18,314)	73,876
Gleeson Strategic Land	33,336	(4,022)	29,314	31,471	(5,442)	26,029
Group Activities / Discontinued Operations	5,940	(4,028)	1,912	6,515	(4,267)	2,248
Net cash	13,687	-	13,687	9,936	-	9,936
	152,577	(24,486)	128,091	140,112	(28,023)	112,089

Other information:

	2014 Capital additions £000	2014 Depre- ciation £000	2013 Capital additions £000	2013 Depre- ciation £000
Continuing operations:				
Gleeson Homes	622	794	1,122	565
Gleeson Strategic Land	-	6	1	5
Group Activities	7	28	21	27
	629	828	1,144	597

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

Notes to the Financial Statements continued

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.

In the prior year, the Group disposed of the remaining joint venture investment in the Gleeson Capital Solutions division. There is no further business within the division and is treated as discontinued.

The Group has closed its Gleeson Commercial Property Development division and it is treated as discontinued.

		Gleeson Capital Solutions 2014 £000	Gleeson Commercial Property Develop- ments 2014 £000	Gleeson Construc- tion Services 2014 £000	Total 2014 £000	Gleeson Capital Solutions 2013 £000	Gleeson Commercial Property Develop- ments 2013 £000	Gleeson Construc- tion Services 2013 £000	Total 2013 £000
	Note								
Revenue		-	-	100	100	-	2	1,144	1,146
Cost of sales		-	-	(46)	(46)	-	-	(1,106)	(1,106)
Gross profit		-	-	54	54	-	2	38	40
Administrative expenses		-	-	(185)	(185)	52	-	(156)	(104)
Profit on sale of assets held for sale		-	-	-	-	1,372	-	-	1,372
Share of profit of joint ventures (net of tax)		-	-	-	-	(107)	-	-	(107)
Operating (loss)/profit		-	-	(131)	(131)	1,317	2	(118)	1,201
Financial income	7	-	-	-	-	153	-	-	153
(Loss)/profit before tax		-	-	(131)	(131)	1,470	2	(118)	1,354
Tax		(77)	-	(23)	(100)	-	5	(15)	(10)
(Loss)/profit for the year from discontinued operations		(77)	-	(154)	(231)	1,470	7	(133)	1,344

Loss/earnings per share: impact of discontinued operations

	Note	2014 p	2013 p
Basic	10	(0.44)	2.55

The cashflow statement includes the following relating to operating (loss)/profit on discontinued operations:

	2014 £000	2013 £000
Operating activities	(83)	(30)
Investing activities	-	3,642
	(83)	3,612

4. EXCEPTIONAL ITEMS

Impairment of inventories and contract provisions

At 30 June 2014, the Group conducted a review of the net realisable value of the land and work-in-progress carrying values of its sites in the light of the condition of the UK housing market. Where the estimated net present realisable value is greater than the carrying value within the Balance Sheet, the Group has partially reversed the impairment previously made.

Deferred tax on tax losses

During the year, the Group recognised £8,326,000 (2013: £4,238,000) of previously unrecognised deferred tax asset in relation to tax losses available to offset against future profits.

Exceptional income may be summarised as follows:

	2014 £000	2013 £000
Re-instatement of inventories and contract provisions	800	1,028
Tax	8,326	4,238
	9,126	5,266

In the year ended 30 June 2014, £800,000 (2013: £1,028,000) of exceptional income was reported in the Gleeson Homes division and £8,326,000 (2013: £4,238,000) as tax.

5. EXPENSES AND AUDITOR'S REMUNERATION

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

	Note	2014 £000	2013 £000
Staff costs	6	9,961	9,056
Depreciation of plant and equipment (continuing operations)		828	597
Profit on sale of investment properties		(334)	-
Rental income from investment properties		-	(4)
Auditor's remuneration for:			
• Audit of these financial statements		10	10
• Audit of financial statements of subsidiaries pursuant to legislation		60	55
• Taxation services		44	35
• Other services relating to taxation		46	-
• Other services		39	38

Notes to the Financial Statements continued

6. STAFF COSTS

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Wages and salaries		8,302	7,572	792	788
Redundancy		14	19	-	7
Share-based payments		147	181	18	34
Social security costs		1,047	817	169	86
Other pension costs	23	451	467	69	61
		9,961	9,056	1,048	976

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

	Group 2014 No.	Group 2013 No.
Gleeson Homes	197	182
Gleeson Strategic Land	10	9
Group Activities	10	10
	217	201

The average number of people employed by the Company (including Directors) during the year was 10 (2013: 10).

Directors' remuneration

Full details of the Directors' remuneration is provided in the audited part of the Directors' Remuneration Report on pages 39 to 44.

7. FINANCIAL INCOME AND EXPENSES

	Continuing operations		Discontinued operations		Total	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Group						
Financial income						
Interest on bank deposits	7	45	-	-	7	45
Interest on joint venture loans	-	-	-	153	-	153
Other interest	17	-	-	-	17	-
Unwinding of discount on deferred receipts	461	372	-	-	461	372
	485	417	-	153	485	570
Financial expenses						
Interest on bank overdrafts and loans	(48)	(3)	-	-	(48)	(3)
Bank charges	(240)	(130)	-	-	(240)	(130)
Interest and unwinding of discount on deferred payments	(101)	(514)	-	-	(101)	(514)
	(389)	(647)	-	-	(389)	(647)
Net financial income/(expense)	96	(230)	-	153	96	(77)

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

8. TAX

Group	Note	Continuing operations		Discontinued operations		Total	
		2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Current tax:							
Adjustment in respect of prior years		(6)	(12)	88	88	82	(4)
		(6)	(12)	88	88	82	(4)
Deferred tax:							
Current year (credit)/expense	24	(5,876)	(4,336)	6	-	(5,870)	(4,336)
Impact of rate change	24	383	28	6	2	389	30
Corporation tax (credit)/expense for the year		(5,493)	(4,308)	12	2	(5,481)	(4,306)
Total tax		(5,499)	(4,320)	100	10	(5,399)	(4,310)

Reductions in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) and to 21% (effective 1 April 2014) were substantively enacted on 3 July 2012 and 2 July 2013 respectively. A further reduction to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. The weighted average rate of corporation tax was 22.50% (2013: 23.75%) of the estimated assessable profit for the year.

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

	Note	2014 £000	2014 %	2013 £000	2013 %
Profit before tax on continuing operations		12,160		5,779	
Profit before tax from discontinued operations	3	(131)		1,354	
Profit before tax		12,029		7,133	
Tax charge at standard rate		2,707	22.5	1,694	23.8
Tax effect of:					
Non-taxable income		-	-	(326)	(4.6)
Expenses that are not deductible in determining taxable profits		287	2.4	119	1.7
Tax reliefs not recognised in the Statement of Comprehensive Income		(538)	(4.5)	-	-
Utilisation of tax losses not previously recognised		-	-	(1,605)	(22.5)
Recognition of tax losses not previously recognised		(8,326)	(69.2)	(4,235)	(59.4)
Changes in tax rates		389	3.2	30	0.4
Adjustments in respect of prior years		82	0.7	13	0.2
Tax credit and effective tax rate for the year		(5,399)	(44.9)	(4,310)	(60.4)

9. DIVIDENDS

Amounts recognised as distributions to equity holders in the year:

Interim dividend for the year ended 30 June 2014 of 1.1p (2013: 0.5 p) per share

Final dividend for the year ended 30 June 2013 of 2.0p per share

2014 £000	2013 £000
582	264
1,058	-
1,640	264

The proposed final dividend for the year ended 30 June 2014 of 4.9p per share (2013: 2.0p per share) makes a total dividend for the year of 6.0p per share (2013: 2.5p per share).

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these Financial Statements. The total estimated dividend to be paid is £2,631,000.

Notes to the Financial Statements continued

10. EARNINGS PER SHARE

From continuing and discontinued operations

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

Earnings

Earnings for the purposes of basic earnings per share, being net profit attributable to equity holders of the parent company

Profit from continuing operations

(Loss)/profit from discontinued operations

Profit for the purposes of basic and diluted earnings per share

2014 £000	2013 £000
17,659	10,09L
(231)	1,344
17,428	11,443

Number of shares

Weighted average number of ordinary shares for the purposes of basic earnings per share

Effect of dilutive potential ordinary shares:

Share options

Weighted average number of ordinary shares for the purposes of diluted earnings per share

2014 No. 000	2013 No. 000
52,941	52,758
915	564
53,856	53,322

From continuing operations

Basic

Diluted

2014 p	2013 p
33.36	19.14
32.79	18.94

From discontinued operations

Basic

Diluted

2014 p	2013 p
(0.44)	2.55
(0.44)	2.52

From continuing and discontinued operations

Basic

Diluted

2014 p	2013 p
32.92	21.69
32.36	21.46

Normalised Earnings per share

from continuing and discontinued operations

Profit for the purposes of basic and diluted earnings per share

Excluding the impact of recognising unrecognised tax losses

Normalised earnings

2014 £000	2013 £000
17,428	11,443
(8,326)	(5,840)
9,102	5,603

Basic

Diluted

2014 p	2013 p
17.19	10.62
16.90	10.51

11. PLANT AND EQUIPMENT

	Group Plant and machinery £000	Company Plant and Machinery £000
Cost or valuation		
At 1 July 2012	2,532	729
Additions	1,144	21
Disposals	(6)	(6)
At 30 June 2013	3,670	744
Additions	629	7
Disposals	(29)	-
At 30 June 2014	4,270	751
Accumulated depreciation		
At 1 July 2012	1,610	682
Charge for the year	597	27
Disposals	(4)	(4)
At 30 June 2013	2,203	705
Charge for the year	828	28
Disposals	(29)	-
At 30 June 2014	3,002	733
Net book value		
At 30 June 2014	1,268	18
At 30 June 2013	1,467	39
At 1 July 2012	922	47

The Group has recorded a depreciation expense of £828,000 (2013: £597,000), of which £183,000 (2013: £204,000) has been charged in cost of sales and £645,000 (2013: £393,000) in administrative expenses.

The Company has recorded a depreciation expense of £28,000 (2013: £27,000), all of which has been charged in administrative expenses.

12. INVESTMENT PROPERTY

Group	Freehold investment property £000
Cost or valuation	
At 1 July 2012	748
At 30 June 2013	748
Disposals	(177)
At 30 June 2014	571

Investment properties are included at Directors' valuation.

Notes to the Financial Statements continued

13. INTEREST IN JOINT VENTURES

Share of results and investment in joint ventures

	2014 £000	2013 £000
At 1 July	15	15
Share of loss in joint ventures (net of tax) for the year	-	(107)
Cashflow hedges	-	107
At 30 June	15	15

Share of profit in joint ventures is included within the Gleeson Capital Solutions division.

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

	2014 £000	2013 £000
Current assets	15	15
At 30 June	15	15
Revenue	-	402
Expenses	-	(509)
Loss before tax	-	(107)
Tax	-	-
Loss for the year	-	(107)

There are no significant contingent liabilities in the joint ventures.

Joint ventures

Joint venture	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 the Group's, management accounts are used to incorporate the joint venture's share of results in line with the Group's year end.

14. OTHER INVESTMENTS

Group and Company other investments

	Other investments		Total	
	2014 £000	2013 £000	2014 £000	2013 £000
At 1 July	4,896	4,896	4,896	4,896
At 30 June	4,896	4,896	4,896	4,896

The other investments represent equity in GB Group Holdings Limited, details of which are provided below.

The Directors consider that the carrying amount of other investments approximates to their fair value.

GB Building Solutions Limited and GB Group Holdings Limited ("GBGH")

The Group has £4,896,000 invested in voting and non-voting ordinary shares that in total provide voting rights over 20% of the equity with the remainder of the voting rights owned equally by the three executive directors. The operating and financial policies of GBGH are set by the three executive directors. Dermot Gleeson sits on the Board of GBGH, in an oversight role as non-Executive Director, to monitor the performance of GBGH in the light of the Group's investment in it. The shareholding structure and the fact that all significant operational decisions are taken by the executive directors means that the Group, and Dermot Gleeson, are not able to exert any significant influence. The Group can prevent GBGH from departing from the original business plan, which was to engage in contracting in the construction sector. There are no transactions of significance between the parties. The asset is treated as an investment because the Group has no significant control or influence over the company.

Following a review of the investment, no indicators of impairment have been identified.

15. INVESTMENTS IN SUBSIDIARIES

	Subsidiary under- takings £000
Cost	
At 1 July 2012	30,200
Subscription to shares	1,000
Impairment in investments	(138)
Impairment reversal	1,000
At 30 June 2013	32,062
Repayment of investment	(15,202)
Impairment in investments	(153)
At 30 June 2014	16,707

The repayments in the year and the prior year reflect the reduction in the share capital of a number of subsidiary companies within the Group.

Investments in subsidiary undertakings are included in the balance sheet at cost less any provision for diminution in value. At 30 June 2014 and 30 June 2013, the company impaired its investment in Gleeson Construction Services where the net assets were below the cost of the investment.

Principal subsidiary undertakings

The following are the principal subsidiary undertakings of M J Gleeson Group plc. M J Gleeson Group plc owns 100% of the ordinary share capital of the subsidiaries, all of which are incorporated in England.

Registered in England and Wales and operate in the United Kingdom

Subsidiary	Principal activity
Gleeson Construction Services Limited	Construction services
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

A full list of the subsidiary companies within the Group will be filed at Companies House with the Company's Annual Return.

¹ Shares held by Gleeson Developments Limited

Notes to the Financial Statements continued

16. INVENTORIES

	2014 £000	2013 £000
Work-in-progress	100,717	96,820
	100,717	96,820

17. TRADE AND OTHER RECEIVABLES

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Current assets					
Trade receivables		11,971	8,746	70	92
Amounts due from construction contract customers	18	15	677	-	-
VAT recoverable		61	320	-	-
Prepayments and accrued income		747	3,658	318	136
Amount due from subsidiary undertakings		-	-	62,381	66,307
		12,794	13,401	62,769	66,535
Non-current assets					
Available for sale financial assets		8,116	7,797	-	-
		20,910	21,198	62,769	66,535

The Directors consider that the carrying amount of trade and other receivables approximates to 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. These are recorded at fair value, being the amount receivable by the Group discounted to present day values. The difference between the nominal 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.

See note 19 for reference to credit risk associated with trade receivables.

The Company recharges subsidiaries for all staff-related costs, insurance and interest on intercompany loans. The total costs recharged for the year totalled £5,868,000 (2013: £5,511,000).

The Company charges interest at Bank of England base rate plus 1% on £66,493,000 (2013: £73,447,000) of the unimpaired intercompany loan adjusted for bank balances held within the company. At 30 June 2014, the adjusted figure was £59,883,000 (2013: £67,663,000).

18. CONSTRUCTION CONTRACTS

	Note	Group 2014 £000	Group 2013 £000
Contracts in progress at the balance sheet date:			
Amounts due from contract customers included in trade and other receivables	17	15	677
		15	677
Contract costs incurred plus recognised profits less recognised losses to date		43,338	89,501
Less: progress billings		(43,323)	(88,824)
		15	677

Amounts due to contract customers included in trade and other payables represent the balance of advances received on construction contracts at the year end. At 30 June 2014, retentions held by customers for contract work amounted to £142,000 (2013: £663,000).

19. FINANCIAL INSTRUMENTS

Risk exposure

M J Gleeson Group 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 2014, the Group's most significant credit risk, a local authority, accounted for £3,057,000 (2013: £2,836,000, a deferred receipt from a property investor) of the trade and other receivables carrying amount. The Group's turnover with this customer in the year is £nil (2013: £nil). 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 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Not past due	11,248	7,659	-	-
Past due 0-30 days	16	487	-	-
Past due 31-120 days	68	44	-	-
Past due 121-365 days	78	9	-	-
Past due more than one year	561	547	70	92
	11,971	8,746	70	92

All trade receivables are from UK customers.

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

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 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Balance at 1 July	74	91	74	91
Impairment loss recognised	-	(17)	-	(17)
Balance at 30 June	74	74	74	74

Market risk

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

Notes to the Financial Statements continued

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 £136,000 (2013: £99,000) 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 entered into a £20,000,000 three year credit facility with Lloyds Bank plc on 5 December 2013 and has moved all banking to Lloyds Bank plc. On securing this facility, the Group withdrew from its £5,000,000 facility with The Co-operative Bank Plc.

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 and the periods in which they reprice:

	2014 Effective interest rate %	2014 Due within one year £000	2013 Effective interest rate %	2013 Due within one year £000
Bank balances	0.00	9,686	0.00	6,436
Short term deposits	0.20	4,001	0.38	3,500
Net cash		<u>13,687</u>		<u>9,936</u>

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

Non-derivative financial liabilities

	Carrying amount £000	Contractual cash flows £000	6 mths or less £000	6-12 mths £000	1-2yrs £000	2-5yrs £000	More than 5yrs £000
As at 30 June 2014							
Trade and other payables ¹	21,743	(21,837)	(14,223)	(3,099)	(4,178)	(337)	-
	<u>21,743</u>	<u>(21,837)</u>	<u>(14,223)</u>	<u>(3,099)</u>	<u>(4,178)</u>	<u>(337)</u>	<u>-</u>
As at 30 June 2013							
Trade and other payables ¹	24,784	(24,803)	(12,599)	(2,622)	(8,597)	(985)	-
	<u>24,784</u>	<u>(24,803)</u>	<u>(12,599)</u>	<u>(2,622)</u>	<u>(8,597)</u>	<u>(985)</u>	<u>-</u>

¹ Includes loans and borrowings; excludes amounts due to construction contract customers.

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

Exposure to currency risk

The Group has no exposure to foreign currency risk.

Fair values

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

Available for sale financial assets 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. Gains and losses arising from changes in fair value with respect to impairment losses, cashflows and interest are recognised in profit in the year. 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.

The table below analyses financial instruments measured at fair value, into a fair value hierarchy based on the valuation technique used to determine fair value.

Level 3: inputs for assets or liabilities that are not based on observable market data.

		2014 Level 3 £000	2014 Total £000	2013 Level 3 £000	2013 Total £000
Available for sale financial assets	17	8,116	8,116	7,797	7,797
		8,116	8,116	7,797	7,797

Interest bearing loans and borrowings

Fair value is based on discounted expected future principal and interest cash flows.

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 28 to the Financial Statements provides details regarding the Company's share capital movements in the period. 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, 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. LOANS AND BORROWINGS

The Group has secured borrowings under the Government's Get Britain Building scheme. Under this scheme, finance has been provided for 50% of the construction costs of the properties. The loan is repayable in full by February 2015 and no further drawings are available under the facility. At 30 June 2014, the amount drawn under the facility was £1,933,000 (2013: £2,193,000) with the balance split between current and non-current liabilities based on expected repayment date.

Get Britain Building loan

Non-current liabilities

Current liabilities

Group 2014 £000	Group 2013 £000
-	1,885
1,933	308
1,933	2,193

The Directors consider that the carrying amount of loans and borrowings approximates their fair value.

The Company does not have any loans and borrowings.

Notes to the Financial Statements continued

21. TRADE AND OTHER PAYABLES

Current liabilities

Trade payables
Other taxation and social security
VAT payable
Accruals and deferred income
Amount due to subsidiary undertakings

Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
18,115	21,273	135	215
461	377	244	225
107	107	107	107
3,499	3,752	686	366
-	-	6,124	21,307
22,182	25,509	7,296	22,220

The Directors consider that the carrying amount of trade payables approximates their fair value. There is no interest charge to the Company for amounts due to subsidiaries.

22. PROVISIONS

At 1 July 2013
Provisions used during the year
Provisions released during the year

At 30 June 2014

Non-current
Current

Group	
Onerous leases £000	Total £000
321	321
(19)	(19)
(13)	(13)
289	289
75	75
214	214
289	289

Restructuring

The restructuring costs are to cover the cost of the redundancies where existing employees could not be retained within the Group.

Onerous leases

Onerous leases relate to sublet and vacant 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 lease commitments range from 1 to 3 years. Market conditions have a significant impact on the assumptions for future cash flows.

At 30 June 2014, the Company did not have any provisions (2013:£Nil).

23. 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 £451,000 (2013: £371,000) represents contributions payable to the defined contribution pension plan by the Group at rates specified in the plan rules. At 30 June 2014, contributions of £53,000 (2013: £47,000) 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 £69,000 (2013: £81,000) represents contributions payable to the defined contribution pension plan by the Company at rates specified in the plan rules.

24. 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 2012	653	-	72	725
Credit to income	99	4,238	-	4,337
Impact of rate change	(27)	-	(3)	(30)
At 30 June 2013	725	4,238	69	5,032
(Charge)/credit to income	(111)	5,991	(10)	5,870
Impact of rate change	(97)	(283)	(9)	(389)
At 30 June 2014	517	9,946	50	10,513

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

	Group 2014 £000	Group 2013 £000
Deferred tax assets	10,513	5,032
Deferred tax liabilities	-	-
	10,513	5,032

Reductions in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) and to 21% (effective 1 April 2014) were substantively enacted on 3 July 2012 and 2 July 2013 respectively. A further reduction to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. The deferred tax asset is recognised at the year end substantively enacted rates of 20% and 21% based on anticipated date of usage (2013: 23%).

In the year, the Group has recognised £5,991,000 (2013: £4,238,000) of previously unrecognised deferred tax asset in relation to tax losses available to offset against future profits. These losses are recognised to the extent that it is probable that future taxable profits will be available against which they can be used and the prevailing tax rate at that time. In the prior year, the deferred tax asset was only partially recognised in respect of these losses due to the uncertain conditions in the housing market at that time.

At the balance sheet date, the Group has gross tax losses of £57,612,000 (2013: £67,935,000) of which £49,159,000 (2013: £19,858,000) have been recognised as deferred tax asset. The Group has unrecognised tax losses of £8,456,000 (2013: £48,077,000) available for offset against future profits. Losses may be carried forward indefinitely against future taxable profits.

Company

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

	Plant and machinery £000	Short-term timing differences £000	Total £000
At 1 July 2012	420	-	420
Credit to income	5	-	5
Impact of rate change	(18)	-	(18)
At 30 June 2013	407	-	407
(Charge)/credit to income	(7)	7	-
Impact of rate change	(52)	(1)	(53)
At 30 June 2014	348	6	354

At the balance sheet date, the Company had unused tax losses of £5,772,000 (2013: £7,347,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses. Losses may be carried forward indefinitely.

Notes to the Financial Statements continued

25. OPERATING LEASE ARRANGEMENTS

Operating leases: lessee

Minimum lease payments under non-cancellable operating leases recognised as an expense for the year

Minimum lease payments

Group 2014 £000	Group 2013 £000
389	421
389	421

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

Within one year
Within two to five years
After five years

Group 2014 Land and buildings £000	Group 2013 Land and buildings £000
389	395
726	1,058
182	211
1,297	1,664

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

Plant and equipment leases are entered into for a three year term. Land and building lease terms vary between one to ten years, depending on market conditions.

In the current year, onerous lease provisions of £19,000 were released (2013: £156,000). See note 22 for details.

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. The Group's investment properties are also leased to a number of tenants for varying terms.

Operating leases: lessor

The Group's total future minimum sub-lease receipts expected under non-cancellable sub-leases as at 30 June 2014 is £576,000 (2013: £770,000). These receipts are included within the minimum rent receivables table below.

The Company has £nil (2013: £nil) future minimum sub-lease receipts.

Minimum rental income under operating leases recognised as revenue for the year

Group 2014 £000	Group 2013 £000
196	64

Included in the figures above is £164,000 (2013: £60,000) which relates to properties which the Group had previously occupied as operating lease lessees and have now sublet. The balance of £32,000 (2013: £4,000) relates to investment properties.

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

Within one year
Within two to five years
After five years

Group 2014 Land and buildings £000	Group 2013 Land and buildings £000
192	195
384	575
-	-
576	770

26. ANALYSIS OF CASH AND CASH EQUIVALENTS

	Group £000	Company £000
At 1 July 2012	13,862	9,011
Cashflow	(3,926)	(5,428)
At 30 June 2013	9,936	3,583
Cashflow	3,751	1,259
At 30 June 2014	13,687	4,842

27. BONDS AND SURETIES

Group and Company

As at 30 June 2014, the Group had bonds and sureties of £6,825,000 (2013: £6,798,000) 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.

28. SHARE CAPITAL

	2014 No. 000	2014 £000	2013 No. 000	2013 £000
Issued and fully paid Ordinary shares:				
At the beginning of the year	52,876	1,058	52,730	1,055
Shares issued	278	5	146	3
At the end of the year	53,154	1,063	52,876	1,058

Ordinary shares

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

The number of Ordinary shares of 2p in issue as at 30 June 2014 was 53,154,084 (2013: 52,876,487).

At 30 June 2014, the Employee Benefit Trusts ("EBT") held 92,000 (2013: 118,000) shares at a cost of £344,000 (2013: £345,000). 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 (2013: Nil).

Details of share options are given in note 29.

Notes to the Financial Statements continued

29. SHARE-BASED PAYMENTS

During the year to 30 June 2014, the Group had two 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.

A summary of the share-based payment arrangements are shown below:

Share options granted after 7 November 2002

Arrangement	Contractual life	Vesting condition	Settlement basis
Share purchase plan	10 years	From 1st March 2009 the Group matches shares purchased by employees on a 1 for 3 basis. Prior to this date the Group matched shares purchased by employees on a 4 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) Grant date 17/12/2010	3 years	For executive directors and senior executives. The award vested in part in the year ending 30 June 2014 with the balance vesting post year end. Post year end the scheme vested in full.	Equity
Performance share plan (PSP) Grant date 5/11/2012	3 years	For the Chief Executive Officer 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 condition is based on the total shareholder return on the three financial years from 1 July 2012 to 30 June 2015. None of these shares are currently exercisable.	Equity

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: The input for expected dividends has been set at 0% as the award vests according to the increase in share price after adding back any dividends paid.

Date of grant

The model inputs were:

Share price at grant date

Total shareholders return target

Expected volatility

Expected dividends

Expected life

Risk-free interest rate

Fair value of one option

	PSP 17/12/10	PSP 5/11/12
Share price at grant date	£1.26	£1.52
Total shareholders return target	£2.10	£3.50
Expected volatility	45%	36%
Expected dividends	1.56%	1.50%
Expected life	3 years	3 years
Risk-free interest rate	1.69%	0.27%
Fair value of one option	£0.50	£0.23

Expected volatility was determined by calculating the historical volatility of the Company's share price. For the 17/12/10 scheme the volatility was measured over the previous 3 years.

Further details of the option plans are as follows:

Date of grant	Share purchase plan	PSP	PSP
	Monthly	17/12/10	5/11/12
	No. of shares	No. of shares	No. of shares
Outstanding at 30 June 2012	81,518	839,049	-
Granted in the year	13,367	-	423,015
Forfeited	(11)	-	-
Exercised	(25,307)	-	-
Outstanding at 30 June 2013	69,567	839,049	423,015
Granted in the year	7,871	-	-
Forfeited	(184)	(18,055)	-
Exercised	(2,667)	(277,597)	-
Outstanding at 30 June 2014	74,587	543,397	423,015
Remaining contractual life	Rolling scheme	0.0 years	1.5 years
Weighted average exercise price	-	-	-
Weighted average share price at date of exercise - current year	£3.68	£3.32	n/a
Weighted average share price at date of exercise - prior year	£1.93	n/a	n/a

Share options granted prior to 7 November 2002

Date of grant	Share purchase plan
	Monthly
	No. of shares
Outstanding at 1 July 2012	1,347
Exercised	(800)
Outstanding at 30 June 2013	547
Lapsed	(7)
Outstanding at 30 June 2014	540
Remaining contractual life	Rolling scheme
Weighted average exercise price	-
Weighted average share price at date of exercise - current year	n/a
Weighted average share price at date of exercise - prior year	£1.93

Notes to the Financial Statements continued

30. CAPITAL COMMITMENTS

At 30 June 2014, the Group had no capital commitments (2013: £799,000).

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 Directors' Remuneration Report on pages 39 to 44.

Other than disclosed in the Directors' Remuneration Report, there were no other transactions with key management personnel in either the current or proceeding year.

Provision of goods and services to joint ventures

Leeds Independent Living Accommodation Company Ltd

2014 £000	2013 £000
-	163
-	163

Sales to related parties were made at market rates.

Purchase of goods and services from joint ventures

There have been no purchases of goods from joint ventures.

Amounts owed by and owed to joint ventures

The amounts owed by joint ventures, are shown below:

Prepayments and accrued income

Note	2014 £000	2013 £000
17	31	31
	31	31

The amounts owed to joint ventures at 30 June 2014 totalled £Nil (2013: £Nil).

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:

Subsidiaries

Administrative expenses	
2014 £000	2013 £000
5,868	5,511
5,868	5,511

Subsidiaries

Receivables outstanding		Payables outstanding	
2014 £000	2013 £000	2014 £000	2013 £000
62,381	66,307	6,124	21,307
62,381	66,307	6,124	21,307

Five Year Review

for the years ended 30 June

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Revenue	81,442	60,656	40,807	41,210	33,231
Operating profit/(loss)	12,064	6,009	2,724	899	(1,017)
Net finance income/(cost)	96	(230)	302	207	371
Profit/(loss) before tax	12,160	5,779	3,026	1,106	(646)
Tax credit/(charge)	5,499	4,320	(130)	(123)	255
Profit/(loss) after tax	17,659	10,099	2,896	983	(391)
Discontinued operations	(231)	1,344	710	528	3,528
Profit for year attributable to equity holders of the parent company	17,428	11,443	3,606	1,511	3,137
Total assets	152,577	140,112	116,220	120,517	131,380
Total liabilities	(24,486)	(28,023)	(15,826)	(21,364)	(33,537)
Net assets	128,091	112,089	100,394	99,153	97,843
	p	p	p	p	p
Total dividend per share	3.10	0.50	5.00	-	15.00
Earnings/(loss) per share from continuing operations	33.36	19.14	5.51	1.87	(0.75)
Net assets per share	241	212	190	188	186

Advisers

BANKERS

Lloyds Bank Plc
14 Church Street, Sheffield S1 1HP

SOLICITORS

Simmons & Simmons
CityPoint, One Ropemaker Street, London EC2Y 9SS

REGISTERED AUDITORS

KPMG Audit Plc
1 The Embankment, Neville Street, Leeds LS1 4DW

STOCKBROKERS AND FINANCE ADVISERS

N+1 Singer
One Bartholemew Lane, London EC2N 2AX

REGISTRARS & TRANSFER OFFICE

Capita Asset Services
The Registry, Bourne House, 34 Beckenham Road
Beckenham, Kent BR3 4TU

REGISTERED OFFICE

MJ Gleeson Group plc
Sentinel House, Harvest Crescent, Ancells Business Park
Fleet, Hampshire GU51 2UZ

Registered Number
479529

The paper in this report is a FSC certified product, produced with an FSC mixed sources pulp which is fully recyclable, biodegradable & Chlorine free. It is manufactured within a mill which complies with the international environmental ISO 14001 standard.

It has been printed using environmentally friendly vegetable based inks, formulated on the basis of renewable raw materials, vegetable oils are non-hazardous from renewable sources. Over 90% of solvents and developers are recycled for further use and recycling initiatives are in place for all other waste associated with this production. The printers are FSC and ISO 14001 certified with strict procedures in place to safeguard the environment through all their processes and are working on initiatives to reduce their Carbon Footprint.

Designed and produced by Complete Design Limited.
Printed by Woodrow Press Limited.



MJ GLEESON GROUP PLC

Sentinel House

Harvest Crescent, Ancells Business Park

Fleet, Hampshire GU51 2UZ

Tel: 01252 360 300

Fax: 01252 621 666

Email: enquiries@mjgleeson.com

www.mjgleeson.com