gleeson

builders for generations

MJ Gleeson Group plc

Report and Accounts
for the year ended 30 June 2011

Contents

Bolton-upon-Dearne, South Yorkshire

The Group operates in the following areas:

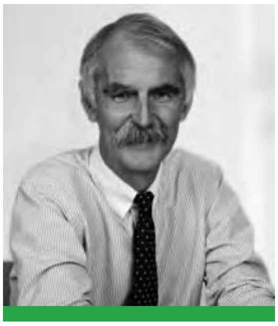
- housebuilding on brownfield land in the North of England with a particular emphasis on low cost homes;
- enhancing the value of land options by achieving residential planning consents on greenfield sites, primarily in the South of England.

	2011	2010
Revenue	£41.4m	£46.5m
Profit before tax continuing operations	£1.5m	£0.4m
Shareholders' funds	£99.2m	£97.8m
Net cash	£17.8m	£18.4m
Net assets per share	188p	186p

Board of Directors

Dermot Gleeson
MA (Cantab), 62
Chairman
Joined the Board in 1975. Appointed Chief Executive in 1988 and Chairman in 1994. Relinquished the post of Chief Executive in 1998. Chairman of the Nomination Committee. 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.

Alan Martin
BSc, ACA, 45
Chief Operating Officer, Group Finance Director and Company Secretary
Appointed January 2009. Previously Group Financial Controller, a position he had held since November 2006. Formerly Group Financial Controller, Psion PLC. Alan qualified as a Chartered Accountant in 1990, following which he specialised in corporate recovery with PricewaterhouseCoopers in London and in Sydney, Australia. Following the retirement of Chris Holt as Group Chief Executive, Alan took up the role of Chief Operating Officer with responsibility for Human Resources, Internal Audit and IT, whilst continuing as Group Finance Director. In addition, Alan was appointed Company Secretary on 31 March 2011.



Jolyon Harrison
FCIOB, FIoD, FCMI, 63
Managing Director, Gleeson Regeneration & Homes
Appointed to the Board on 1 July 2010. Joined the Group in November 2009 as Managing Director of Gleeson Regeneration & Homes. Jolyon 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.

Ross Ancell
ACA (NZ), 58
Non-Executive Director
Appointed October 2006. Senior Independent Director. Chairman of the Remuneration Committee and member of the Audit and Nomination Committees. Executive Chairman and controlling shareholder, Churngold Group of Companies. Independent Non-Executive Director of Galaxy Entertainment Group Limited, and Non-Executive Chairman, Taylor Containers.

Colin Dearlove
BA, FCMA, 59
Non-Executive Director
Appointed December 2007. Independent Director. Chairman of the Audit Committee and member of the Remuneration and Nomination Committees. 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.

Christopher Mills, 58
Non-Executive Director
Appointed January 2009. Currently Chief Investment Officer of J O Hambro Capital Management Limited which he joined in 1993. He is also Chief Executive and Investment Manager of North Atlantic Smaller Companies Investment Trust PLC, a UK listed investment trust. Christopher has also been a director of several publicly quoted companies, including Castle Support Services PLC, Catalyst Media Group plc, Inspired Gaming Group plc and Prime Focus London PLC.

Chairman's Statement

During the year, conditions in the housing market remained challenging. However, the selling prices of new homes remained generally stable and towards the end of the period there was a welcome increase in the number of higher loan to value mortgages available for first time buyers. Against this background, the Group, which has net cash balances, continued to increase its selling outlets and residential landholdings in the North of England and to enter new option and promotion agreements with landowners in the South.

Financial overview

Revenue from continuing operations fell by £5.1m to £41.4m (2010: £46.5m). This was mainly due to the absence of any income from Gleeson Commercial Property Developments following the completion last year of the division's disposal programme, which generated revenue of £13.2m. In addition, there was a decrease in revenue from Gleeson Strategic Land of £4.7m. These reductions were partially offset by an increase in revenue at Gleeson Regeneration & Homes of £12.7m, which resulted from a 64% increase in unit sales.

The operating profit from continuing operations was £0.9m (2010: loss £0.3m). Profit before tax from continuing operations was £1.5m (2010: £0.4m). These results included exceptional credits of £3.5m (2010: £3.5m) relating to the partial reversal of asset valuation write-downs and provision releases.

Discontinued operations generated a post-tax loss of £0.1m (2010: profit £2.5m). The prior year reflecting the trading result and the profit on sale of Powerminster Gleeson Services.

Profit for the year attributable to equity holders of the parent company totalled £1.5m (2010: £3.1m).

The year end total equity attributable to equity holders of the parent company increased by 1% to £99.2m (2010: £97.8m), representing net assets per share of 188p (2010: 186p). Net cash at 30 June 2011 was £17.8m (2010: £18.4m), a decrease of £0.6m.

Business review

The Group's continuing operations comprise ongoing business units and business units in run-off. The Group's ongoing business units consist of Gleeson Regeneration & Homes, Gleeson Strategic Land, and Gleeson Capital Solutions.

Gleeson Regeneration & Homes opened five sites during the year and increased unit sales by 64% to 286 (2010: 174). Private development sales increased by 32% (2011: 170 units, 2010: 129 units) and there was a 158% increase in units sold to Registered Social Landlords ("RSLs") (2011: 116 units, 2010: 45 units). The average selling price ("ASP") decreased by 5%, from £131,000 to £124,000 due to the Group's policy of progressively increasing the number of units sold in the North of England. Exceptional credits of £3.5m (2010: £2.8m) represented a partial reversal of asset valuation write-downs and provision releases. This reversal resulted from higher than forecast selling prices (£1.2m), a reversal of provisions for liabilities which are no longer payable, and the subletting of properties with onerous leases. During the year, three new sites (147 units) were purchased. A further two sites (414 units) were purchased in July 2011 and a further nine sites (1,070 units) have been purchased conditionally.

Gleeson Strategic Land had a successful year, completing two substantial land sales and the sale of four smaller plots. At 30 June 2011, the business unit had 3,766 acres (2010: 3,862 acres) in its portfolio of land, options and promotion agreements.

Gleeson Capital Solutions generated profits during the year from PFI joint ventures of £0.4m (2010: £0.4m). Following the Government's announcement that, after the completion of the current round of projects, no further social housing projects would be procured by means of the PFI, the Group decided to dispose of the operational management arm of Gleeson Capital Solutions to Pario Limited. The income and costs of this part of the business unit are recorded up to the date of disposal. The overall profit for the year, including the share of joint venture profits, was £0.1m (2010: £0.3m). In the year,

Public consultation for our Liverpool development, Cawdor Park, March 2011

The Group continued to increase its selling outlets and residential landholdings in the North of England, and to enter new option and promotion agreements with landowners in the South.

Dermot Gleeson, Chairman

no PFI investments were sold and no new PFI projects reached financial close. Following the year end, contracts have been exchanged for the sale of three PFI investments, and the proceeds are expected to be received before the end of 2011.

The Group's business units in run-off comprise Gleeson Commercial Property Developments and Gleeson Building Contracting Division within Gleeson Construction Services Limited.

As mentioned above, Gleeson Commercial Property Developments disposed of its remaining developments in the year to 30 June 2010. During the current year, minor finalisation costs were incurred. A loss of £27k was recorded in the year (2010: profit £0.5m).

Gleeson Building Contracting Division recorded a loss of £0.1m (2010: £0.1m).

Group Activities (the central overhead) reduced by 26% to £1.4m (2010: £1.9m).

The Group's discontinued operations are Gleeson Engineering Division within Gleeson Construction Services Limited and Powerminster Gleeson Services.

Gleeson Engineering Division recorded a loss of £0.1m (2010: £0.1m).

Powerminster Gleeson Services was sold to Morgan Sindall Group plc on 30 June 2010.

Board

As foreshadowed in my Chairman's Statement last year, Chris Holt, who was appointed Group Chief Executive in January 2009, retired from the Board on 30 September 2010.

From 1 October 2010, Alan Martin has combined his role as Group Finance Director with that of Chief Operating Officer with responsibility for Human Resources, Internal Audit and IT. In addition, Alan was appointed Company Secretary on 31 March 2011.

Jolyon Harrison, who since November 2009 has been Managing Director of Gleeson Regeneration & Homes, was appointed to the Board with effect from 1 July 2010.

Terry Morgan retired as a Non-Executive Director of the Board on 30 June 2011 in order to pursue his other business interests. Terry made an immensely valuable contribution to the Board's deliberations throughout his period as a Director and my colleagues and I are sincerely grateful to him.

The Board currently comprises two Executive Directors, three Non-Executive Directors (two of whom are considered to be independent) and myself as Chairman.

Employees

The average number of employees during the year fell to 100 (2010: 285). The number at the year end was 108 (2010: 95).

The Board would like to thank all of our employees for their commitment to the Group and for the great efforts they have continued to make on its behalf.

Dividends

No dividends were paid during the year.

The Group has reviewed its short and long term cash needs and concluded that, following the receipt of the proceeds of the PFI investments sale referred to above, it will have cash in excess of its requirements. Accordingly, the Board proposes to pay a special dividend of 5p a share on 16 December 2011 to shareholders on the register on 18 November 2011. The total cost of the special dividend will be £2.6m.

Current trading and prospects

The short term outlook for housing demand remains difficult to predict. However, the Board continues to be confident that the Group's strategic focus on low cost brownfield development in the North of England and on the promotion and sale of high value green field sites in the South, will ensure a strong and sustainable improvement in performance.

Dermot Gleeson
Chairman

Business Review

GROUP BUSINESSES AND STRATEGY

The Group comprises ongoing businesses and businesses in run-off:

Ongoing businesses

Gleeson Regeneration & Homes: A housebuilder focusing on development on brownfield land, with a particular emphasis on low cost homes. The strategy is to grow the business in the North of England, particularly in areas of urban regeneration.

Gleeson Strategic Land: A land promotion business, mainly operating in the South of England, that enhances the value of land by securing residential planning consents. The strategy continues to be to focus on greenfield sites in Southern England likely to be attractive to volume housebuilders.

Gleeson Capital Solutions: Holds the Group's PFI investments in social housing. Following the Government's recent announcement that after the completion of the current round of projects, no further social housing project will be procured by means of the PFI, the business unit will manage a phased run down of its operations.

Group activities: comprise the Board, Company Secretariat and Group Finance.

Businesses in run-off

Gleeson Commercial Property Developments: The Group completed the sale of its remaining commercial property developments during the prior year. The division is anticipating exiting its remaining leasehold interests in the course of the next year.

Engineering and Building Contracting: The Group sold certain contracts, assets and liabilities of the Engineering Division in October 2006 to Black & Veatch Limited, and of the Building Contracting Division in August 2005 to Gleeson Building Limited (now GB Building Solutions Limited), a management buy-out vehicle. The run-off activity of the former is reported as a discontinued operation, whilst that of the latter is reported as a continuing operation.

Montreal Gardens, North Huyton, Merseyside

OPERATING RISK STATEMENT

The Group has established risk management procedures, involving the identification, control and monitoring of risks at various levels within the organisation. These risks include but are not limited to the following:

Risks common to the Group

Funding	The Group must have sufficient cash resources and facilities to finance its operations.
Health & safety	The Group must have adequate systems and procedures in place to mitigate, as far as possible, the dangers inherent in the execution of work in the Group's continuing businesses.
People	The Group must attract and retain the right people to ensure the Group's long-term success.
Insurance	The Group must maintain suitable insurance arrangements to underpin and support the many areas in which the Group is exposed to risk or loss.
Information technology	The Group must have suitable systems to ensure that a reliable flow of information operates throughout the Group and that the risk of system loss is mitigated by appropriate contingency plans.

Risks specific to Gleeson Regeneration & Homes

Economic conditions	The housebuilding industry is sensitive to availability of mortgage finance, employment levels, private and buy-to-let housing demand, interest rates, and consumer confidence.

Risks specific to Gleeson Strategic Land

Planning	A failure on the part of the coalition government to balance its 'localism' agenda with the implementation of the proposals to encourage sustainable development contained in its recently published draft National Planning Framework could have a negative impact upon the achievability and timing of planning consents.

Risks specific to Gleeson Capital Solutions

Bid costs	Substantial bid costs can be incurred, without recovery, when seeking to win new projects.

Risks specific to businesses in run-off

Engineering and Building Contracting

Completion of retained projects	These businesses must complete outstanding work on retained projects within the provisions made by management.
Latent defects	The Group is exposed to any latent defects that may arise within 12 years of completion of a project. Rectification of the defects must be completed within the provisions made by management.

Business Review continued

Burnham Walk, Bradford, West Yorkshire

PERFORMANCE

GLEESON REGENERATION & HOMES

The business unit's results for the year were as follows:

	2011	2010
Revenue	£35.4m	£22.7m
Operating loss	£(0.4)m	£(1.3)m

Included within these results were exceptional credits of £3.5m (2010: £2.8m) relating to the partial reversal of asset valuation write downs and the release of various provisions.

Gleeson Regeneration & Homes focuses on providing low cost homes on brownfield land, principally in the North of England. Against the background of a modest increase during the year in customer demand, the business unit ensured that construction work-in progress remained very strictly aligned with sales rates. In addition, further reductions were achieved in construction costs, not least by means of the adoption of the new and simpler house types referred to in last year's review.

At the year end Gleeson Regeneration & Homes had 11 sites open, all of which – apart from a development associated with a PFI project in Kent - are in the North of England. The northern sites are located in Derbyshire, Merseyside, Manchester, Nottinghamshire and Yorkshire. During the year, an office was opened in Sunderland in order to support the development programme across the North East region.

The business unit is continuing to take advantage of reduced land prices in the North of England to build up a substantially enlarged landbank. During the year, three sites were purchased in Yorkshire, adding 147 plots to the landbank. Subsequent to the year end, a further two sites comprising a total of 414 plots have been purchased in Yorkshire and Manchester. A further nine sites that have been conditionally purchased are expected to add in excess of 1,070 plots to the landbank in the near future. When and if these acquisitions are completed, the landbank will total in excess of 2,400 plots.

During the year, 286 (2010: 174) units were sold, of which private sales totalled 170 (2010: 129), an increase of 32% and sales to RSLs totalled 116 (2010: 45), an increase of 158%. All of the RSL sales related to the site in Ashford, Kent where 70% of the units have been pre-sold to an RSL. As regards private sales, the Grove Village site in Manchester was particularly successful, selling 47 units in the year.

The increase in private sales was supported by Gleeson Homes' distinctive range of offers designed to assist first time and low income buyers. The business unit was very pleased to be selected as one of the housebuilders eligible for support from the Government's FirstBuy scheme, which will provide assistance to first time buyers from September 2011.

ASP for private sales was £138,000 (2010: £140,000) and for sales to RSLs was £103,000 (2010: £103,000). The decrease in ASP for private sales reflected a change in product mix, a higher proportion of units having been sold in the South in the prior year.

Unit sales as recognised in revenue

	2011 Units	2011 %	2011 ASP £000	2010 Units	2010 %	2010 ASP £000
Private sales	170	59	138	129	74	140
RSL sales	116	41	103	45	26	103
Total	286	100	124	174	100	131

Unit sales as handed over

	2011 Units	2011 %	2011 ASP £000	2010 Units	2010 %	2010 ASP £000
Private sales	185	61	133	129	67	140
RSL sales	117	39	102	64	33	104
Total	302	100	121	193	100	127

City East, Beswick, Greater Manchester

Business Review continued

Burnham Walk, Bradford, West Yorkshire

GLEESON STRATEGIC LAND

	2011	2010
Revenue	**£5.8m**	£10.5m
Operating profit	**£2.7m**	£2.2m

During the year, the business unit continued to secure planning consents and completed two substantial land sales and also sold four smaller parcels of land. The success of the two larger sales reflected the continuing desire of volume house builders in the South of England to replenish their landbanks with well located sites that benefit from commercially viable planning consents.

During the year, nine new sites were secured via option, promotion and subject to planning agreements, covering 266 acres, with an ability to deliver 1,600 houses. In addition, heads of terms have been agreed for a further 7 sites covering 238 acres.

At the year end, the portfolio totalled 3,766 acres (2010: 3,862 acres), of which 185 acres (2010: 299 acres) was owned, 2,608 acres (2010: 3,265 acres) was held under option and 973 acres (2010: 298 acres) was under a planning promotion agreement. The geographic bias for the portfolio is towards Southern England, predominantly in the following counties: Buckinghamshire, Dorset, Essex, Hampshire, Hertfordshire, Kent, Oxfordshire, Surrey, Sussex and Wiltshire. At the year end, 17.5% of the portfolio either had planning consent, had an application to obtain planning consent lodged or an allocation. The Group currently holds in excess of 1,000 plots with residential planning consent and 6 acres of land consented for employment use.

In August 2011, the Coalition Government published a draft National Planning Framework which proposed that the planning system should henceforth be based on a presumption in favour of sustainable development. If adopted, such a policy will further strengthen Gleeson Strategic Land's commercial prospects.

GLEESON CAPITAL SOLUTIONS

	2011	2010
Revenue	-	-
Operating profit	£0.1m	£0.3m

Gleeson Capital Solutions holds investments in four PFI projects, namely Grove Village, an estate regeneration project in Manchester; Stanhope, an estate regeneration project in Ashford, Kent; AvantAge, an extra care homes project in Cheshire; and Leeds Independent Living, a social housing project in Leeds.

Gleeson Capital Solutions is divided into two parts. 'Operational Management' provides financial and management services for existing PFI projects in the social housing sector and 'Investment Management' leads bids for new social housing PFI projects and manages the Group's portfolio of PFI investments. During the year the Government announced that, following the completion of the current round of schemes, the PFI will no longer be used to procure social housing projects. In the light of this announcement, the Group disposed of 'Operational Management' on 1 April 2011 to Pario Limited. No profit or loss was recorded for this disposal. 'Investment Management' will be wound down in due course. Following the year end, contracts have been exchanged for the sale of three of the PFI investments, with the proceeds expected to be received prior to the end of 2011.

During the year, no projects achieved financial close (2010: none).

The business unit is currently bidding for a regeneration project in Manchester. In the year, speculative bid costs of £0.1m (2010: £0.1m) were incurred, which were expensed.

GLEESON COMMERCIAL PROPERTY DEVELOPMENTS

The Group concluded the disposal of its commercial property developments in the prior year. The division is anticipating exiting its remaining leasehold interests in the course of the next year.

GLEESON CONSTRUCTION SERVICES

Continuing operations

	2011	2010
Revenue	£0.1m	£0.1m
Operating loss	£(0.1)m	£(0.1)m

The Group retained sufficient assets and liabilities after the disposal of its Gleeson Building Contracting Division in August 2005 for the results of these retained assets and liabilities to be classified as continuing.

The business unit continued to resolve contractual matters within the provisions set by management, with the loss recorded being its running costs.

Discontinued operations

	2011	2010
Revenue	£0.4m	£0.7m
Operating loss	£(0.1)m	£(0.1)m

The Group disposed of sufficient assets and liabilities of Gleeson Engineering Division in October 2006 for the results of these retained assets to be classified as discontinued.

The retained element of Gleeson Engineering Division recorded an operating loss for the year of £0.1m (2010: £0.1m), which represented its running costs.

GROUP ACTIVITIES

The charge for the year, which relates to the Board, Company Secretariat and Group Finance, was £1.4m (2010: £1.9m).

Business Review continued

FINANCE REVIEW

Overview

The profit before tax from continuing operations of £1.5m (2010: £0.4m) included exceptional credits of £3.5m (2010: £3.5m). The exceptional credits all relate to Gleeson Regeneration & Homes and comprise the partial reversal of asset valuation write-downs and the release of various provisions.

Key performance indicators

	2011	2010
Continuing operations		
Revenue	**£41.4m**	£46.5m
Operating profit/(loss)	**£0.9m**	£(0.3)m

Continuing operations

Gleeson Regeneration & Homes recorded an operating loss of £0.4m (2010: £1.3m) on revenue of £35.4m (2010: £22.7m). Included within the operating loss are the following exceptional credits:

	2011	2010
Non-cash valuation write-down of land and work-in-progress	**£1.9m**	£2.8m
Release of provisions	**£1.6m**	-
Total	**£3.5m**	£2.8m

Gleeson Strategic Land recorded an operating profit of £2.7m (2010: £2.2m) on revenue of £5.8m (2010: £10.5m).

Gleeson Capital Solutions recorded an operating profit of £0.1m (2010: £0.3m) on revenue of £nil (2010: £nil). No projects for which Gleeson Capital Solutions is bidding achieved financial close during the year.

Gleeson Commercial Property Developments made an operating loss of £27k (2010: profit £0.5m) on revenue of £nil (2010: £13.2m). The 2010 results are stated after the release of an exceptional credit of £0.7m, which related to the partial reversal of asset valuation write-downs.

Gleeson Construction Services, the continuing element of which comprises the run-off of the Gleeson Building Contracting Division, recorded revenue of £0.1m (2010: £0.1m), on which an operating loss of £0.1m (2010: £0.1m) was recorded.

Discontinued operations

Discontinued operations comprise Powerminster Gleeson Services, which was sold to Morgan Sindall Group on 30 June 2010, and Gleeson Construction Services, being those assets and liabilities of Gleeson Engineering Division which were not sold to Black & Veatch in October 2006.

As Powerminster Gleeson Services was sold on 30 June 2010, no transactions were recorded during the current financial year. In the year to 30 June 2010, Powerminster Gleeson Services recorded an operating profit of £0.6m on revenue of £17.4m. The profit on the sale of Powerminster Gleeson Services, recognised in the year to 30 June 2010, totalled £1.9m.

The Gleeson Engineering Division of Gleeson Construction Services generated revenue of £0.4m (2010: £0.7m). An operating loss of £0.1m (2010: £0.1m) was recorded.

Interest

Financial income of £0.8m (2010: £1.1m) consists of interest earned on bank deposits, loans to joint ventures and the unwinding of discounts on deferred receipts. Financial income was lower than in the previous year mainly as a result of a reduced level of discount being unwound due to a lower level of deferred receipts outstanding.

Financial expenses of £0.2m (2010: £0.3m) consist of interest payable on bank loans and overdrafts, bank charges and the unwinding of discounts on deferred payments. Financial expenses are lower in the current year due to lower bank charges and a reduced level of discount being unwound in consequence of a lower level of deferred payments outstanding.

Tax

A net tax credit for continuing operations, excluding tax for joint ventures, of £0.0m (2010: £0.2m) has been recorded in the Income Statement. The Group now has £85.6m (2010: £89.9m) of tax losses which can be carried forward indefinitely.

The total tax charge, including tax on discontinued operations and tax attributable to joint ventures, was £0.0m (2010: credit £0.1m). The net deferred tax asset recorded within the Balance Sheet totals £0.9m (2010: £1.1m).

Earnings per share

Basic and diluted earnings per share were 2.9p (2010: 6.0p). For continuing operations only, the basic and diluted earnings per share were 3.0p (2010: 1.3p).

Dividend

No dividends were paid during the year (2010: £7.9m). The Board proposes a special dividend of 5p per share.

Disposals

The Group disposed of the Operational Management part of the Gleeson Capital Solutions business unit to Pario Limited on 31 March 2011. There were no proceeds, gain or loss for the disposal.

In the previous year, on 30 June 2010, the Group sold Powerminster Gleeson Services Limited to Morgan Sindall Group plc. The cash proceeds totalled £6.6m, with the net cash inflow of £3.8m after taking account of the costs of disposal and cash transferring with the company. The gain on disposal, after tax, totalled £1.9m.

Balance sheet

At 30 June 2011, shareholders' funds totalled £99.2m (2010: £97.8m). In the year, non-current assets decreased by £3.9m to £12.7m (2010: £16.6m) due to the transfer of £6.9m Investment and Loans in Joint Ventures to Assets classified as held for sale, offset by an investment of £2.0m in the Leeds Independent Living PFI project along with a £0.8m increase in shared equity investments. Current assets decreased by £7.0m to £107.8m (2010: £114.8m) due to a £0.6m reduction in cash, £6.6m reduction in trade and other receivables and £6.6m reduction in inventories, offset by the £6.9m transfer of Assets classified as held for sale. Non current liabilities decreased by £2.6m due to utilisation and release of provisions. Current liabilities decreased by £9.6m.

Cash flow

The Group utilised £0.6m (2010: generated £7.5m) of cash in the year, resulting in a net cash balance at 30 June 2011 of £17.8m (2010: £18.4m).

Operating cash flows, including working capital movements, generated £0.5m (2010: £14.2m). There was a tax refund of £0.2m (2010: £nil) during the year. Cash utilised in investing activities totalled £1.2m (2010: generated £1.4m), with £1.5m increase in loans to joint ventures due to the investment of sub debt into the Leeds Independent Living PFI less repayment of other PFI loans. Net cash flows from financing activities utilised £nil (2010: £7.9m), from 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 only deposits funds 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

During the year, the Group entered into a £5m letter of credit and bonding facility with Santander.

Pension

The Group contributes to a defined contribution pension scheme. A charge of £0.3m (2010: £0.6m) was recorded in the Income Statement for pension contributions. The Group has no exposure to defined benefit pension plans.

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 Business Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described above.

The Group meets its day-to-day working capital requirements through its cash resources. Current economic conditions inevitably create a degree of uncertainty, particularly over the level of demand for the Group's goods and services and the availability of bank finance. However, the Group's forecasts and projections show that the Group is able to operate without the need for debt finance for the foreseeable future.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual Report and Accounts.

Corporate Social Responsibility Report

Introduction

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.

Corporate governance

The important aspects of the Group's corporate governance are set out in the Corporate Governance Report.

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. No injuries have been reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR). In the previous 2 years, the Group reported two and three injuries per year respectively under RIDDOR.

The overall accident incidence rate ("AIR") was zero (2010: 680) in spite of a significant increase in construction activity. The AIR is an industry-wide indicator of health & safety performance. The Group's AIR has remained significantly below the construction industry average of 906 in the last 3 years, as published by the Health & Safety Executive.

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.

Waste management - minimisation & 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.

Communities

The core activity of the Group is 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 enhancement of the environment and the life of the community itself.

The Group's approach to corporate social responsibility involves positive engagement with the communities within which it works, to the benefit of all its stakeholders.

Human resources

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 free from unlawful discrimination regardless of their age, sex, colour, race, religion or ethnic origin and that disabled persons are not disadvantaged.

It is gratifying to note that through the ongoing uncertainties of the housebuilding sector, the Group's employees have remained loyal and committed with the voluntary turnover rate and sickness absence rate below the national average.

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.

The Group remains committed to the objective of having all site-based employees Construction Skills Certification Scheme ("CSCS") carded.

Directors' Report

Results and dividends

During the year, the Group made a profit after taxation of £1.5m (2010: £3.1m). The total distribution for the year was £nil (2010: £7.9m).

The Group has reviewed its short and long term cash needs and concluded that, following the receipt of the proceeds of the PFI investments sale referred to above, it will have cash in excess of its requirements. Accordingly, the Board proposes to pay a special dividend of 5p a share on 16 December 2011 to shareholders on the register on 18 November 2011. The total cost of the special dividend will be £2.6m.

Directors

During the year, the following served as Directors:

Dermot Gleeson	Chairman
Chris Holt	Executive Director (retired 30 September 2010)
Alan Martin	Executive Director
Jolyon Harrison	Executive Director (appointed 1 July 2010)
Ross Ancell	Non-executive Director and Senior Independent Director
Terry Morgan	Non-executive Director (retired 30 June 2011)
Colin Dearlove	Non-executive Director
Christopher Mills	Non-executive Director

At the next Annual General Meeting of the Company, to be held on 9 December 2011, all of the Directors will, voluntarily, offer themselves for re-election. Of the Directors standing for re-election, Alan Martin and Jolyon Harrison hold service contracts that may be terminated by the Company with a notice period of one year. Directors' biographies are shown on pages 2 and 3.

Directors' interests

The Directors held the following beneficial interests in the ordinary share capital of the Company:

Director	23 Sept 2011	30 June 2011	30 June 2010
Dermot Gleeson	**1,053,086**	1,053,086	1,028,986
Chris Holt	**n/a**	18,151 [a]	18,151
Alan Martin	**8,240**	7,774	6,024
Jolyon Harrison	**1,118,232**	1,117,767	1,055,450 [b]
Ross Ancell	**-**	-	-
Terry Morgan	**n/a**	4,851 [c]	4,851
Colin Dearlove	**-**	-	-
Christopher Mills	**11,081,215** [d]	11,081,215 [d]	9,532,250 [d]

(a) On 30 September 2010, the date of his retirement from the Board
(b) On 1 July 2010, the date of his appointment to the Board
(c) On 30 June 2011, the date of his retirement from the Board
(d) Shares are held in name of North Atlantic Value LLP, of which Christopher Mills is a Member

Share capital

The Company has issued share capital of 52,696,158 ordinary shares of two pence each, as at 23 September 2011. Further details are given in note 29. The number of ordinary shares in issue has increased by 52,173 shares since the date of publication of the last Report and Accounts, following the issue of shares awarded under the Company's Employee Share Purchase Plan.

Substantial shareholdings

On 23 September 2011, the shareholdings noted below, representing 3% or more of the issued share capital, had been notified to the Company. In addition, as at 23 September 2011, Capita IRG Trustees Limited held 970,265 ordinary shares as trustees of the Employee Share Purchase Plan and Computershare Nominees (Channel Islands) Ltd held 67,898 ordinary shares on behalf of EES Trustees International Limited in its capacity as trustee of the employee shares schemes.

Name of shareholder	Number of shares	Proportion of total
North Atlantic Value LLP	11,081,215	21.03%
Schroder Investment Management Ltd	6,938,517	13.17%
Guinness Peat Group plc	3,369,425	6.39%
Henderson Global Investors	2,855,000	5.42%
Mrs JC Cooper & spouse*	2,809,615	5.33%

* of which 542,800 are held in discretionary trusts, of which she is a Trustee.

Directors' Report continued

Plant and equipment
Information relating to changes in plant and equipment is given in note 11 to the financial statements.

Creditor payment policy
Payment terms are agreed with the Group's suppliers and every effort is made to adhere to these terms. Payments are made when it can be confirmed that goods and/or services have been provided in accordance with the relevant contractual conditions. The Group's average trade creditor payment period at 30 June 2011 was 50 days (2010: 59 days).

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

Takeovers directive
Pursuant to s.992 of the Companies Act 2006 which implements the EU Takeovers Directive, the Company is required to disclose certain additional information. The following gives those disclosures which are not covered elsewhere in this Annual Report.

The structure of the Company's share capital is shown on page 15 and within note 29. The rights of shareholders are set out in the Company's Articles of Association (the "Articles"). The holders of ordinary shares are entitled to receive the Company's reports and accounts, to attend and speak at general meetings of the Company, to exercise voting rights in person or by appointing a proxy, and to receive a dividend where declared or paid out of profits available for such a purpose.

The Company's Articles give the Board power to appoint Directors and also require Directors to retire and submit themselves for election at the following Annual General Meeting. A Director who retires in this way is eligible for election, but is not taken into account when deciding how many Directors should retire by rotation at the Annual General Meeting. Pursuant to the Articles, at every Annual General Meeting, at least one-third of the current Directors must retire by rotation. The Articles themselves may be amended by special resolution. Once again, at this year's Annual General Meeting, all Directors will, voluntarily, offer themselves for re-election in the interests of good corporate governance.

The Board of Directors is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of the Company's Memorandum and Articles. The Articles contain specific provisions and restrictions regarding the Company's power to borrow money. Powers relating

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Derbyshire

to the issuing and buying back of shares are also included in the Articles and shareholders are asked to renew such powers each year at the Annual General Meeting.

The agreements that alter or terminate upon a change of control of the Company following a takeover have been identified as the M J Gleeson Group plc Share Purchase Plan, the M J Gleeson Group plc Performance Share Plan, the Bond Facility Agreement provided by Zurich Insurance plc and the Bank Facility Agreement provided by Santander UK plc. In the event of a takeover of the company the share option schemes/plans would vest and the bank and bond facility agreements would potentially lapse.

Auditors

KPMG Audit Plc was re-appointed by the members at the last Annual General Meeting and is considered to be independent. The Directors will propose a resolution to the members at the Annual General Meeting to be held on 9 December 2011 to re-appoint KPMG Audit Plc as Auditors and to fix its remuneration. KPMG Audit Plc has indicated its willingness to continue in office.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 9 December 2011, together with details of the Resolutions to be considered, is set out in a separate circular.

Special business

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

1. Resolution 11 seeks shareholders' authority for the allotment of Ordinary shares up to an aggregate maximum nominal amount of £351,308 (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 2012 whichever is earlier.

2. Resolution 12 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 £52,697 which is equivalent to approximately 5% of the Company's issued equity share capital as at 23 September 2011.

3. Resolution 13 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 £105,393, being equivalent to approximately 10% of the issued share capital as at 23 September 2011. 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 14 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

23 September 2011

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to Directors' remuneration.

The Act requires the Auditors to report to the Company's members on the elements of the Remuneration Report that require audit and to state whether in their opinion the report has been properly prepared. To facilitate this, the report has been divided into separate sections for audited and unaudited information. Shareholders' approval of this report will be sought at the forthcoming Annual General Meeting.

INFORMATION NOT SUBJECT TO AUDIT

Remuneration Committee

The Remuneration Committee ("the Committee") is a Board Committee consisting entirely of Non-Executive Directors. The following Directors were members of the Committee during the year ended 30 June 2011:

Terry Morgan (Chairman)
Ross Ancell
Colin Dearlove

The Secretary of the Committee is Alan Martin, Company Secretary.

Following the retirement of Terry Morgan from the Board on 30 June 2011, Ross Ancell has been appointed Chairman of the Committee. The Committee is responsible for recommending to the Board the Group's remuneration policy for the Executive Directors and such other key employees as the Board may designate. The Committee is also responsible for determining targets for any performance-related pay schemes, the policy and scope of pension arrangements and service agreements, termination payments and compensation commitments for the Executive Directors. In addition, the Committee gives guidance to the Chief Operating Officer on pay policy matters for the Group as a whole. The terms of reference of the Committee are available on the Group's website, or on request from the Company Secretary, and will also be available at the location of the Annual General Meeting for a period of 15 minutes in advance of the Meeting.

The Committee meets formally up to three times a year and at such other times as the Chairman of the Committee shall require. The Committee consults the Chairman of the Company, the Chief Operating Officer and the Head of Human Resources concerning its proposals. These individuals are not involved in the decisions regarding their own remuneration. During the year, the Committee received external professional advice from BDO Stoy Hayward LLP on remuneration and share scheme issues. BDO Stoy Hayward LLP was selected and appointed by the Remuneration Committee and has no other connection with, nor provided any other services to, the Group.

No one other than a Committee member is entitled to be present at meetings unless invited by the Chairman of the Committee.

In formulating its recommendations, the Committee considered pay and employment conditions throughout the Group and complied with the Code.

The Committee met six times during the year and all members were in attendance.

Remuneration policy

It is the Group's policy to:

- set the remuneration of Executive Directors at a level which will attract and retain executives of appropriate ability, experience and integrity to manage the affairs of the Group;
- reward Executive Directors and senior managers below Board level appropriately for their contributions to the success of the Group but with reference to mid-market remuneration levels offered by similar companies within the sector;

- ensure that a significant proportion of the Executive Directors' overall remuneration is performance-related so that their interests are more closely aligned with those of the shareholders;
- ensure that the performance targets in the short and long-term incentive plans are challenging and are likely to result in significantly enhanced total shareholder return; and
- ensure that regular contact is maintained with the principal shareholders regarding remuneration matters.

The Committee believes that its policy is appropriate for the Group and has no intention to amend it in the current year. Nevertheless, the policy will be kept under regular review.

Basic salary

The Committee reviews and makes recommendations regarding the basic salary of the Executive Directors to the Board annually. In making its recommendations, the Committee has regard to the salaries paid to executives of comparable companies in the housebuilding sector. Consideration is also given to the wider remuneration environment, particularly in companies of a similar size, and the performance and responsibilities of the Executive Directors. Basic salary is the only element of remuneration that is pensionable.

Benefits in kind

Benefits in kind comprise free family medical insurance, a fuel card and a company car or a car allowance.

Performance-related remuneration

Annual bonus

For the year ended 30 June 2011, the Executive Directors who held office throughout that year, except the Chairman, participated in an annual bonus scheme under which they may potentially receive 100% of their respective base salaries for achieving target performance. The targets and range over which the bonus vests are set by the Committee and are designed to be challenging and to produce an equitable distribution of additional profits earned by superior performance between the executive team and shareholders. The performance measures for Alan Martin for the year ended 30 June 2011 were determined by the Committee to be based on achieving a certain level of consolidated profit before tax and also achieving a closing cash balance above a certain level. The Committee determined that the performance measures for Jolyon Harrison should be partially based upon the measures noted above and also be based upon Gleeson Regeneration & Homes achieving a certain level of profit before tax and also achieving a certain level of revenue.

For the year ended 30 June 2011, the minimum, but not the maximum, consolidated profit before tax level was achieved, resulting in 49% of bonus related to profit becoming payable. The cash target level was not achieved, so no bonus relating to cash became payable. None of the performance measures relating to Gleeson Regeneration & Homes for Jolyon Harrison were achieved.

For senior managers below Board level, similar bonus arrangements are in place in order to incentivise and potentially reward them through their ability to improve the performance of their respective business units.

Share option schemes

Chris Holt and Alan Martin held share options under the M J Gleeson Group Sharesave Scheme ("the Sharesave Scheme"). As is normal for such schemes, share options issued under the Sharesave Scheme are not subject to any performance criteria. The Sharesave Scheme ended during the year, with the exercise price not being achieved, accordingly, the share options lapsed.

Details of the options held by Directors are set out in the tables on page 23.

Performance Share Plan

The M J Gleeson Group plc Performance Share Plan (the "Plan") was approved by shareholders in 2007. The Plan generally provides for provisional awards of shares worth up to 200% of an executive's basic salary each year. In December 2010, Alan Martin and Jolyon Harrison were awarded shares worth 100% of base salary, with senior managers being awarded shares worth up to 50% of their base salary. Such awards will vest on the third anniversary of the date of award to the extent that the performance targets have been met. For the awards that were granted in December 2010 to vest, the Committee resolved to impose targets for total shareholder return ("TSR") over the three financial years from 1 July 2010 to 30 June 2013. Current outstanding awards are shown within the table on page 23.

Directors' Remuneration Report continued

Share Purchase Plan

In addition to the schemes noted above, to encourage employee participation in the success of the Group, a Share Purchase Plan, in which all employees, including the Executive Directors, with more than one year's service are entitled to participate, is operated. This permits up to 5% of salary (up to a maximum of £125 per month) to be invested in the Company's shares, which the Company matches on a one share for every three purchased by the employee. Shares procured under the scheme must be held for at least three years. Alan Martin and Jolyon Harrison both participated in this scheme.

Pensions

Alan Martin and Jolyon Harrison are both members of the Company's defined contribution pension scheme, which is open to all qualifying employees. The Company contributes a percentage of basic salary to the scheme. Chris Holt ceased to be a member of the Company pension scheme in August 2007 and since that date has been provided with a cash alternative to the Company contribution.

External appointments

At the discretion of the Board, Executive Directors are allowed to act as Non-Executive Directors of other companies and retain any fees relating to those posts.

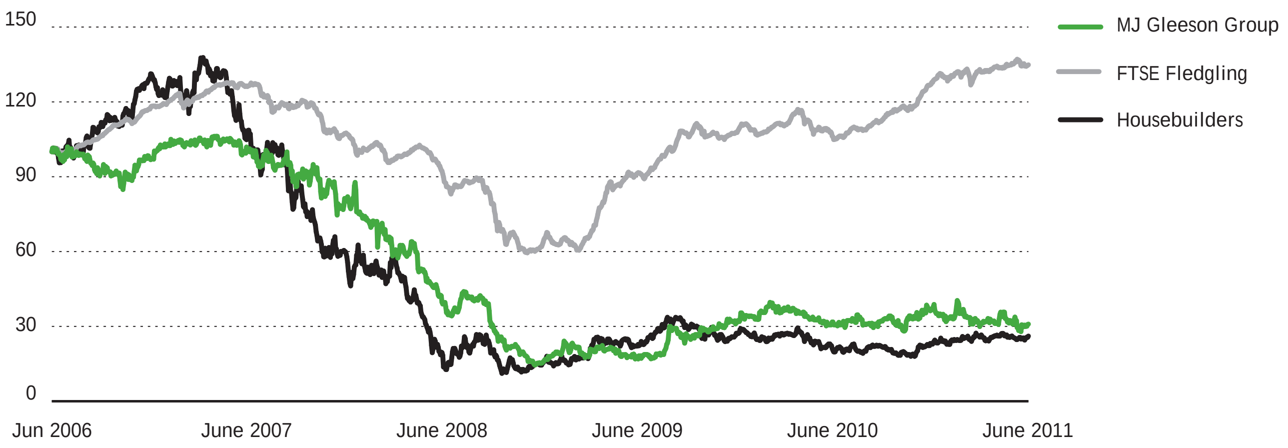
Dermot Gleeson served as a Non-Executive Director of GB Group Holdings Limited throughout the year ended 30 June 2011. During the year he received a fee of £15,000 from this company which he retained.

During the year Jolyon Harrison served as a Non-Executive Director of an independent private group of companies in respect of which he is entitled to a fee of £30,000 which he will be allowed to retain.

Performance graph

The graph below shows a comparison of the total shareholder return for the Company for each of the last five financial years set against the total shareholder return for the FTSE Fledgling 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, Persimmon, Redrow, Taylor Wimpey and Telford Homes.

MJ Gleeson & Index Comparison - 30 June 2006 to 30 June 2011



Service contracts

In accordance with the Code, it is the policy of the Company that the service contracts of all Directors appointed to the Board will be rolling and have notice periods of one year or less unless it is necessary to offer a longer period initially. In line with this policy, all of the Executive Directors, except the Chairman, who served during the year had service contracts that may be terminated by the Company with a notice period of one year. The notice period for the Chairman, Dermot Gleeson, is six months.

If the Company exercises its right of termination for any reason (other than in circumstances of misconduct), it will generally pay the Director concerned all remuneration and benefits to which he is entitled for any unexpired period of notice, plus any accrued bonus.

Details of the contracts of the Executive Directors who served during the year are set out below:

Director	Date of latest service contact	Date appointed to the Board	Date last elected/re-elected	Date next due for election/re-election
Dermot Gleeson	01/10/2010	27/11/1975	10/12/2010	09/12/2011
Chris Holt	01/05/2007	01/05/2007	Retired from the Board on 30/09/2010	Retired from Board on 30/09/2010
Alan Martin	01/01/2009	01/01/2009	10/12/2010	09/12/2011
Jolyon Harrison	23/10/2009	01/07/2010	10/12/2010	09/12/2011

Non-Executive Directors

In the past, each of the Non-Executive Directors has been appointed for a three-year period. In future, as each Non-Executive Director's letter of appointment approaches renewal, the term of appointment will be for one year. Non-Executive Directors' remuneration is set by the Board and is benchmarked against the remuneration paid to Non-Executive Directors of similar organisations. The fees paid to the Non-Executive Directors during the year ended 30 June 2011 are set out in the table on page 22 and comprise the whole of their remuneration. They are not entitled to participate in any of the employee benefit schemes and are not eligible to join the pension scheme. Save for any fees due for any unexpired period of notice or term of appointment, no compensation is due on termination of their appointment.

Details of their letters of appointment are set out below:

Director	Date appointed to the Board	Date first elected by the members	Date of most recent letter of appointment	Date of expiry	Date last elected/ re-elected	Date next due for election/ re-election	Period since first elected (complete years)
Ross Ancell	01/10/2006	10/01/2007	01/10/2010	30/09/2011	10/12/2010	09/12/2011	4
Terry Morgan	01/11/2006	10/01/2007	29/10/2010	31/10/2011	10/12/2010	Retired from the Board on 30/06/2011	Retired from the Board on 30/06/2011
Colin Dearlove	03/12/2007	12/12/2008	09/11/2010	02/12/2011	10/12/2010	09/12/2011	2
Christopher Mills	01/01/2009	11/12/2009	01/01/2009	31/12/2012	10/12/2010	09/12/2011	1

The letters of appointment for the Non-Executive Directors provides for a notice period of one month.

Directors' Remuneration Report continued

INFORMATION SUBJECT TO AUDIT

Directors' emoluments

The emoluments of the Directors for the years ended 30 June 2011 and 30 June 2010 are shown below:

	Note	Fee/Basic £000	Bonus £000	Benefits in kind £000	Compen-sation for loss of office £000	Subtotal £000	Pension £000	Total 2011 £000	Total 2010 £000
Chairman									
Dermot Gleeson		40	-	1	-	**41**	-	**41**	42
Executive Directors									
Chris Holt	a	52	-	16	348	**416**	-	**416**	326
Alan Martin		167	41	18	-	**226**	42	**268**	231
Jolyon Harrison	b	306	37	21	-	**364**	46	**410**	-
Non-Executive Directors									
Ross Ancell		30	-	-	-	**30**	-	**30**	30
Terry Morgan	c	30	-	-	-	**30**	-	**30**	30
Colin Dearlove		30	-	-	-	**30**	-	**30**	30
Christopher Mills		25	-	-	-	**25**	-	**25**	25
		680	**78**	**56**	**348**	**1,162**	**88**	**1,250**	**714**

(a) Retired 30 September 2010.

(b) Appointed 1 July 2010.

(c) Retired 30 June 2011.

Share options and awards

Director	30 June 2010	Granted/ awarded during year	Exercised during year	Options lapsed	30 June 2011	Scheme	Exercise price	Market value on date of exercise	Date from which option may be exercised	Expiry
Chris Holt	1,947	-	-	1,947	-	SAYE	276.00p	-	21/12/2010	21/06/2011
	184,615	-	-	184,615	-	PSP	325.00p	-	14/12/2010	14/12/2013
Alan Martin	1,947	-	-	1,947	-	SAYE	276.00p	-	21/12/2010	21/06/2011
	52,800	-	-	52,800	-	PSP	325.00p	-	14/12/2010	14/12/2013
	-	138,888	-	-	138,888	PSP	210.00p	-	17/12/2013	17/12/2016
Jolyon Harrison	-	242,857	-	-	242,857	PSP	210.00p	-	17/12/2013	17/12/2016

1. No payment was made in relation to the grant of any options.
2. No performance criteria apply to the Sharesave Scheme options.
3. The middle market price on 30 June 2011 was 110 pence and the range during the year to 30 June 2011 was from 99 pence to 144 pence.
4. During the year, a credit of £118,000 (2010: £92,000 charge) was recorded in the Income Statement for share options awarded to the Executive Directors.

Approval

This Report was approved by the Board on 23 September 2011.

By order of the Board.

Alan Martin
Company Secretary

23 September 2011

Corporate Governance

The Board is committed to the principles of corporate governance contained in the June 2010 Financial Reporting Council's UK Corporate Governance Code ("the Code") and for which the Board is accountable to shareholders and will continue to take a practical view of the financial implications for their implementation to a group of its size.

Statement of Compliance with the Combined Code

The Company has complied with the Code's provisions throughout the year, save as noted below.

Following the retirement of Chris Holt as Chief Executive Officer on 30 September 2010, the Board decided that it would not, for the time being, appoint a new CEO. Alan Martin was appointed Chief Operating Officer, while retaining his role as Group Finance Director, and it was agreed that he and Jolyon Harrison, the Managing Director of Gleeson Homes, would report to Dermot Gleeson, as Chairman. The Board considers these arrangements to be a sensible and cost effective response to the Group's current circumstances and requirements. It is satisfied that there are adequate checks and balances in place, not least through the presence of three Non-Executive Directors, two of whom are considered independent, to prevent an undue concentration of power in the hands of an individual Director.

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, three of whom are Non-Executive. Christopher Mills, who represents a major shareholder, North Atlantic Value LLP, is not considered to be "independent" within the definition of that term contained in the Code. All other Non-Executive Directors are independent. The Directors' biographies are set out on pages 2 and 3.

Following the introduction of s.175 of the Companies Act 2006 on 1 October 2008 and the authority given by shareholders at the 2008 Annual General Meeting 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.

Ross Ancell is the Senior Independent Non-Executive Director.

Dermot Gleeson, Chairman, has previously been Non-Executive Chairman and, prior to that, has held the post of Executive Chairman as well as 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.

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.

During the year, the Board met on 6 scheduled 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**	**5**	**3**
Attendance	Dermot Gleeson	6	*	***	3
	Ross Ancell	6	3	5	3
	Terry Morgan	5	4	5	3
	Colin Dearlove	6	4	5	3
	Christopher Mills	5	*	*	*
	Chris Holt	1	**	***	***
	Alan Martin	6	****	***	***
	Jolyon Harrison	6	***	*	*

* Not a member of this Committee.

** Whilst not a member of this Committee, the Director was in attendance at all meetings prior to his retirement from the Board on 30 September 2010.

*** Whilst not a member of this Committee, the Director was in attendance for part of certain meetings.

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

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.

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.

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.

Corporate Governance continued

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, Gallagher Heath Limited. 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.

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.

Audit Committee

The Audit Committee operates under the chairmanship of Colin Dearlove. The other members of the Committee who served during the year were:

Ross Ancell
Terry Morgan

The Chairman invites the Chief Operating Officer & Group Finance Director, and other senior management to attend, along with the Group's Auditors, when required.

The Committee's formal terms of reference, which are reviewed annually, are available on the website and require it to:

- consider the appointment and fees of the Auditors;
- agree the nature and scope of the Audit;
- address the findings of the Audit;
- review and report to the Board on the half yearly and annual financial statements and on the Interim Management Statements;
- address any major accounting issues that arise;
- consider the position with regard to internal control, risk management and Internal Audit; and
- consider the award of any non-audit work to the Auditors.

The Committee meets at least three times a year and is afforded the opportunity to meet with the Auditors in the absence of the Executive Directors.

The Committee receives a report from the Auditors highlighting any concerns and setting out management's response to any matters raised.

The Group Finance Director has responsibility for risk management and internal control and attends all Audit Committee meetings to which he is invited to report on these matters.

During the year under review, the Audit Committee reviewed the independence of the Auditors. This included information about policies and processes for maintaining independence, monitoring compliance with relevant requirements and ethical guidance, and consideration of all relationships between the Group and the Auditors and their staff. The Audit Committee concluded that the Auditors were independent.

The Audit Committee approves all non-audit services proposed to be undertaken by the Auditors. During 2011, in accordance with its terms of reference, the Audit Committee approved the continuing appointment of KPMG as tax advisors to the Group.

Remuneration Committee

Details of the Remuneration Committee are given in the Directors' Remuneration Report which is set out on pages 18 to 23.

Nomination Committee

During the year, the Nomination Committee was chaired by Ross Ancell, Senior Independent Director. Subsequent to the year end and following the retirement of Terry Morgan as a Director and Chairman of the Remuneration Committee, Ross Ancell stepped down as Chairman of the Nomination Committee and became Chairman of the Remuneration Committee. Dermot Gleeson has taken over as Chairman of the Nomination Committee. The members of the Committee who served during the year were:

Dermot Gleeson
Terry Morgan
Colin Dearlove

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. Following the successful fulfilment since November 2009 of his role of Managing Director of the Regeneration & Homes business, Jolyon Harrison was appointed as an additional Executive Director with effect from 1 July 2010. There have been three scheduled meetings of the Committee, during one of which its annual review of the Board was carried out.

Investor 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 Annual General Meeting ("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 text of the resolutions to be considered at the AGM appears in the Notice of Meeting. All proxy cards are to be returned to the Company's registrar which will collate the results and report to the Board. The number of proxy votes cast for and against each resolution will be announced at the AGM and will also be set out in the subsequent Regulatory News Service announcement, a copy of which will be made available on the website.

Detailed reviews of the performance and financial position of the Group's operations are included in the Directors' Report and Business Review. The Board uses these, together with the Chairman's Statement and this Report on Corporate Governance, to present a balanced and understandable account of the Group's position and prospects.

Corporate Governance 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 Group Finance Director and external review as part of the statutory audit carried out by the Auditors.

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

- The Board and management committees meet regularly to monitor performance against key performance indicators which include cash management and financial and operational measures. A variety of financial and non-financial reports 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 Operating 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.

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, the Directors of the Company, confirm that to the best of our knowledge:

- the Financial Statements of the Group and of the Company have been prepared in accordance with IFRS's as adopted in the EU in accordance with applicable United Kingdom law and 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 Group, together with a description of the principal risks and uncertainties that face the Group.

By order of the Board

D Gleeson
Chairman

A Martin
Director

23 September 2011

Independent Auditors’ Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF M J GLEESON GROUP PLC

We have audited the financial statements of M J Gleeson Group plc for the year ended 30 June 2011 set out on pages 32 to 67. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (“APB's”) Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

A description of the scope of an audit of Financial Statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on Financial Statements

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 2011 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- information given in the Corporate Governance Statement set out on pages 24 to 28 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the Financial Statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 13, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Govenance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

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

Chartered Accountants
1 The Embankment
Neville Street
Leeds LS1 4DW

23 September 2011

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2011

	Note	2011 Before exceptional items £000	2011 Exceptional items Note 4 £000	2011 £000	2010 Before exceptional items £000	2010 Exceptional items Note 4 £000	2010 £000
Continuing operations							
Revenue		41,353	-	41,353	46,534	-	46,534
Cost of sales		(37,181)	1,821	(35,360)	(43,507)	2,803	(40,704)
Gross profit		4,172	1,821	5,993	3,027	2,803	5,830
Administrative expenses		(7,123)	1,648	(5,475)	(7,281)	710	(6,571)
Profit on sale of investment and owner-occupied properties		18	-	18	57	-	57
Share of profit of joint ventures (net of tax)	13	392	-	392	361	-	361
Operating profit/(loss)		(2,541)	3,469	928	(3,836)	3,513	(323)
Financial income	7	793	-	793	1,086	-	1,086
Financial expenses	7	(179)	-	(179)	(316)	-	(316)
Profit/(loss) before tax		(1,927)	3,469	1,542	(3,066)	3,513	447
Tax	8	42	-	42	235	-	235
Profit/(loss) for the year from continuing operations		(1,885)	3,469	1,584	(2,831)	3,513	682
Discontinued operations							
(Loss)/profit for the year from discontinued operations (net of tax) and gain from sale of discontinued operation	3			(73)			2,455
Profit for the year attributable to equity holders of the parent company				1,511			3,137
Other comprehensive income							
Share of joint venture's cashflow hedges				(40)			(75)
Total comprehensive income for the year attributable to equity holders of parent company				1,471			3,062
Earnings per share attributable to equity holders of the parent company							
Basic and diluted	10			2.88			6.00
Earnings per share from continuing operations							
Basic and diluted	10			3.02			1.30

The notes on pages 38 to 67 form part of these financial statements.

Consolidated Statement of Financial Position

at 30 June 2011

	Note	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Non-current assets					
Plant and equipment	11	**258**	150	**52**	71
Investment properties	12	**803**	873	**-**	-
Investments in joint ventures	13	**15**	2,124	**-**	-
Loans and other investments	14	**6,902**	9,380	**4,896**	4,896
Investments in subsidiaries	15	**-**	-	**31,001**	32,001
Trade and other receivables	18	**3,838**	3,012	**-**	-
Deferred tax assets	25	**894**	1,053	**567**	620
		12,710	16,592	**36,516**	37,588
Current assets					
Inventories	17	**69,497**	76,077	**-**	-
Trade and other receivables	18	**13,679**	20,266	**49,814**	48,651
UK corporation tax		**-**	22	**-**	-
Cash and cash equivalents	27	**17,763**	18,423	**17,975**	20,546
Assets classified as held for sale	19	**6,868**	-	**-**	-
		107,807	114,788	**67,789**	69,197
Total assets		**120,517**	131,380	**104,305**	106,785
Non-current liabilities					
Provisions	23	**(480)**	(3,063)	-	-
		(480)	(3,063)	**-**	-
Current liabilities					
Trade and other payables	22	**(19,809)**	(28,898)	**(24,700)**	(32,282)
Provisions	23	**(1,075)**	(1,571)	**(65)**	(483)
UK corporation tax		-	(5)	-	(5)
		(20,884)	(30,474)	**(24,765)**	(32,770)
Total liabilities		**(21,364)**	(33,537)	**(24,765)**	(32,770)
Net assets		**99,153**	97,843	**79,540**	74,015
Equity					
Share capital	29	**1,054**	1,053	**1,054**	1,053
Share premium account		**6,039**	5,969	**6,039**	5,969
Capital redemption reserve		**120**	120	**120**	120
Retained earnings		**91,940**	90,701	**72,327**	66,873
Total equity		**99,153**	97,843	**79,540**	74,015

The financial statements were approved by the Board of Directors on 23 September 2011 and were signed on its behalf by:

D Gleeson
Director

A Martin
Director

The notes on pages 38 to 67 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2011

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
GROUP					
At 1 July 2009	1,052	5,861	120	95,399	**102,432**
Total comprehensive income for the period					
Profit for the period	-	-	-	3,137	**3,137**
Other comprehensive income					
Cashflow hedges	-	-	-	(75)	**(75)**
Total comprehensive income for the period	-	-	-	3,062	**3,062**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue	1	108	-	-	**109**
Purchase of own shares	-	-	-	(108)	**(108)**
Share-based payments	-	-	-	220	**220**
Dividends	-	-	-	(7,872)	**(7,872)**
Transactions with owners, recorded directly in equity	1	108	-	(7,760)	**(7,651)**
At 30 June 2010	**1,053**	**5,969**	**120**	**90,701**	**97,843**
Total comprehensive income for the period					
Profit for the period	**-**	**-**	**-**	**1,511**	**1,511**
Other comprehensive income					
Cashflow hedges	**-**	**-**	**-**	**(40)**	**(40)**
Total comprehensive income for the period	**-**	**-**	**-**	**1,471**	**1,471**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue	**1**	**70**	**-**	**-**	**71**
Purchase of own shares	**-**	**-**	**-**	**(118)**	**(118)**
Share-based payments	**-**	**-**	**-**	**(114)**	**(114)**
Transactions with owners, recorded directly in equity	**1**	**70**	**-**	**(232)**	**(161)**
At 30 June 2011	**1,054**	**6,039**	**120**	**91,940**	**99,153**

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
COMPANY					
At 1 July 2009	1,052	5,861	120	132,891	**139,924**
Total comprehensive income for the period					
Loss for the period	-	-	-	(58,384)	**(58,384)**
Total comprehensive income for the period	-	-	-	(58,384)	**(58,384)**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue	1	108	-	-	**109**
Own shares disposed	-	-	-	18	**18**
Share-based payments	-	-	-	220	**220**
Dividends	-	-	-	(7,872)	**(7,872)**
Transactions with owners, recorded directly in equity	1	108	-	(7,634)	**(7,525)**
At 30 June 2010	**1,053**	**5,969**	**120**	**66,873**	**74,015**
Total comprehensive income for the period					
Loss for the period	**-**	**-**	**-**	**5,818**	**5,818**
Total comprehensive income for the period	**-**	**-**	**-**	**5,818**	**5,818**
Transactions with owners, recorded directly in equity					
Contributions and distributions to owners					
Share issue	**1**	**70**	**-**	**-**	**71**
Purchase of own shares	**-**	**-**	**-**	**(250)**	**(250)**
Share-based payments	**-**	**-**	**-**	**(114)**	**(114)**
Transactions with owners, recorded directly in equity	**1**	**70**	**-**	**(364)**	**(293)**
At 30 June 2011	**1,054**	**6,039**	**120**	**72,327**	**79,540**

Consolidated Statement of Cashflow

for the year ended 30 June 2011

	Note	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Operating activities					
Profit/(loss) before tax from continuing operations		**1,542**	447	**5,825**	(58,528)
(Loss)/profit before tax from discontinued operations	3	**(73)**	2,455	**-**	-
		1,469	2,902	**5,825**	(58,528)
Depreciation of plant and equipment	11	**92**	251	**19**	17
Goodwill on acquisition of subsidiaries		**-**	(50)	**-**	-
Restatement of loans to joint ventures		**-**	(710)	**-**	-
Share-based payments		**(114)**	220	**(114)**	220
Profit on sale of investment and owner-occupied properties		**(5)**	(57)	**-**	-
Profit on disposal of investment in subsidiary		**-**	(1,936)	**-**	-
Share of profit of joint ventures (net of tax)	13	**(392)**	(361)	**-**	-
Financial income		**(808)**	(1,086)	**(1,026)**	(1,098)
Financial expenses		**179**	316	**92**	156
Dividends received		**-**	-	**(6,302)**	(3,464)
Operating cash flows before movements in working capital		**421**	(511)	**(1,506)**	(62,697)
Decrease in inventories		**6,580**	7,026	**-**	-
Decrease/(increase) in receivables		**5,749**	9,233	**629**	(234)
(Decrease)/increase in payables		**(12,214)**	(1,569)	**(1,485)**	358
(Increase)/decrease in amounts due from subsidiary undertakings		**-**	-	**(8,448)**	60,220
Cash generated/(utilised) from operating activities		**536**	14,179	**(10,810)**	(2,353)
Tax received		**218**	-	**41**	-
Tax paid		**-**	(2)	**-**	-
Interest paid		**(132)**	(237)	**(97)**	(216)
Net cash flows from operating activities		**622**	13,940	**(10,866)**	(2,569)

	Note	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Investing activities					
Proceeds from disposal of subsidiary undertakings, net of cash disposed		**-**	3,816	**-**	-
Proceeds from disposal of investment and owner-occupied properties		**154**	324	**-**	-
Proceeds from disposal of other plant and equipment		**-**	1	**-**	-
Interest received		**299**	291	**1,172**	954
Dividends received		**-**	-	**6,302**	3,464
Purchase of plant and equipment	11	**(200)**	(195)	**-**	(6)
Loans made to joint ventures		**(1,999)**	(2,809)	**-**	-
Repayment of loans to joint ventures and other investments		**511**	-	**1,000**	2,020
Net cash flows from investing activities		**(1,235)**	1,428	**8,474**	6,432
Financing activities					
Proceeds from issue of shares		**71**	109	**71**	109
Purchase of own shares		**(118)**	(108)	**(250)**	-
Own shares disposed		**-**	-	**-**	18
Dividends paid	9	**-**	(7,872)	**-**	(7,872)
Net cash flows from financing activities		**(47)**	(7,871)	**(179)**	(7,745)
Net (decrease)/increase in cash and cash equivalents		**(660)**	7,497	**(2,571)**	(3,882)
Cash and cash equivalents at beginning of year		**18,423**	10,926	**20,546**	24,428
Cash and cash equivalents at end of year	27	**17,763**	18,423	**17,975**	20,546

Notes to the Financial Statements

for the year ended 30 June 2011

1. ACCOUNTING POLICIES

M J 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 Income Statement of the parent company is not presented as part of these accounts. The profit of the parent company for the financial year amounted to £5,818,000 (2010: loss of £57,520,000).

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 income statement.

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.

Prudent 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 Operating 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 income statement. 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, and asset impairments, including land, work in progress and amounts recoverable on construction contracts.

Restructuring costs

Restructuring costs are recognised as exceptional items in the income statement when the Group has a detailed plan that has been communicated to the affected parties. A liability is accrued for unpaid restructuring costs.

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 income statement on a straight-line basis over the period of the lease.

Finance 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 income statement on the date that the Group's right to receive payment is established.

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

Plant and equipment

Depreciation is charged so as to write off cost or valuation 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 income statement.

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 income statement in the period in which they arise.

Notes to the Financial Statements continued

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,

iii) a review of submitted offers where the properties were being marketed for sale.

Assets classified as held for sale

Assets classified as held for sale, represent joint venture investments where the preferred bidder has been identified. The negotiations are well advanced as at the year end with completion expected within the year. The assets are reviewed for impairment on classification as available for sale and any impairment is charged to the income statement. The assets are reviewed again for impairment at the year end and any impairment is charged to the income statement.

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 income statement 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 income statement in share of joint venture results net of any related deferred tax.

Loans and other investments

Loans are originally stated at fair value and subsequently carried at amortised cost less impairment. 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 cost or net realisable value.

Amounts due from construction contract customers

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

Available for sale financial assets

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

Trade receivables

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

Derivative financial instruments

Derivative financial instruments (interest rate swaps) are used in joint ventures to hedge long term interest rate risk. These are recorded in the joint venture at fair value. The fair value of interest rate swaps is the Group share of the estimated amount that the joint venture would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The gain or loss on remeasurement to fair value is recognised immediately in the income statement of the joint venture. However, where derivatives qualify for hedge accounting, recognition of the effective part of the hedge of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve of the joint venture. Any ineffective portion of the hedge is recognised immediately in the income statement of the joint venture. The recycling of cash flow hedged when the swaps are crystallised is recognised as a movement in other comprehensive income.

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

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 income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

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

Employee benefits

Obligations for contributions to defined contribution pension schemes are charged to the income statement 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 either the Binomial valuation model, the Black-Scholes valuation model or 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

Notes to the Financial Statements continued

results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key 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 the 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.

Loans to joint ventures

Loans to joint ventures are stated at the lower of the value of the loan and net realisable value, which is dependent upon management's assessment of future trading activity of the joint venture and is therefore subject to a degree of inherent uncertainty.

Amounts recoverable on contracts and trade receivables

Management has reviewed the recoverability of amounts recoverable on contracts and trade receivables, which is dependent upon management's assessment the recoverability of receivables 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.

Adoption of new and revised standards

For the year ended 30 June 2011, the Group has adopted the following standards:

IFRS 5 (revised) 'Non-current Assets Held for Sale', which amends disclosure requirements;

IAS 24 'Related Party Disclosure' which amends disclosure requirements.

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 2011:

Standard	Due for adoption y/e
IFRS 9 'Financial Instruments'	1 January 2013
IFRS 10 'Consolidated Financial Statements'	1 January 2013
IFRS 11 'Joint Arrangements'	1 January 2013
IFRS 12 'Disclosure of Interests in Other Entities'	1 January 2013
IFRS 13 'Fair Value Measurement'	1 January 2013

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.

2. SEGMENTAL ANALYSIS

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

- Gleeson Regeneration & Homes focuses on estate regeneration and housing development on brownfield land in the North of England.
- Gleeson Strategic Land focuses on the purchase of options over land in the South of England.
- Gleeson Capital Solutions manages the Group's Private Financing Initiative investments in social housing.
- Gleeson Commercial Property Developments is engaged in commercial property development in the UK.
- Gleeson Construction Services includes construction services in the UK.

In the prior year, Powerminster Gleeson Services was considered a division. This division was sold on 30 June 2010.

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

	2011 £000	2010 £000
Revenue		
Continuing activities:		
Gleeson Regeneration & Homes	**35,440**	22,741
Gleeson Strategic Land	**5,770**	10,490
Gleeson Capital Solutions	**-**	-
Gleeson Commercial Property Developments	**2**	13,231
Gleeson Construction Services	**141**	72
	41,353	46,534
Discontinued activities:		
Gleeson Construction Services	**353**	666
Powerminster Gleeson Services	**-**	17,419
	353	18,085
Total revenue	**41,706**	64,619
Profit/(loss) on activities		
Gleeson Regeneration & Homes	**(400)**	(1,307)
Gleeson Strategic Land	**2,710**	2,191
Gleeson Capital Solutions	**110**	282
Gleeson Commercial Property Developments	**(27)**	480
Gleeson Construction Services	**(54)**	(68)
	2,339	1,578
Group activities	**(1,411)**	(1,901)
Financial income	**793**	1,086
Financial expenses	**(179)**	(316)
Profit before tax	**1,542**	447
Tax	**42**	235
Profit for the year from continuing operations	**1,584**	682
(Loss)/profit for the year from discontinued operations and gain on sale of discontinued operations (net of tax)	**(73)**	2,455
Profit for the year attributable to equity holders of the parent company	**1,511**	3,137

All rental income from investment properties, totalling £20,000 (2010: £18,000), are reported within the Gleeson Regeneration & Homes segment. All revenue for the Gleeson Construction Services segment is in relation to long term contracts. The revenue in the Gleeson Regeneration & Homes segment relates to the sale of residential properties and land. Service revenues are reported by Gleeson Capital Solutions.

Notes to the Financial Statements continued

Balance sheet analysis of business segments:

	2011 Assets £000	2011 Liabilities £000	2011 Net assets £000	2010 Assets £000	2010 Liabilities £000	2010 Net assets £000
Gleeson Regeneration & Homes	**55,600**	**(6,707)**	**48,893**	59,684	(10,274)	49,410
Gleeson Strategic Land	**29,710**	**(6,602)**	**23,108**	30,951	(10,203)	20,748
Gleeson Capital Solutions	**8,991**	**(210)**	**8,781**	8,808	(398)	8,410
Gleeson Commercial Property Developments	**54**	**(721)**	**(667)**	119	(1,477)	(1,358)
Gleeson Construction Services	**2,601**	**(5,865)**	**(3,264)**	6,496	(7,602)	(1,106)
Group Activities	**5,798**	**(1,259)**	**4,539**	6,899	(3,583)	3,316
Net cash	**17,763**	**-**	**17,763**	18,423	-	18,423
	120,517	**(21,364)**	**99,153**	131,380	(33,537)	97,843

Other information:

	2011 Capital additions £000	2011 Depre-ciation £000	2010 Capital additions £000	2010 Depre-ciation £000
Continuing operations:				
Gleeson Regeneration & Homes	**197**	**73**	62	76
Gleeson Capital Solutions	**3**	**1**	-	-
Group Activities	**-**	**18**	6	17
	200	**92**	68	93
Discontinued operations:				
Powerminster Gleeson Services	-	-	127	158
	200	92	195	251

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

3. DISCONTINUED OPERATIONS

The Group disposed of certain assets and liabilities of the Gleeson Engineering Division of Gleeson Construction Services to Black and Veatch Limited ("B&V") in a prior period and treated this as a discontinued operation. A small number of contracts were legally retained but the operations were taken over by B&V on the Group's behalf on a cost plus basis. Consequently, the Group has no involvement in the day-to-day running of these contracts and acts as an intermediary. At the time of the sale, the remaining costs to complete the contracts were considered insignificant in relation to the separately identifiable division as a whole.

On 30 June 2010, the Group disposed of the Powerminster Gleeson Services division to Morgan Sindall Group Plc.

	Note	2011 £000	2010 £000
Revenue		**353**	18,085
Cost of sales		**(353)**	(15,514)
Gross profit		**-**	2,571
Administrative expenses		**(88)**	(2,052)
Gain on disposal of discontinued operations		**-**	1,936
Operating (loss)/profit		**(88)**	2,455
Financial income	7	**15**	-
(Loss)/profit before tax		**(73)**	2,455
Tax		**-**	-
(Loss)/profit for the year from discontinued operations		**(73)**	2,455

Earnings per share: impact of discontinued operations

	Note	2011 p	2010 p
Basic	10	**(0.14)**	4.70
Diluted	10	**(0.14)**	4.70

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

	2011 £000	2010 £000
Operating activities	**(88)**	2,455
Financing activities	**15**	-
	(73)	2,455

4. EXCEPTIONAL ITEMS

Impairment of inventories and contract provisions

At 30 June 2011, 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.

Impairment of loans to joint ventures

At 30 June 2011, the Group conducted a review of the net realisable value of loans to joint ventures in the light of the condition of the UK commercial property market. There was no impairment or release in the year. In the prior year, where the estimated net present realisable value of a previously impaired loan is more than its carrying value within the balance sheet, the Group has reversed the impairment previously made.

Restructuring costs

During the year, the Group reversed £1,648,000 (2010: £nil) in relation to onerous lease provisions provided for and treated as exceptional in prior years.

Exceptional income may be summarised as follows:

	2011 £000	2010 £000
Re-instatement of inventories and contract provisions	**1,821**	2,803
Re-instatement of loans to joint ventures	**-**	710
Reversal of restructuring costs	**1,648**	-
	3,469	3,513

In the year ended 30 June 2011, £3,469,000 (2010: £2,803,000) of exceptional income was reported in the Gleeson Regeneration and Homes division and £nil (2010: £710,000) in the Gleeson Commercial Property Developments division.

5. EXPENSES AND AUDITORS' REMUNERATION

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

	Note	2011 £000	2010 £000
Staff costs	6	**5,497**	12,278
Depreciation of plant and equipment (continuing operations)		**92**	93
Depreciation of plant and equipment (discontinued operations)		**-**	158
Profit on sale of investment and owner occupied properties		**(5)**	(57)
Rental income from investment properties		**(20)**	(18)
Auditors' remuneration for:			
• Audit of these financial statements		**10**	25
• Audit of financial statements of subsidiaries pursuant to legislation		**55**	80
• Taxation services		**47**	62
• Other services		**38**	-

Notes to the Financial Statements continued

6. STAFF COSTS

	Note	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Wages and salaries		**4,731**	9,704	**747**	1,162
Redundancy		**61**	730	**23**	310
Share-based payments		**(114)**	220	**(198)**	111
Social security costs		**501**	1,064	**95**	127
Other pension costs	24	**318**	560	**100**	127
		5,497	12,278	**767**	1,837

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

	Group 2011 No.	Group 2010 No.
Gleeson Regeneration & Homes	**76**	56
Gleeson Strategic Land	**8**	6
Gleeson Capital Solutions	**4**	5
Powerminster Gleeson Services	**-**	199
Gleeson Commercial Property Developments	**-**	1
Group Activities	**12**	18
	100	285

The average number of people employed by the Company (including Directors) during the year was 12 (2010: 18).

Directors' remuneration

Full details of the Directors' remuneration is provided in the audited part of the Directors' Remuneration Report on pages 18 to 23.

7. FINANCIAL INCOME AND EXPENSES

Group	Continuing operations 2011 £000	Continuing operations 2010 £000	Discontinued operations 2011 £000	Discontinued operations 2010 £000	Total 2011 £000	Total 2010 £000
Financial income						
Interest on bank deposits	**114**	60	**-**	-	**114**	60
Interest on joint venture loans	**440**	416	**-**	-	**440**	416
Other interest	**24**	172	**15**	-	**39**	172
Unwinding of discount on deferred receipts	**215**	438	**-**	-	**215**	438
	793	1,086	**15**	-	**808**	1,086
Financial expenses						
Interest on bank overdrafts and loans	**(2)**	(2)	**-**	-	**(2)**	(2)
Bank charges	**(119)**	(164)	**-**	-	**(119)**	(164)
Unwinding of discount on deferred payments	**(58)**	(150)	**-**	-	**(58)**	(150)
	(179)	(316)	**-**	-	**(179)**	(316)
Net financial income	**614**	770	**15**	-	**629**	770

Note 21 discloses any further exposure for the Group to interest rate risk.

8. TAX

Group	Note	Continuing operations 2011 £000	Continuing operations 2010 £000	Discontinued operations 2011 £000	Discontinued operations 2010 £000	Total 2011 £000	Total 2010 £000
Current tax:							
Adjustment in respect of prior years		**(201)**	(19)	**-**	-	**(201)**	(19)
		(201)	(19)	**-**	-	**(201)**	(19)
Deferred tax:							
Current year expense/(credit)	25	**100**	(63)	**-**	-	**100**	(63)
Adjustment in respect of prior years	25	**(14)**	(153)	**-**	-	**(14)**	(153)
Impact of rate change	25	**73**	-			**73**	-
Corporation tax credit for the year		**(42)**	(235)	**-**	-	**(42)**	(235)
Joint ventures tax expense for the year		**45**	141	**-**	-	**45**	141
Total tax		**3**	(94)	**-**	-	**3**	(94)

On 1 April 2011, the rate of Corporation tax reduced from 28% to 27%. The weighted average rate of corporation tax was 27.75% (2010: 28.00%) of the estimated assessable profit for the year.

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

	Note	2011 £000	2011 %	2010 £000	2010 %
Profit before tax on continuing operations		**1,542**		447	
Add joint venture tax for the year	13	**45**		141	
		1,587		588	
(Loss)/profit before tax from discontinued operations	3	**(73)**		2,455	
Profit before tax		**1,514**		3,043	
Tax charge at standard rate		**420**	**27.7**	852	28.0
Tax effect of:					
Non-taxable income		**(164)**	**(10.8)**	(700)	(23.0)
Expenses that are not deductible in determining taxable profits		**-**	**-**	97	3.2
Losses arising in the year carried forward		**718**	**47.4**	329	10.8
Utilisation of tax losses not previously recognised		**(829)**	**(54.8)**	(500)	(16.4)
Changes in tax rates		**73**	**4.8**	-	-
Adjustments in respect of prior years		**(215)**	**(14.2)**	(172)	(5.7)
Tax charge/(credit) and effective tax rate for the year		**3**	**0.2**	(94)	(3.1)

9. DIVIDENDS

	2011 £000	2010 £000
Amounts recognised as distributions to equity holders in the year:		
Special dividend paid on 31 March 2010 of 15p per share	**-**	7,872
	-	7,872
There is no final dividend proposed for the year ended 30 June 2011 (2010: nil p per share)	**-**	-

On 23 September 2011, the Directors proposed a special dividend of 5p per share totalling £2,635,000. The dividend has not been provided for and there are no tax consequences for the Group or Company.

Notes to the Financial Statements continued

10. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

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

Earnings

	2011 £000	2010 £000
Earnings for the purposes of basic earnings per share, being net profit or loss attributable to equity holders of the parent company		
Profit from continuing operations	1,584	682
(Loss)/profit from discontinued operations	(73)	2,455
Profit for the purposes of basic and diluted earnings per share	1,511	3,137

Number of shares

	2011 No. 000	2010 No. 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	52,458	52,260
Effect of dilutive potential ordinary shares:		
Share options	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	52,458	52,260

From continuing operations

	2011 p	2010 p
Basic and diluted	3.02	1.30

From discontinued operations

	2011 p	2010 p
Basic and diluted	(0.14)	4.70

From continuing and discontinued operations

	2011 p	2010 p
Basic and diluted	2.88	6.00

11. PLANT AND EQUIPMENT

	Group Plant and machinery £000	Company Plant and Machinery £000
Cost or valuation		
At 1 July 2009	4,323	707
Additions	195	6
Disposals	(1)	-
Disposal of subsidiaries	(2,973)	-
At 30 June 2010	**1,544**	**713**
Additions	**200**	**-**
Disposals	**(81)**	**-**
At 30 June 2011	**1,663**	**713**
Accumulated depreciation		
At 1 July 2009	2,673	625
Charge for the year	251	17
Disposal of subsidiaries	(1,530)	-
At 30 June 2010	**1,394**	**642**
Charge for the year	**92**	**19**
Disposal of subsidiaries	**(81)**	**-**
At 30 June 2011	**1,405**	**661**
Net book value		
At 30 June 2011	**258**	**52**
At 30 June 2010	150	71
At 30 June 2009	1,650	82

The Group has reported depreciation expense of £30,000 (2010: £137,000) in cost of sales and £62,000 (2010: £114,000) in administrative expenses.

The Company has reported depreciation expense of £19,000 (2010: £17,000) in administrative expenses.

12. INVESTMENT PROPERTY

Group	Freehold investment property £000
Cost or valuation	
At 1 July 2009	1,140
Disposals	(267)
At 30 June 2010	**873**
Additions	**79**
Disposals	**(149)**
At 30 June 2011	**803**

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

	Note	2011 £000	2011 £000	2010 £000	2010 £000
At 1 July			**2,124**		1,888
Share of results for the year		**437**		502	
Share of tax expense		**(45)**		(141)	
Share of profit in joint ventures (net of tax) for the year			**392**		361
Transfer of joint ventures to subsidiary			**-**		(50)
Cashflow hedges			**(40)**		(75)
			2,476		2,124
Classified as assets held for sale	19		**(2,461)**		-
At 30 June			**15**		2,124

On 30 June 2011, investments in AvantAge (Cheshire) Holdings Ltd, Chrysalis (Stanhope) Holdings Ltd, and Grove Village Holdings Ltd were considered, under IFRS 5, to be Assets held for sale (note 19). Profits for the year from these joint ventures have been recorded within the share of results for the year.

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

Aggregate amounts in respect of Group share of joint ventures

	Note	2011 £000	2010 £000
Current assets		**6,376**	5,342
Non-current assets		**58,451**	40,258
Current liabilities		**(1,835)**	(3,890)
Non-current liabilities		**(60,401)**	(39,511)
		2,591	2,199
Cashflow hedges		**(115)**	(75)
		2,476	2,124
Classified as assets held for sale	19	**(2,461)**	-
At 30 June		**15**	2,124
Revenue		**9,720**	13,034
Expenses		**(9,283)**	(12,532)
Profit before tax		**437**	502
Tax		**(45)**	(141)
Profit for the year		**392**	361

There are no significant contingent liabilities in the joint ventures.

Joint venture	Principal activity	Percentage of equity held	Class of shares	Country of incorporation	Year end date[3]
AvantAge (Cheshire) Holdings Ltd	Extra care housing	33%	C Ordinary shares	England	31 March
Chrysalis (Stanhope) Holdings Ltd	Social housing regeneration	33%	Ordinary shares	England	31 December
Genesis Estates (Manchester) Ltd	Residential property development	50%	Ordinary shares	England	26 March
Gleeson Black and Veatch Joint Venture Partnership	Construction	60%		England	30 June
Grove Village Holdings Ltd	PFI project company established to design, refurbish, construct and provide facilities management services for a social housing development in Manchester	49%[1]	C Ordinary shares	England	31 March
Leeds Independent Living Accommodation Company Holdings Ltd	Assisted housing	33%	A Ordinary shares	England	31 December
Marlborough Gleeson (Peterborough) Ltd	Property development	50%	Ordinary shares	England	30 June
Marlborough Gleeson (Wolverton 2) Ltd	Property development	50%	Ordinary shares	England	30 June
The Gleeson Capital Solution Partners Joint Venture Partnership	Construction - Engineering	35%[2]		England	30 June

1 Control is normally based upon the level of shareholding. However, the Articles of Association define that certain decisions have to be taken unanimously by the shareholders, effectively negating the power of the controlling entity.

2 All decisions have to be taken unanimously by the shareholders.

3 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.

Class of shares

The following describes the voting rights for those joint ventures which have issued A, B and C shares.

AvantAge (Cheshire) Holdings Ltd

A, B and C shares rank pari passu in all respects except as provided within Articles of Association with respect to appointment and removal of Directors, transfer of shares and voting at general meetings.

Grove Village Holdings Ltd

A, B and C shares rank pari passu in all respects except as provided within Articles of Association with respect to appointment and removal of Directors, transfer of shares and voting at general meetings.

Leeds Independent Living Accommodation Company Holdings Ltd

A, B and C shares rank pari passu in all respects except as provided within Articles of Association with respect to appointment and removal of Directors, transfer of shares and voting at general meetings.

Notes to the Financial Statements continued

14. LOANS AND OTHER INVESTMENTS

Group loans & other investments

	Note	Joint venture loans		Loans & other investments		Total	
		2011 £000	2010 £000	**2011 £000**	2010 £000	**2011 £000**	2010 £000
At 1 July		**4,484**	9,686	**4,896**	4,896	**9,380**	14,582
Additions		**2,442**	3,022	**-**	-	**2,442**	3,022
Repayments		**(513)**	-	**-**	-	**(513)**	-
Reclassified on acquisition of joint venture as subsidiary		**-**	(8,934)	**-**	-	**-**	(8,934)
Reinstatement of loans to joint ventures		**-**	710	**-**	-	**-**	710
Classified as assets held for sale	19	**(4,407)**	-	**-**	-	**(4,407)**	-
At 30 June		**2,006**	4,484	4,896	4,896	6,902	9,380

On 30 June 2011, loans to AvantAge (Cheshire) Holdings Ltd, Chrysalis (Stanhope) Holdings Ltd, and Grove Village Holdings Ltd were considered, under IFRS 5, to be Assets held for sale (note 19). Interest receivable on these loans has been recorded within financial income.

The Directors consider that the carrying amount of loans and other investments approximates to their fair value. In the prior year, where the estimated net present realisable value of loans to joint ventures which had been previous impaired was greater than the carrying value, the loans were restated at the lower of cost and net present realisable value.

Company loans & other investments

	Loans & other investments		Total	
	2011 £000	2010 £000	**2011 £000**	2010 £000
At 1 July	**4,896**	4,896	**4,896**	4,896
At 30 June	**4,896**	4,896	**4,896**	4,896

Joint venture loans

The Group has made the following unsecured loans to:

Group	Note	**2011 £000**	2010 £000	Interest rate	Terms
AvantAge (Cheshire) Holdings Ltd		**1,650**	1,764	10.72%	27 years
Chrysalis (Stanhope) Holdings Ltd		**842**	956	10.50%	27 years
Graftongate Gleeson Ltd		**-**	9	Base +2%	Repayable on disposal of property owned by joint venture.
Grove Village Holdings Ltd		**1,915**	1,755	9.07%	25 years
Leeds Independent Living Accommodation Company Holdings Ltd		**2,006**	-	12.00%	26 years
		6,413	4,484		
Classified as held for sale	19	**(4,407)**	-		
		2,006	4,484		

Joint venture loans are repayable at the earlier of the sale of the investment or the expiry of the term.

Loans and other investments

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000	Interest rate %	Terms
Equity in GB Group Holdings Limited	**4,896**	4,896	**4,896**	4,896	-	N/A
	4,896	4,896	**4,896**	4,896		

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 of the investment, no indicators of impairment have been identified.

15. INVESTMENTS IN SUBSIDIARIES

	Total £000
Cost	
At 1 July 2009	34,021
Additional share capital	11,000
Repayments	(13,020)
At 30 June 2010	**32,001**
Repayments	**(1,000)**
At 30 June 2011	**31,001**

The repayments reflect the reduction in the share capital of a number of non-operational companies within the Group.

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

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 Capital Solutions Limited	Provision of bid management, accounting and operational services
Gleeson Construction Services Limited	Construction services
Gleeson Developments Limited	House building, housing regeneration and strategic land trading
Gleeson PFI Investments Limited	Investment in equity shares and loan stock of project companies delivering services under the Government's Private Finance Initiative
Gleeson Properties Limited	Commercial property development
Gleeson Regeneration Limited	House building and housing regeneration
Gleeson Strategic Land Limited	Strategic land trading

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

Notes to the Financial Statements continued

16. ACQUISITIONS OF SUBSIDIARIES

There were no acquisitions in the current year.

On 16 October 2009, the Group acquired an additional 50% of the ordinary shares in Oakmill Properties Ltd for £1, satisfied in cash. This took the Group's shareholding to 100%. The company is a property development company. In the eight months to 30 June 2010, the subsidiary contributed a net loss of £2,000 to the consolidated net profit for the year.

On 1 February 2010, the Group acquired an additional 50% of the ordinary shares in Denbigh Gleeson (Cap Green) Ltd for £1, satisfied in cash. This took the Group's shareholding to 100%. The company is a property development company. In the five months to 30 June 2010, the subsidiary made neither profit nor loss.

Effect of acquisitions

The acquisitions had the following effect on the Group's assets and liabilities.

	Recognised & book values on acquisition	
	2011 £000	2010 £000
Acquiree's net assets at the acquisition date:		
Inventories	-	9,402
Trade and other receivables	-	1
Cash and cash equivalents	-	-
Trade and other payables	-	(9,303)
Net identifiable assets and liabilities	-	100
Carrying value of investment in joint venture	-	(50)
Goodwill on acquisition	-	(50)
Consideration paid £1, satisfied in cash	-	-
Net cash outflow	-	-

Goodwill has arisen on the acquisition because the Group has previously waived charges to the joint venture. The goodwill has been written back to the income statement during the year as the properties held within the companies have been sold.

17. INVENTORIES

	2011 £000	2010 £000
Work-in-progress	**69,497**	76,077
	69,497	76,077

During the prior year, there was a write up to net realisable value of work-in-progress of 2,803,000 in relation to work-in-progress previously impaired.

18. TRADE AND OTHER RECEIVABLES

	Note	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Current assets					
Trade receivables		**7,899**	16,729	**127**	554
Amounts due from construction contract customers	20	**4,018**	2,487	**-**	-
VAT recoverable		**302**	218	**-**	-
Prepayments and accrued income		**1,460**	832	**160**	508
Amount due from subsidiary undertakings		**-**	-	**49,527**	47,589
		13,679	20,266	**49,814**	48,651
Non-current assets					
Available for sale financial assets		**3,838**	3,012	**-**	-
		17,517	23,278	**49,814**	48,651

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 21 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 £4,386,000 (2010: £5,977,000).

The Company charges interest of Bank of England base rate plus 1% on £59,432,000 of the intercompany loan adjusted for bank balances held within the company. At 30 June 2011, this figure was £62,138,000 (2010: £61,738,000).

19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

At 30 June 2011, three joint ventures within the Gleeson Capital Solutions division are presented as available for sale. These assets were available for immediate sale, with negotiations for sale well advanced. Following an impairment review, the directors do not consider it necessary to impair the joint ventures on reclassification.

	Note	Group 2011 £000	Group 2010 £000
Investments in joint ventures	13	**2,461**	-
Loans and other investments	14	**4,407**	-
		6,868	-

The joint ventures investments which were classified as held for sale in the year are:

AvantAge (Cheshire) Holdings Ltd
Chrysalis (Stanhope) Holdings Ltd
Grove Village Holdings Ltd

The Directors consider that the joint ventures belong to a single disposal group.

The Company does not hold any assets classified as held for sale.

Notes to the Financial Statements continued

20. CONSTRUCTION CONTRACTS

	Note	Group 2011 £000	Group 2010 £000
Contracts in progress at the balance sheet date:			
Amounts due from contract customers included in trade and other receivables	18	**4,018**	2,487
Amounts due to contract customers included in trade and other payables	22	**(121)**	(629)
		3,897	1,858
Contract costs incurred plus recognised profits less recognised losses to date		**1,032,679**	1,047,554
Less: progress billings		**(1,028,782)**	(1,045,696)
		3,897	1,858

At 30 June 2011, retentions held by customers for contract work amounted to £661,000 (2010: £936,000).

Amounts due to contract customers included in trade and other payables represent the balance of advances received on construction contracts at the year end.

21. 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 an original 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

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 2011, the Group's most significant customer, a housebuilder, accounted for £4,245,000 (2010: £7,677,000) of the trade and other receivables carrying amount and relates to a deferred receipt. The balance was recovered in full on 1 July 2011. The Group's turnover with this customer in the year is £Nil (2010: £9,793,000). The Group has no other significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Trade receivables ageing

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

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Not past due	**7,363**	11,674	**54**	328
Past due 0-30 days	**40**	885	**-**	-
Past due 31-120 days	**109**	121	**7**	50
Past due 121-365 days	**68**	532	**-**	-
Past due more than one year	**319**	3,517	**66**	176
	7,899	16,729	**127**	554

All trade receivables are from UK customers.

Trade receivables past due more than one year largely represent balances due within the Gleeson Construction Services division and relate to final settlements on contracts. 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 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Balance at 1 July	**24**	28	**24**	24
Impairment loss recognised	**60**	-	**60**	-
Transferred on disposal of investment in subsidiary	**-**	(4)	**-**	-
Balance at 30 June	**84**	24	**84**	24

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

Interest rate risk
The Group is exposed to variations in interest rates on its borrowings. It closely monitors this exposure 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 £178,000 (2010: £184,000) based on the cash balance at the year end. A 1% decrease would cause income to fall by the same amount.

Certain of the Group's joint ventures use interest rate swaps to manage their exposure to interest rate movement on their bank borrowings. The Group's share of the interest rate swap contract with notional value of £18,455,000 (2010: £15,113,000) has fixed interest payments at an average rate of 5.15% (2010: 5.14%) for periods up until 2035.

Group share of interest payable by non-recourse funded joint ventures on hedged instruments:

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Interest payable:				
Within one year	**1,083**	1,101	**1,083**	1,101
Within two to five years	**3,899**	4,119	**3,899**	4,119
After five years	**10,092**	11,111	**10,092**	11,111
	15,074	16,331	**15,074**	16,331

Notes to the Financial Statements continued

Liquidity risk

The Group meets its day-to-day liquidity requirements through cashflow. The Group entered into a £5.0m letter of credit facility in August 2010 with Santander UK 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:

	2011 Effective interest rate %	2011 Due within one year £000	2010 Effective interest rate %	2010 Due within one year £000
Bank balances	**0.00-0.50**	**10,763**	0.00-0.07	9,038
Short term deposits	**1.00-1.18**	**7,000**	0.41	9,385
Net cash		**17,763**		18,423

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 2011							
Trade and other payables [1]	**13,973**	**(13,978)**	**(8,981)**	**(713)**	**(3,756)**	**(428)**	**(100)**
	13,973	**(13,978)**	**(8,981)**	**(713)**	**(3,756)**	**(428)**	**(100)**
As at 30 June 2010							
Trade and other payables [1]	21,140	(21,197)	(12,412)	(871)	(4,741)	(3,073)	(100)
	21,140	(21,197)	(12,412)	(871)	(4,741)	(3,073)	(100)

1 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.

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 liability that are not based on observable market data.

	Note	Level 3 £000	Total £000
Available for sale financial assets	18	**3,838**	**3,838**
		3,838	**3,838**

Available for sale financial assets due after more than one year, represent receivables in respect of shared equity properties (see note 18).

Interest bearing loans and borrowings

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

Capital 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 29 to the Financial Statements provides details regarding the Company's share capital movements in the period and there were no breaches of any requirements with regard to any relevant conditions imposed by either the UKLA or the Company's Articles of Association during the period under review.

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

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

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

22. TRADE AND OTHER PAYABLES

	Note	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Current liabilities					
Amounts due to construction contract customers	20	**121**	629	**-**	-
Trade payables		**13,228**	18,692	**513**	723
Other taxation and social security		**267**	367	**170**	313
VAT payable		**50**	548	**50**	492
Accruals and deferred income		**6,143**	8,662	**458**	735
Amount due to subsidiary undertakings		**-**	-	**23,509**	30,019
		19,809	28,898	**24,700**	32,282

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.

23. PROVISIONS

	Group Restruc-turing costs £000	Group Onerous leases £000	Group Total £000
At 1 July 2010	**520**	**4,114**	**4,634**
Provisions made during the year	**(425)**	**(949)**	**(1,374)**
Provisions released during the year	**-**	**(1,712)**	**(1,712)**
Unwinding of discounts	**-**	**7**	**7**
At 30 June 2011	**95**	**1,460**	**1,555**
Non-current	**-**	**480**	**480**
Current	**95**	**980**	**1,075**
	95	**1,460**	**1,555**

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 6 years. Market conditions have a significant impact on the assumptions for future cash flows.

Notes to the Financial Statements continued

	Company Restruc-turing costs £000	Company Total £000
At 1 July 2010	483	483
Provisions used during the year	(418)	(418)
At 30 June 2011	65	65
Non-current	-	-
Current	65	65
	65	65

24. 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 income statement of £318,000 (2010: £560,000) represents contributions payable to the defined contribution pension plan by the Group at rates specified in the plan rules. At 30 June 2011, contributions of £37,000 (2010: £57,000) due in respect of the current reporting period had not been paid over to the pension plan. Since the year end, this amount has been paid.

Company

The total pension cost charged to the income statement of £100,000 (2010: £127,000) represents contributions payable to the defined contribution pension plan by the Company at rates specified in the plan rules.

25. 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	Short-term timing differences £000	Total £000
At 1 July 2009	482	89	571
Credit to income	203	13	216
Capital allowances transferred on sale of subsidiary	266	-	266
At 30 June 2010	951	102	1,053
Charge to income	(86)	-	(86)
Impact of rate change	(67)	(6)	(73)
At 30 June 2011	798	96	894

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

	Group 2011 £000	Group 2010 £000
Deferred tax asset	894	1,053
Deferred tax liabilities	-	-
	894	1,053

On 28 July 2010, a change in corporate tax rates was substantively enacted, with corporation tax reduced from 28% to 27% with effect from 1 April 2011. A further rate reduction to 26% was substantively enacted on 29 March 2011. The deferred tax asset has been adjusted to reflect these changes. A phased reduction to 23% by April 2014 has been announced as part of the 2011 Finance Bill. Management is currently assessing the potential impact of the further announced changes.

At the balance sheet date, the Group has unused tax losses of £85,575,000 (2010: £89,934,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses (2010: £nil) due to the continuing challenging conditions in the housing market. 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 2009	475	-	475
Credit to income	131	13	144
At 30 June 2010	**606**	**13**	**619**
Charge to income	**(9)**	**-**	**(9)**
Impact of rate change	**(42)**	**(1)**	**(43)**
At 30 June 2011	**555**	**12**	**567**

At the balance sheet date, the Company had unused tax losses of £6,695,000 (2010: £6,277,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses. Losses may be carried forward indefinitely.

26. OPERATING LEASE ARRANGEMENTS

Operating leases: lessee

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Minimum lease payments under non-cancellable operating leases recognised as an expense for the year				
Minimum lease payments	**1,428**	1,527	**43**	47
	1,428	1,527	**43**	47

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

	Land and buildings		Plant and equipment		Plant and equipment	
	Group 2011 £000	Group 2010 £000	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Within one year	**1,365**	1,370	**-**	29	**-**	29
Within two to five years	**1,399**	2,081	**-**	14	**-**	14
After five years	**374**	409	**-**	-	**-**	-
	3,138	3,860	**-**	43	**-**	43

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 £1,712,000 were released (2010: £223,000 provided). See note 23 for details.

Notes to the Financial Statements continued

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 2011 is £1,526,000 (2010: £1,271,000). These receipts are included within the minimum rent receivables table below.

The Company has no (2010: £nil) future minimum sub-lease receipts.

	Group 2011 £000	Group 2010 £000
Minimum rental income under operating leases recognised as revenue for the year	**546**	689

Included in the figures above is £526,000 (2010: £671,000) which relates to properties which the Group had previously occupied as operating lease lessees and have now sublet. The balance of £20,000 (2010: £18,000) relates to investment properties.

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

	Group 2011 £000	Group 2010 £000
Within one year	**546**	550
Within two to five years	**644**	721
After five years	**336**	-
	1,526	1,271

27. ANALYSIS OF CASH AND OVERDRAFTS

	Group Cash and cash equivalents £000	Company Cash and cash equivalents £000
At 1 July 2009	10,926	24,428
Cashflow	7,497	(3,882)
At 30 June 2010	**18,423**	**20,546**
Cashflow	**(660)**	**(2,571)**
At 30 June 2011	**17,763**	**17,975**

28. BONDS AND SURETIES

Group and Company

As at 30 June 2011, the Group had bonds and sureties of £5,143,000 (2010: £6,704,000) 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.

29. SHARE CAPITAL

	2011 No. 000	2011 £000	2010 No. 000	2010 £000
Issued and fully paid Ordinary shares:				
At the beginning of the year	**52,644**	**1,053**	52,594	1,052
Shares issued	**52**	**1**	50	1
At the end of the year	**52,696**	**1,054**	52,644	1,053

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 2011 was 52,696,158 (2010: 52,643,985). At 30 June 2011, the Employee Benefit Trusts ("EBT") held 1,034,000 (2010: 1,367,000) shares at a cost of £1,269,000 (2010: £1,670,000). The shares are held in the EBT for the purpose of satisfying options that have been granted under the executive and employee share ownership plans. Of these ordinary shares, the right to dividend has been waived on 67,898 shares (2010: 67,898).

Details of share options are given in note 30.

30. SHARE-BASED PAYMENTS

During the year to 30 June 2011, the Group had six 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;

Arrangement	Contractual life	Vesting conditions	Settlement basis
Share save scheme (“SAYE”)	3 years 6 months	Options granted at a discount to market value at the date staff are invited to join the scheme.	Equity
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.	Equity
1991 Executive scheme	10 years	EPS growth in excess of the growth in the RPI.	Equity
Special arrangement	3 years	For senior executives shares will vest if executive remains in employment for 3 years following grant of options.	Equity
Performance share plan (“PSP”)	3years	For executive directors and senior executives the award will vest in whole or in part on or after the third anniversary of the date of grant if performance conditions have been met. The condition is based on the total shareholder return on the three financial years from 1 July 2007 to 30 June 2010.	Equity
Performance share plan (“PSP”)	3 years	For executive directors and senior executives the award will vest in whole or in part on or after the third anniversary of the date of grant if performance conditions have been met. The condition is based on the total shareholder return on the three financial years from 1 July 2010 to 30 June 2013.	Equity

Notes to the Financial Statements continued

Share options granted after 7 November 2002

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

SAYE

The fair value per option for the SAYE scheme has been calculated using a modified Black-Scholes model. The inputs into the model at each grant date and the estimated fair value were as follows:

Date of grant	SAYE 01/02/07	SAYE 01/02/08
The model inputs were:		
Share price at grant date	£4.05	£3.17
Exercise price	£2.87	£2.76
Expected volatility	25%	25%
Expected dividends	2.10%	2.90%
Expected life	3 years	3 years
Risk-free interest rate	5.40%	4.28%
Fair value of one option	£1.47	£0.73

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 7 years.

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.

Special arrangement

The fair value of each share granted in this plan is equal to the share price at the date of the grant.

Performance share plan ("PSP")

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	PSP 21/12/07	PSP 17/12/10
The model inputs were:		
Share price at grant date	£3.10	£1.28
Exercise price	£3.25	£1.26
Expected volatility	24%	45%
Expected dividends	0.00%	1.56%
Expected life	3 years	3 years
Risk-free interest rate	4.64%	1.69%
Fair value of one option	£0.82	£0.50

Expected volatility was determined by calculating the historical volatility of the Company's share price. For the 21/12/07 scheme the volatility was measured over the previous 7 years. For the 17/12/10 scheme the volatility was measured over the previous 3 years.

Further details of the option plans are as follows:

	Share save scheme (SAYE)			Share purchase plan	Special arrange-ment	PSP	PSP
Date of grant	01/02/06 No. of shares	01/02/07 No. of shares	01/02/08 No. of shares	Monthly No. of shares	01/05/07 No. of shares	14/12/07 No. of shares	17/12/10 No. of shares
Outstanding at 1 July 2009	25,042	29,846	45,196	289,002	22,000	642,830	-
Granted in the year	-	-	-	26,682	-	-	-
Forfeited	-	-	-	(273)	-	-	-
Lapsed	(25,042)	(5,293)	(11,681)	-	(22,000)	(168,023)	-
Exercised	-	-	-	(56,308)	-	-	-
Outstanding at 30 June 2010	**-**	**24,553**	**33,515**	**259,103**	**-**	**474,807**	**-**
Granted in the year	**-**	**-**	**-**	**12,016**	**-**	**-**	**863,168**
Forfeited	**-**	**-**	**-**	**(640)**	**-**	**-**	**-**
Lapsed	**-**	**(24,553)**	**(33,515)**	**-**	**-**	**(474,807)**	**(24,119)**
Exercised	**-**	**-**	**-**	**(192,494)**	**-**	**-**	**-**
Outstanding at 30 June 2011	**-**	**-**	**-**	**77,985**	**-**	**-**	**839,049**
Remaining contractual life	nil	nil	nil	Rolling scheme	nil	nil	2.5 years
Weighted average exercise price	£2.88	£2.87	£2.76	-	£4.20	£3.25	£1.26
Weighted average share price at date of exercise - current year	-	-	-	£1.15	-	-	-
Weighted average share price at date of exercise - prior year	-	-	-	£1.10	-	-	-

Share options granted prior to 7 November 2002

	1991 Executive scheme	Share purchase plan
	27/11/00 No. of shares	Monthly No. of shares
Outstanding at 1 July 2009	16,000	10,267
Lapsed	(10,000)	(1,140)
Outstanding at 30 June 2010	**6,000**	9,127
Lapsed	**(6,000)**	-
Exercised	**-**	(7,500)
Outstanding at 30 June 2011	-	1,627
Remaining contractual life	0.41 years	Rolling scheme
Weighted average exercise price	£1.55	-
Weighted average share price at date of exercise - current year	-	£1.15
Weighted average share price at date of exercise - prior year	-	£1.10

Notes to the Financial Statements continued

31. CAPITAL COMMITMENTS

During the year, the Group entered into a contract to purchase land for development resulting in a capital commitment of £3,852,000 at 30 June 2011 (2010: £nil).

32. 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 18 to 23.

In the prior year, the Group entered into a contract with a company, JD Plastics & Rooflines Ltd, in which Jolyon Harrison is a director, for the supply and fitting of cladding materials. During the current year, the Group purchased £nil (2010: £17,000) of goods and services from the company. The balance payable by the Group in relation to contract retentions was £nil (2010: £1,000). The terms were at normal market rates and payment terms. There were no guarantees provided.

Other than disclosed above and 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

	2011 £000	2010 £000
Grove Village Ltd	**203**	187
Chrysalis (Stanhope) Ltd	**194**	174
AvantAge (Cheshire) Ltd	**264**	319
Leeds Independent Living Accommodation Company Ltd	**143**	120
	804	800

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, including those classified as held for sale, are shown below:

	Note	2011 £000	2010 £000
Loans and other investments	14	**2,006**	4,484
Assets classified as held for sale	19	**4,407**	-
Prepayments and accrued income	18	**74**	61
		6,487	4,545

The amounts owed to joint ventures at 30 June 2011 totalled £nil (2010: £13,000). These are shown as trade payables.

Identity of related parties with which the Company has transacted

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

Related party transactions:

	Administrative expenses	
	2011 £000	2010 £000
Subsidiaries	**4,386**	5,977
	4,386	5,977

	Receivables outstanding		Payables outstanding	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Subsidiaries	**49,527**	47,589	**23,509**	30,019
	49,527	47,589	**23,509**	30,019

33. POST BALANCE SHEET EVENTS

Following the year end, contracts have been exchanged for the sale of three PFI investments, and the proceeds are expected to be received before the end of 2011.

Five Year Review

	IFRS 2011 £000	IFRS 2010 £000	IFRS 2009 £000	IFRS 2008 £000	IFRS 2007 £000
Revenue	**41,353**	46,534	43,030	71,125	165,497
Operating profit/(loss)	**928**	(323)	(51,558)	(23,897)	2,487
Finance income	**614**	770	868	3,559	2,662
Profit/(loss) before tax	**1,542**	447	(50,690)	(20,338)	5,149
Tax	**42**	235	(2,609)	(5)	(791)
Profit/(loss) after tax	**1,584**	682	(53,299)	(20,343)	4,358
Discontinued operations	**(73)**	2,455	1,844	2,003	23,140
Profit/(loss) for year attributable to equity holders of parent company	**1,511**	3,137	(51,455)	(18,340)	27,498
Total assets	**120,517**	131,380	140,069	213,021	253,394
Total liabilities	**(21,364)**	(33,537)	(37,637)	(59,284)	(76,732)
Net assets	**99,153**	97,843	102,432	153,737	176,662
	p	p	p	p	p
Total dividend per share	**-**	15.00	-	2.00	9.20
Earnings/(loss) per share from continuing operations	**3.02**	1.30	(102.25)	(38.97)	8.40
Net assets per share	**188**	186	195	294	339

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