gleeson

builders for generations

MJ Gleeson Group plc

Report and Accounts
for the year ended 30 June 2012

Contents

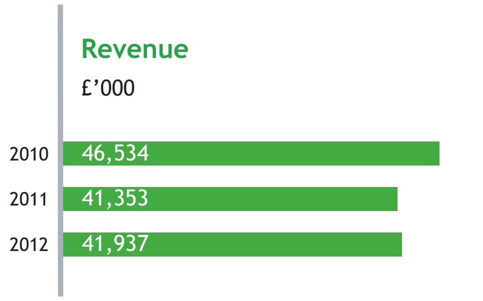
Front cover: Vale Croft, Bolsover

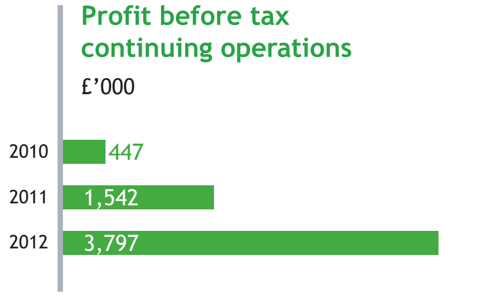
Lastingham Green, Bradford

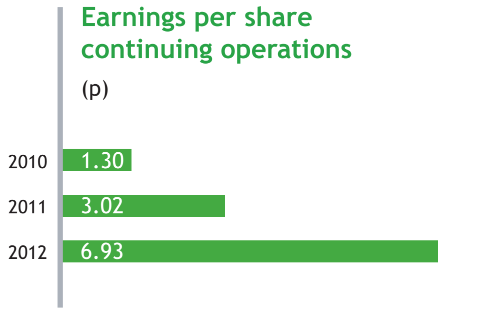
MJ Gleeson Group plc

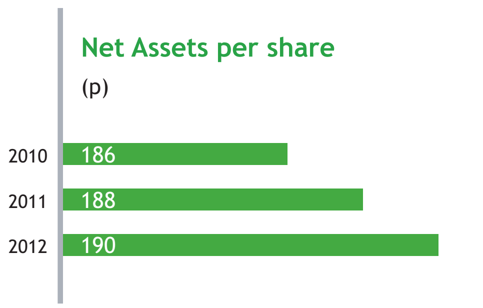
The Group operates in the following areas:

- 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.









Financial highlights

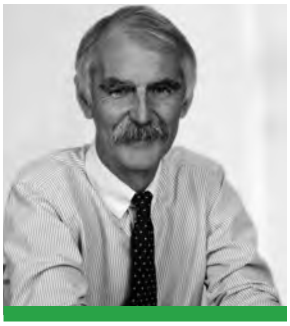
	2012	2011	
Operating profit continuing activities	£3.3m	£0.9m	251%
Gleeson Strategic Land operating profit	£3.7m	£2.7m	35%
Gleeson Homes operating profit	£0.3m	£(0.4)m	

Board of Directors

Dermot Gleeson, MA (Cantab)

Chairman

Joined the Board in 1975. Appointed Chief Executive in 1988 and Chairman in 1994. Relinquished the post of Chief Executive in 1998. 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.



Jolyon Harrison, FCIOB, FIoD, FCMI

Chief Executive Officer and Managing Director, Gleeson Homes

Appointed to the Board on 1 July 2010 and appointed Chief Executive on 1 July 2012. Joined the Group in November 2009 as Managing Director of Gleeson 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.

Alan Martin, BSc, ACA

Chief Financial Officer 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.

Ross Ancell, ACA (NZ)

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 and Independent Non-Executive Director of Galaxy Entertainment Group Limited.

Colin Dearlove, BA, FCMA

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

Non-Executive Director

Appointed January 2009. Founder of Harwood Capital Management Group and formerly Chief Investment Officer of J O Hambro Capital Management Limited from 1993 to 2011. He is also Chief Executive and Investment Manager of North Atlantic Smaller Companies Investment Trust PLC, a UK listed investment trust. Christopher 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

In the last three years, Gleeson Homes has very substantially expanded its land bank, taking advantage of the low cost of land in the North of England.

Dermot Gleeson, Chairman

Despite challenging market conditions, Gleeson Homes increased private development sales by 50% to 255 units (2011: 170 units). It also continued to expand its land bank, taking advantage of the historically low land prices that still persist in most parts of the North of England.

Gleeson Strategic Land had a good year, experiencing both a high level of success in securing residential planning consents for green field sites in the South of England and strong demand for such sites, once consented, from volume house builders.

Financial performance

The Group recorded an operating profit from continuing operations of £3.3m, an increase compared to the previous year of 251% (2011: £0.9m). Discontinued operations generated a post-tax loss of £37k (2011: £73k).

Profit for the year attributable to equity holders of the parent company totalled £3.6m (2011: £1.5m).

Net Assets increased by 1.2% to £100.4m (2011: £99.2m),

Lowfield Park,
Bolton-upon-Dearne

representing net assets per share of 190p (2011: 188p). Net cash at 30 June 2012 was £13.9m (2011: £17.8m), the decrease of £3.9m primarily reflecting the continuing expansion of the Group's land bank and work-in-progress.

Appointment of CEO

Jolyon Harrison was appointed as Chief Executive Officer on 1 July 2012. Jolyon joined the Group in November 2009 as Managing Director of Gleeson Homes and was appointed to the Board in July 2010.

Employees

The average number of employees during the year increased to 130 (2011: 100). The number at the year end was 166 (2011: 108).

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

Dividend Policy

A special dividend of 5p a share was paid to shareholders in December 2011, at a total cost of £2.6m.

In the last three years, Gleeson Homes has very substantially expanded its land bank. Although this policy has made substantial demands on the Group's cash resources, the sale of non core assets has made it possible for the Group nonetheless to return cash to shareholders by means of Special Dividends in 2010 and 2011. However, the priority that the Board has given to investment for future growth has meant that there have been no payments of regular dividends since 2008.

The expansion of the land bank has created a strong basis for a substantial and sustained increase in the Group's future turnover and profits. Moreover, the prospect of rising revenue from house sales combined with a planned reduction in the rate of growth of the land bank means that the Group expects to become cash generative in the second half of the current financial year and, broadly, to remain so for the foreseeable future. Against this background, the Board hopes to be able to recommence regular dividend payments in 2013.

Prospects

The housing market continues to be constrained by the very limited availability of mortgages, particularly for first time buyers.

However, the Group enjoys a very strong and competitive presence in the two sectors of the market on which it now concentrates: low cost housing development on brown field sites in the North of England; and the promotion through the planning system and subsequent sale of high value green field sites in the South. In consequence, the Board is confident that, barring a further severe downturn in the UK economy generally, the Group will continue to grow profits in the current year and beyond.

Dermot Gleeson
Chairman

August 2010

August 2012

**Gaisby Mill,
Bradford**

Business Review

2012 has been an important year for the Group, in which it has significantly improved its financial performance. Gleeson Homes, which is now focused on the provision of low cost homes in the North of England, has substantially increased the number of sites it is developing and has returned to profitability. Gleeson Strategic Land has continued to deliver a strong financial performance from the sales of land in the South of England.

GROUP BUSINESSES AND STRATEGY

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

Ongoing businesses

Gleeson 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 announcement that after the completion of the current round of projects, no further social housing projects 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: Having completed the sale of its commercial property developments two years ago, the run-off activity of the division consists of managing its remaining leasehold interests.

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.

Gaisby Mill,
Bradford

PERFORMANCE

GLEESON HOMES

Gleeson Homes focuses on providing low cost homes on brownfield land, principally in the North of England. The business unit's results for the year were as follows:

	2012	2011
Revenue	**£32.6m**	£35.4m
Operating profit/(loss)	**£0.3m**	£(0.4)m

During the year, 279 (2011: 286) homes were sold, of which private development sales totalled 255 (2011: 170), an increase of 50% and sales to Registered Social Landlords ("RSLs") totalled 24 (2011: 116). The reduction in sales to RSLs, which is the cause of the reduction in revenue, is due to the focus on more profitable private development sales.

A number of sites were particularly successful in the year such as Grove Village, Manchester which sold 51 homes, Montreal Gardens, North Huyton, which sold 28 homes and Stanhope, Ashford where 37 homes were sold.

The Average Selling Price ("ASP") for private development sales was £118,000 (2011: £138,000) and for sales to RSLs was £101,000 (2011: £103,000). The decrease in ASP for private development sales reflected a change in product mix, a higher proportion of units having been sold in the South in the prior year.

The restricted availability of higher loan to value mortgages is a continuing constraint on sales. The Government's FirstBuy scheme has helped to ameliorate this problem. It remains to be seen whether or not the Government's Funding for Lending scheme will also be helpful in this context.

Included within Operating Profit were exceptional credits of £3.0m (2011: £3.5m) relating to the partial reversal of inventory write downs and the release of contract and restructuring provisions.

At the year end, Gleeson Homes had 28 sites open, all of which – apart from a development associated with a PFI project in Kent – are in the North of England. During the year, 17 sites were started, including 9 sites in the North East region, which opened for business in January 2011. The northern sites are located in County Durham, Derbyshire, Merseyside, Manchester, Newcastle, Nottinghamshire, Tyneside and Yorkshire.

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, 16 sites were purchased and subsequent to the year end a further 4 sites have been acquired. These acquisitions have added 1,687 plots to the land bank. A further 13 sites that have been conditionally purchased are expected to add in excess of 1,079 plots to the landbank in the near future. When and if these acquisitions are completed, the landbank will total in excess of 3,790 plots.

During the year, 17 sites were started, including 9 sites in the North East region, which opened for business in January 2011

August 2010

August 2012

Burnham Walk, Bradford

Business Review continued

GLEESON STRATEGIC LAND

	2012	2011
Revenue	**£8.2m**	£5.8m
Operating profit	**£3.7m**	£2.7m

The demand for green field residential land in the South of England from the major housebuilders remained strong throughout the year. As a result of this demand, the business unit was able to complete five land sales, with a combined acreage of 115 acres.

During the year, five new sites were secured via option, promotion and subject to planning agreements, covering 228 acres, with the potential ability to deliver 1,408 houses. In addition, heads of terms have been agreed for a further 10 sites covering 176 acres.

Grange Road, Crawley Down
Planning permission obtained and site sold in year

At the year end, Gleeson Strategic Land's portfolio totalled 3,653 acres (2011: 3,766 acres), of which 177 acres (2011: 185 acres) were owned, 2,337 acres (2011: 2,608 acres) were held under option and 1,139 acres (2011: 973 acres) were under planning promotion agreements. The geographic bias for the portfolio is towards Southern England, predominantly in: Buckinghamshire, Dorset, Essex, Hampshire, Hertfordshire, Kent, Oxfordshire, Surrey, Sussex and Wiltshire. The Group currently owns land with residential planning permission for in excess of 1,000 plots.

In March 2012, the National Planning Policy Framework was published. The early signs suggest that this will have a beneficial effect on land supply for development.

GLEESON CAPITAL SOLUTIONS

	2012	2011
Revenue	**£0.0m**	£0.0m
Operating profit	**£0.4m**	£0.1m

Gleeson Capital Solutions holds the Group's investments in social housing PFI projects. In October 2011, the Group sold three of its PFI investments, namely: Grove Village, an estate regeneration project in Manchester; Stanhope, an estate regeneration project in Ashford, Kent; and AvantAge, an extra care homes project in Cheshire. The sale generated gross proceeds of £7.5m and a profit on sale of £0.3m. The Group's remaining PFI investment, Leeds Independent Living, a social housing project in Leeds is expected to be sold during 2012.

The business unit is part of a consortium bidding for an estate regeneration project in Brunswick, Manchester. The final bid was submitted by the consortium in August 2012 and it is expected that the Preferred Bidder will be announced during the Autumn of 2012. In the year, speculative bid costs of £18k (2011: £0.1m) were incurred, which were expensed.

GLEESON COMMERCIAL PROPERTY DEVELOPMENTS

The Group concluded the disposal of its commercial property developments in the prior years. During the year, a leasehold interest was, by agreement, terminated early, resulting in a provision release of £0.2m.

GLEESON CONSTRUCTION SERVICES

Continuing operations

	2012	2011
Revenue	**£1.1m**	£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. Revenue of £1.1m was recorded in the year for work performed on behalf of insurers in order to resolve an outstanding matter. The operating loss related to the unit's running costs.

Discontinued operations

	2012	2011
Revenue	**£0.0m**	£0.4m
Operating loss	**£(0.0)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 £37k (2011: £73k), which represented its running costs.

GROUP ACTIVITIES

The charge for the year, which relates to the Board, Company Secretariat and Group Finance, was £1.2m (2011: £1.4m).

Lowfield Park,
Bolton-upon-Dearne

Business Review continued

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 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	The lack of precision in the Government's new National Planning Policy Framework may have a negative impact upon the timing of planning consents because of the need to take more applications to Appeal.

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 on completed projects during the liability period. Rectification of the defects must be completed within the provisions made by management.

FINANCE REVIEW

Overview

The profit before tax from continuing operations increased by £2.3m to £3.8m (2011: £1.5m). Both of the main trading businesses recorded much improved results, with Gleeson Homes returning to profitability and Gleeson Strategic Land increasing its operating profit by 35%.

Key performance indicators

	2012	2011
Continuing operations		
Revenue	**£41.9m**	£41.4m
Operating profit	**£3.3m**	£0.9m

Continuing operations

Gleeson Homes recorded an operating profit of £0.3m (2011: loss £0.4m) on revenue of £32.6m (2011: £35.4m). The decrease in revenue reflects the overall lower number of completed sales in the year of 279 homes (2011: 286 homes). Sales of private development homes increased by 50% to 255 (2011: 170) with sales to RSLs reducing to 24 units (2011: 116). The average selling price decreased by 6%, from £124,000 to £116,000 due to the Group's policy of progressively increasing the number of units sold in the North of England. Included within the operating result are the following exceptional credits:

	2012	2011
Reversal of inventories write downs and contract provisions	£2.9m	£1.9m
Release of restructuring provisions	£0.1m	£1.6m
Total	**£3.0m**	£3.5m

Gleeson Strategic Land recorded an operating profit of £3.7m (2011: £2.7m) on revenue of £8.2m (2011: £5.8m) following the sale of five sites, comprising 228 acres.

Gleeson Capital Solutions recorded an operating profit of £0.4m (2011: £0.1m). The result for the year included the £0.3m profit on sale of three PFI investments which generated gross proceeds of £7.5m. The sole project for which Gleeson Capital Solutions is bidding did not achieve financial close during the year.

Gleeson Commercial Property Developments made an operating profit of £0.2m (2011: loss £27k) due to the release of a surplus provision following the early termination of a lease.

Gleeson Construction Services, the continuing element of which comprises the run-off of the Gleeson Building Contracting Division, recorded revenue of £1.1m (2011: £0.1m), on which an operating loss of £0.1m (2011: £0.1m) was recorded.

Official opening by Coucillor O'Bryne


Cawdor Park

Cawdor Park,
Liverpool

Business Review continued

Culcheth Croft, Manchester

Discontinued operations

Discontinued operations comprise the assets and liabilities of the Gleeson Engineering Division of Gleeson Construction Services which were not sold to Black & Veatch in October 2006. The Division generated revenue of £38k (2011: £0.4m). An operating loss of £37k (2011: £73k) was recorded.

Interest

Financial income of £0.6m (2011: £0.8m) 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 £19k (2011: £0.2m) 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 charge for continuing operations, excluding tax for joint ventures, of £0.2m (2011: £42k credit) has been recorded in the Income Statement. The Group now has £83.1m (2011: £85.6m) 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 £0.1m (2011: £3k). The net deferred tax asset recorded within the Balance Sheet totals £0.7m (2011: £0.9m).

Earnings per share

Basic and diluted earnings per share were 6.9p (2011: 2.9p). For continuing operations only, the basic and diluted earnings per share were 6.9p (2011: 3.0p).

Dividend

A special dividend of 5p a share was paid to shareholders in December 2011, at a total cost of £2.6m.

The Board does not propose a final dividend for the year ended 30 June 2012.

Disposals

The Group sold three of its PFI investments in October 2011. The gross proceeds from the sale totalled £7.5m, with the profit on sale of £0.3m.

In the previous year, 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.

Balance sheet

At 30 June 2012, shareholders' funds totalled £100.4m (2011: £99.2m).

In the year, non-current assets were unchanged at £12.7m (2011: £12.7m), which included an increase in Plant & Equipment by £0.7m, with the acquisition of site equipment and the capitalisation of show home setups; Loans and other investment decreasing by £2.0m due to reclassification as Assets classified as held for sale; Trade and other receivables increasing by £1.5m due to further shared equity sales; and £0.2m decrease in Deferred tax assets.

Current assets decreased by £4.3m to £103.5m (2011: £107.8m) due to a £3.9m reduction in cash, £4.9m net reduction in Assets classified as held for sale, a £2.5m reduction in trade and other receivables, and a £7.0m increase in inventories.

Non-current liabilities decreased by £0.3m due to utilisation and release of provisions, and current liabilities decreased by £5.3m, including a decrease in deferred land payments by £3.6m and a decrease in accruals by £2.2m.

Cash flow

The Group utilised £3.9m (2011: £0.7m) of cash in the year, resulting in a net cash balance at 30 June 2012 of £13.9m (2011: £17.8m).

Operating cash flows, including working capital movements, utilised £8.6m (2011: generated £0.5m). Cash generated from investing activities totalled £7.2m (2011: utilised £1.2m), which included £7.2m net proceeds from the sale of three PFI investments. Net cash flows from financing activities utilised £2.5m (2011: £47k), including £2.6m (2011: £nil) on dividend payments.

Treasury risk management

The Group's cash balances are centrally pooled and invested, ensuring the best available returns are achieved consistent with retaining sufficient liquidity for the Group's operations. The Group 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

The Group does not currently have a dedicated borrowing facility.

Pension

The Group contributes to a defined contribution pension scheme. A charge of £0.3m (2011: £0.3m) 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. There was one injury reportable in the year 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.

Gleeson Apprenticeship Schemes

The overall accident incidence rate ("AIR") was zero (2011: negligible) 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/housebuilding industry average of 493 injuries per 100,000 employees in the last 3 years, as published by the HBF (Housebuilders Federation) and the Health & Safety Executive.

Community Matters

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

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

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

- Engagement with local schools – We work with schools to educate children on the dangers of playing on building sites and coordinate competitions and projects for pupils throughout our developments.

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

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

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

Environmental management systems

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

The Group's environmental strategy is focused on:

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

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.

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 well 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 has extended its apprenticeship programmes, and its commitment to having all site based employees qualified and fully carded Construction Skills Certification Scheme (CSCS) has continued.

Charitable and Political Donations

Charitable donations in 2012 totalled £3,475 (2011: £1,518). No contributions were made to political parties (2011: £nil)

The group is commited to improving the communities in which regeneration is taking place and creating long term enhancements of the environment and the life of the community itself.

Bolton Woods Football Club

Ardwick Lads Boxing Club

The Gleeson Community Sports Foundation

Directors' Report

Results and dividends

During the year, the Group made a profit after taxation of £3.6m (2011: £1.5m). The total distribution for the year was £2.6m (2011: £nil). The Board does not propose a final dividend for the year ended 30 June 2012.

Directors

During the year, the following served as Directors:

Dermot Gleeson	Chairman
Jolyon Harrison	Executive Director
Alan Martin	Executive Director
Ross Ancell	Non-Executive Director and Senior Independent Director
Colin Dearlove	Non-Executive Director
Christopher Mills	Non-Executive Director

At the next Annual General Meeting of the Company, to be held on 7 December 2012, all of the Directors will, voluntarily, offer themselves for re-election. Of the Directors standing for re-election, Jolyon Harrison and Alan Martin hold service contracts that may be terminated by the Company with a notice period of one year. Directors' 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	20 Sept 2012	30 June 2012	30 June 2011
Dermot Gleeson	1,053,086	1,053,086	1,053,086
Jolyon Harrison	1,154,612	1,154,190	1,117,767
Alan Martin	10,012	9,591	7,774
Ross Ancell	-	-	-
Colin Dearlove	-	-	-
Christopher Mills	14,450,640 [a]	14,450,640 [a]	11,081,215 [a]

(a) 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 52,730,235 ordinary shares of two pence each, as at 20 September 2012. Further details are given in note 28. The number of ordinary shares in issue has increased by 34,077 shares since the date of publication of the last Report and Accounts, following the issue of shares to Jolyon Harrison as payment of his annual bonus.

Substantial shareholdings

On 20 September 2012, the shareholdings noted below, representing 3% or more of the issued share capital, had been notified to the Company. In addition, as at 20 September 2012, Capita IRG Trustees Limited held 339,759 ordinary shares as trustees of the Employee Share Purchase Plan.

Name of shareholder	Number of shares	Proportion of total
North Atlantic Value LLP	14,450,640	27.40%
Schroder Investment Management Limited	7,266,010	13.78%
Mrs J C Cooper & spouse*	2,809,615	5.33%

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

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 2012 was 50 days (2011: 50 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 16 and within note 28. 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 requires these 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 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, and the Bond Facility Agreement provided by Zurich Insurance plc. In the event of a takeover of the company the share option schemes/plans would vest and the 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 7 December 2012 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 7 December 2012, 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 10 seeks shareholders' authority for the allotment of Ordinary shares up to an aggregate maximum nominal amount of £351,535 (being the nominal amount equal to approximately 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 15 months from the passing of the resolution, if earlier.

2. Resolution 11 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 £52,730 which is equivalent to approximately 5% of the Company's issued equity share capital as at 20 September 2012.

3. Resolution 12 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 £105,460, being equivalent to approximately 10% of the issued share capital as at 20 September 2012. 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 ("EPS"). Any EPS targets included in employee share incentive schemes will be adjusted to take account of any buyback.

4. Resolution 13 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

20 September 2012

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 2012: Ross Ancell (Chairman); Colin Dearlove. The Secretary of the Committee is Alan Martin, Company Secretary.

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 Executive 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 Executive 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 LLP on remuneration and share scheme issues. BDO 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 three 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 2012, the Executive Directors who held office throughout that year 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 2012 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 Homes achieving a certain level of profit before tax.

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.

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, Jolyon Harrison and Alan Martin 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 21.

Share Purchase Plan

Employees are encouraged to participate in the success of the Group by way of a Share Purchase Plan, in which all employees, including the Executive Directors, with more than one year's service are entitled to participate. The Plan 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. Jolyon Harrison and Alan Martin both participated in this scheme.

Pensions

Jolyon Harrison and Alan Martin 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.

External appointments

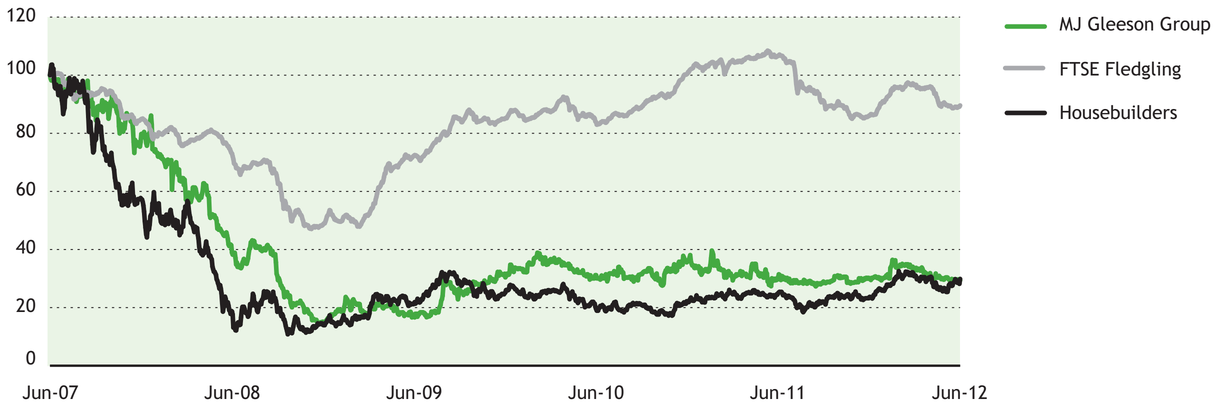
At the discretion of the Board, Executive Directors are allowed to act as Non-Executive Directors of other companies and retain any fees relating to those posts.

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 2007 to 30 June 2012



Directors' Remuneration Report continued

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, who served during the year, had service contracts that may be terminated by the Company with a notice period of one year.

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
Jolyon Harrison	23/10/2009	01/07/2010	09/12/2011	07/12/2012
Alan Martin	01/01/2009	01/01/2009	09/12/2011	07/12/2012

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 2012 are set out in the table on page 21 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)
Dermot Gleeson	27/11/1975	04/02/1976	01/10/2011	30/09/2012	09/12/2011	07/12/2012	36
Ross Ancell	01/10/2006	10/01/2007	01/10/2011	30/09/2012	10/12/2011	07/12/2012	5
Colin Dearlove	03/12/2007	12/12/2008	09/11/2011	02/12/2012	10/12/2011	07/12/2012	3
Christopher Mills	01/01/2009	11/12/2009	01/01/2009	31/12/2012	10/12/2011	07/12/2012	2

The notice period for the Chairman, Dermot Gleeson, is six months. The letters of appointment for the other Non-Executive Directors provides for a notice period of one month.

INFORMATION SUBJECT TO AUDIT

Directors' emoluments

The emoluments of the Directors for the years ended 30 June 2011 and 30 June 2012 are shown below:

	Note	Fee/Basic £000	Bonus £000	Benefits in kind £000	Subtotal £000	Pension £000	Total 2012 £000	Total 2011 £000
Chairman								
Dermot Gleeson		80	-	1	**81**	-	**81**	41
Executive Directors								
Jolyon Harrison		314	200	21	**535**	47	**582**	410
Alan Martin		180	105	19	**304**	45	**349**	268
Non-Executive Directors								
Ross Ancell		30	-	-	**30**	-	**30**	30
Colin Dearlove		30	-	-	**30**	-	**30**	30
Christopher Mills		25	-	-	**25**	-	**25**	25
Terry Morgan	a	-	-	-	**-**	-	**-**	30
		659	**305**	**41**	**1,005**	**92**	**1,097**	**834**

(a) Retired 30 June 2011

Share options and awards

Director	30 June 2011	Granted/ awarded during year	Exercised during year	Options lapsed	30 June 2012	Scheme	Exercise price	Market value on date of exercise	Date from which option may be exercised	Expiry
Jolyon Harrison	242,857	-	-	-	242,857	PSP	210.00p	-	17/12/2013	17/12/2016
Alan Martin	138,888	-	-	-	138,888	PSP	210.00p	-	17/12/2013	17/12/2016

- No payment was made in relation to the grant of any options.
- The middle market price on 30 June 2012 was 107 pence and the range during the year to 30 June 2012 was from 99 pence to 132 pence.
- During the year, a charge of £65,000 (2011: £118,000 credit) was recorded in the Income Statement for share options awarded to the Executive Directors.

Approval

This Report was approved by the Board on 20 September 2012.

By order of the Board.

Alan Martin
Company Secretary

20 September 2012

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.

Until the appointment on 1 July 2012 of Jolyon Harrison as Chief Executive Officer, the Group did not have a CEO since the retirement of Chris Holt in September 2010. During this period, Alan Martin as Chief Operating Officer and Jolyon Harrison as Managing Director of Gleeson Homes reported to Dermot Gleeson, as Chairman. The Board considered these arrangements to be a sensible and cost effective temporary response to the Group's circumstances and requirements. The Board was 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. The appointment of Jolyon Harrison as CEO marks the end of what was always intended to be a short term arrangement.

Board of Directors

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

- strategy and financial policy;
- banking arrangements and any changes to them;
- interim and annual financial statements;
- risk management and internal control policy;
- major capital expenditure;
- acquisition of land;
- acquisitions and disposals;
- Board structure and composition;
- terms of reference of the Board's sub-committees;

all of which were considered by the Board during the year.

At the date of this report, the Board comprises six Directors, four of whom are Non-Executive. Neither the Non-Executive Chairman, who has previously served in an Executive capacity, nor Christopher Mills, who represents a major shareholder, North Atlantic Value LLP, are considered to be "independent" within the definition of that term contained in the Code. 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, Non-Executive Chairman, has previously been Executive Chairman and, prior to that, has held the post of Chairman and Managing Director. The Board has considered the guidance set out in the Code and believes that it is in the Company's best interests that Dermot Gleeson be retained as Chairman.

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 seven 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		**7**	**4**	**3**	**2**
Attendance	Dermot Gleeson	7	*	***	2
	Ross Ancell	6	4	3	2
	Colin Dearlove	7	4	3	2
	Christopher Mills	5	*	*	*
	Jolyon Harrison	7	**	****	*
	Alan Martin	7	***	***	***

* Not a member of this Committee.

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

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

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

Corporate Governance continued

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

On 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 ("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 2012:

Colin Dearlove (Chairman)
Ross Ancell

The Chairman invites the Chief Executive Officer and the Chief Financial Officer, and other senior management to attend, along with the Group's 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 Chief Financial Officer 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 2012, 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 21.

Nomination Committee

The Nomination 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 2012:

Dermot Gleeson (Chairman)
Ross Ancell
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 Officer; and
- make recommendations regarding the continued service (or not) of the Executive and Non-Executive Directors.

All Board appointments and re-appointments are considered by the Nomination Committee. In considering any new appointments to the Board, the balance of skills, knowledge and experience on the Board are evaluated, together with the role to be filled and the capabilities required to do so. All appointments are made on merit. There have been two 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 Chief Financial Officer and external review as part of the statutory audit carried out by the Auditors.

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

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

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

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

Statement of Directors' Responsibilities

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

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

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

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

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

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

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

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

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

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

By order of the Board

J Harrison
Director

A Martin
Director

20 September 2012

Independent Auditors' Report

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

We have audited the financial statements of MJ Gleeson Group plc for the year ended 30 June 2012 set out on pages 30 to 63. 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 Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 27, 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 2012 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 22 to 26 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

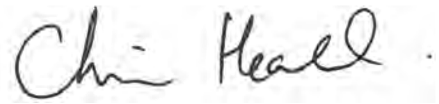
We have nothing to report in respect of the following:

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 on page 22 relating to the company's compliance with the nine provisions of the UK Corporate Governance 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

20 September 2012

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2012

	Note	2012 Before exceptional items £000	2012 Exceptional items Note 4 £000	2012 £000	2011 Before exceptional items £000	2011 Exceptional items Note 4 £000	2011 £000
Continuing operations							
Revenue		41,937	-	41,937	41,353	-	41,353
Cost of sales		(33,329)	2,879	(30,450)	(37,181)	1,821	(35,360)
Gross profit		8,608	2,879	11,487	4,172	1,821	5,993
Administrative expenses		(8,753)	76	(8,677)	(7,123)	1,648	(5,475)
Profit on sale of investment properties		101	-	101	18	-	18
Profit on sales of assets held for sale		341	-	341	-	-	-
Share of profit of joint ventures (net of tax)	13	3	-	3	392	-	392
Operating profit/(loss)		300	2,955	3,255	(2,541)	3,469	928
Financial income	7	561	-	561	793	-	793
Financial expenses	7	(19)	-	(19)	(179)	-	(179)
Profit/(loss) before tax		842	2,955	3,797	(1,927)	3,469	1,542
Tax	8	(154)	-	(154)	42	-	42
Profit/(loss) for the year from continuing operations		688	2,955	3,643	(1,885)	3,469	1,584
Discontinued operations							
Loss for the year from discontinued operations (net of tax)	3			(37)			(73)
Profit for the year attributable to equity holders of the parent company				3,606			1,511
Other comprehensive income							
Share of joint venture's cashflow hedges				(3)			(40)
Total comprehensive income for the year attributable to equity holders of parent company				3,603			1,471
Earnings per share attributable to equity holders of parent company							
Basic and diluted	10			6.86			2.88
Earnings per share from continuing operations							
Basic and diluted	10			6.93			3.02

The notes on pages 36 to 63 form part of these financial statements.

Consolidated Statement of Financial Position

at 30 June 2012

	Note	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Non-current assets					
Plant and equipment	11	**922**	258	**47**	52
Investment properties	12	**748**	803	**-**	-
Investments in joint ventures	13	**15**	15	**-**	-
Loans and other investments	14	**4,896**	6,902	**4,896**	4,896
Investments in subsidiaries	15	**-**	-	**30,200**	31,001
Trade and other receivables	17	**5,369**	3,838	**-**	-
Deferred tax assets	24	**725**	894	**420**	567
		12,675	12,710	**35,563**	36,516
Current assets					
Inventories	16	**76,495**	69,497	**-**	-
Trade and other receivables	17	**11,183**	13,679	**58,636**	49,814
UK corporation tax	8	**15**	-	**-**	-
Cash and cash equivalents	26	**13,862**	17,763	**9,011**	17,975
Assets classified as held for sale	18	**1,990**	6,868	**-**	-
		103,545	107,807	**67,647**	67,789
Total assets		**116,220**	120,517	**103,210**	104,305
Non-current liabilities					
Provisions	22	**(219)**	(480)	**-**	-
		(219)	(480)	**-**	-
Current liabilities					
Trade and other payables	21	**(15,249)**	(19,809)	**(22,425)**	(24,700)
Provisions	22	**(358)**	(1,075)	**(100)**	(65)
		(15,607)	(20,884)	**(22,525)**	(24,765)
Total liabilities		**(15,826)**	(21,364)	**(22,525)**	(24,765)
Net assets		**100,394**	99,153	**80,685**	79,540
Equity					
Share capital	28	**1,055**	1,054	**1,055**	1,054
Share premium account		**6,114**	6,039	**6,114**	6,039
Capital redemption reserve		**120**	120	**120**	120
Retained earnings		**93,105**	91,940	**73,396**	72,327
Total equity		**100,394**	99,153	**80,685**	79,540

The financial statements were approved by the Board of Directors on 20 September 2012 and were signed on its behalf by:

J Harrison
Director

A Martin
Director

The notes on pages 36 to 63 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2012

	Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
GROUP						
At 1 July 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**
Total comprehensive income for the period						
Profit for the period		-	-	-	3,606	**3,606**
Other comprehensive income						
Cashflow hedges		-	-	-	(3)	**(3)**
Total comprehensive income for the period		-	-	-	3,603	**3,603**
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Share issue		1	75	-	-	**76**
Own shares disposed		-	-	-	39	**39**
Share-based payments		-	-	-	149	**149**
Dividends	9	-	-	-	(2,626)	**(2,626)**
Transactions with owners, recorded directly in equity		1	75	-	(2,438)	**(2,362)**
At 30 June 2012		1,055	6,114	120	93,105	**100,394**

	Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
COMPANY						
At 1 July 2010		1,053	5,969	120	66,873	**74,015**
Total comprehensive income for the period						
Profit 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**
Total comprehensive income for the period						
Profit for the period		-	-	-	3,739	**3,739**
Total comprehensive income for the period		-	-	-	3,739	**3,739**
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Share issue		1	75	-	-	**76**
Purchase of own shares		-	-	-	(193)	**(193)**
Share-based payments		-	-	-	149	**149**
Dividends	9	-	-	-	(2,626)	**(2,626)**
Transactions with owners, recorded directly in equity		1	75	-	(2,670)	**(2,594)**
At 30 June 2012		1,055	6,114	120	73,396	**80,685**

Consolidated Statement of Cashflow

for the year ended 30 June 2012

	Note	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Operating activities					
Profit before tax from continuing operations		**3,797**	1,542	**3,886**	5,825
Loss before tax from discontinued operations	3	**(37)**	(73)	**-**	-
		3,760	1,469	**3,886**	5,825
Depreciation of plant and equipment	11	**229**	92	**21**	19
Share-based payments		**149**	(114)	**149**	(114)
Profit on sale of investment properties		**(101)**	(5)	**-**	-
Profit on sale of assets held for sale		**(341)**	-	**-**	-
Share of profit of joint ventures (net of tax)	13	**(3)**	(392)	**-**	-
Financial income		**(561)**	(808)	**(1,175)**	(1,026)
Financial expenses		**19**	179	**13**	92
Dividends received		**-**	-	**(4,760)**	(6,302)
Operating cash flows before movements in working capital		**3,151**	421	**(1,866)**	(1,506)
(Increase)/decrease in inventories		**(6,998)**	6,580	**-**	-
Decrease in receivables		**810**	5,749	**53**	629
Decrease in payables		**(5,545)**	(12,214)	**(23)**	(1,485)
Increase in amounts due from subsidiary undertakings		**-**	-	**(11,003)**	(8,448)
Cash (utilised)/generated from operating activities		**(8,582)**	536	**(12,839)**	(10,810)
Tax received		**-**	218	**-**	41
Interest paid		**(13)**	(132)	**(13)**	(97)
Net cash flows from operating activities		**(8,595)**	622	**(12,852)**	(10,866)

	Note	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Investing activities					
Proceeds from disposal of assets held for sale		**7,209**	-	**-**	-
Proceeds from disposal of investment properties		**156**	154	**-**	-
Interest received		**665**	299	**1,086**	1,172
Dividends received		**-**	-	**4,760**	6,302
Purchase of plant and equipment	11	**(893)**	(200)	**(16)**	-
Loans made to joint ventures		**-**	(1,999)	**-**	-
Impairment of investments		**-**	-	**800**	-
Repayment of loans to joint ventures and other investments		**68**	511	**1**	1,000
Net cash flows from investing activities		**7,205**	(1,235)	**6,631**	8,474
Financing activities					
Proceeds from issue of shares		**76**	71	**76**	71
Purchase of own shares		**-**	(118)	**(193)**	(250)
Own shares disposed		**39**	-	**-**	-
Dividends paid	9	**(2,626)**	-	**(2,626)**	-
Net cash flows from financing activities		**(2,511)**	(47)	**(2,743)**	(179)
Net decrease in cash and cash equivalents		**(3,901)**	(660)	**(8,964)**	(2,571)
Cash and cash equivalents at beginning of year		**17,763**	18,423	**17,975**	20,546
Cash and cash equivalents at end of year	26	**13,862**	17,763	**9,011**	17,975

Notes to the Financial Statements
for the year ended 30 June 2012

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 £3,738,000 (2011: £5,818,000).

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 Executive Officer to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire plant and equipment.

Impairment: Financial assets

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

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

Impairment: Non-financial assets

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

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

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

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

Exceptional items

Items that are both material in size and unusual or infrequent in nature are presented as exceptional items in the 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 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; and
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 a joint venture investment where the sale process has commenced and a sale within the next 12 months is expected. 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 the Monte Carlo valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except where forfeiture is due only to share prices not achieving the threshold for vesting. The cost of the share-based award relating to each subsidiary is calculated, based on an appropriate apportionment, at the date of grant and recharged through intercompany.

Own shares held by Employee Benefit Trusts

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

Dividends

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

Critical accounting judgements and key sources of estimation uncertainty

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

Notes to the Financial Statements continued

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 a prior year were reversed to the extent that they were no longer required. The review was conducted on a site by site basis, using valuations that incorporated selling price, based on local management and the Board’s assessment of market conditions existing at the balance sheet date.

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

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 2012, there were no additional and relevant standards for the Group to adopt.

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 2012:

Standard	Due for adoption y/e
IFRS 9 'Financial Instruments'	1 January 2015
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
IAS 27 'Separate Financial Statements'	1 January 2013
IAS 28 'Investments in Associates and Joint Ventures'	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 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 constructions services in the UK.

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

	2012 £000	2011 £000
Revenue		
Continuing activities:		
Gleeson Homes	**32,634**	35,440
Gleeson Strategic Land	**8,173**	5,770
Gleeson Capital Solutions	**-**	-
Gleeson Commercial Property Developments	**3**	2
Gleeson Construction Services	**1,127**	141
	41,937	41,353
Discontinued activities:		
Gleeson Construction Services	**38**	353
	38	353
Total revenue	**41,975**	41,706
Profit on activities		
Gleeson Homes	**306**	(400)
Gleeson Strategic Land	**3,655**	2,710
Gleeson Capital Solutions	**411**	110
Gleeson Commercial Property Developments	**183**	(27)
Gleeson Construction Services	**(63)**	(54)
	4,492	2,339
Group activities	**(1,237)**	(1,411)
Financial income	**561**	793
Financial expenses	**(19)**	(179)
Profit before tax	**3,797**	1,542
Tax	**(154)**	42
Profit for the year from continuing operations	**3,643**	1,584
Loss for the year from discontinued operations (net of tax)	**(37)**	(73)
Profit for the year attributable to equity holders of the parent company	**3,606**	1,511

All rental income from investment properties, totalling £4,000 (2011: £20,000), is reported within the Gleeson Homes segment. All revenue for the Gleeson Construction Services segment is in relation to long term contracts. The revenue in the Gleeson Homes segment relates to the sale of residential properties and land. All revenue for Gleeson Strategic Land segment is in relation to the sale of land. Service revenues are reported by Gleeson Capital Solutions.

Notes to the Financial Statements continued

Balance sheet analysis of business segments:

	2012 Assets £000	2012 Liabilities £000	2012 Net assets £000	2011 Assets £000	2011 Liabilities £000	2011 Net assets £000
Gleeson Homes	**65,783**	**(7,315)**	**58,468**	55,600	(6,707)	48,893
Gleeson Strategic Land	**26,907**	**(3,077)**	**23,830**	29,710	(6,602)	23,108
Gleeson Capital Solutions	**2,053**	**(76)**	**1,977**	8,991	(210)	8,781
Gleeson Commercial Property Developments	**7**	**(74)**	**(67)**	54	(721)	(667)
Gleeson Construction Services	**1,922**	**(4,051)**	**(2,129)**	2,601	(5,865)	(3,264)
Group Activities	**5,686**	**(1,233)**	**4,453**	5,798	(1,259)	4,539
Net cash	**13,862**	**-**	**13,862**	17,763	-	17,763
	116,220	**(15,826)**	**100,394**	120,517	(21,364)	99,153

Other information:

	2012 Capital additions £000	2012 Depre-ciation £000	2011 Capital additions £000	2011 Depre-ciation £000
Continuing operations:				
Gleeson Homes	**866**	**205**	197	73
Gleeson Strategic Land	**11**	**3**	3	1
Group Activities	**16**	**21**	-	18
	893	**229**	200	92

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.

	Note	2012 £000	2011 £000
Revenue		**38**	353
Cost of sales		**16**	(353)
Gross profit		**54**	-
Administrative expenses		**(91)**	(88)
Operating loss		**(37)**	(88)
Financial income	7	**-**	15
Loss before tax		**(37)**	(73)
Tax		**-**	-
Loss for the year from discontinued operations		**(37)**	(73)

Loss per share: impact of discontinued operations

	Note	2012 p	2011 p
Basic and diluted	10	**(0.07)**	(0.14)

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

	2012 £000	2011 £000
Operating activities	**(37)**	(88)
Financing activities	**-**	15
	(37)	(73)

4. EXCEPTIONAL ITEMS

Impairment of inventories and contract provisions

At 30 June 2012, 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.

Restructuring costs

During the year, the Group reversed £76,000 (2011: £1,648,000) in relation to onerous lease provisions provided for and treated as exceptional in prior years.

Exceptional income may be summarised as follows:

	2012 £000	2011 £000
Re-instatement of inventories and contract provisions	**2,879**	1,821
Reversal of restructuring costs	**76**	1,648
	2,955	3,469

In the year ended 30 June 2012, £2,955,000 (2011: £3,469,000) of exceptional income was reported in the Gleeson Homes division.

5. EXPENSES AND AUDITORS' REMUNERATION

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

	Note	2012 £000	2011 £000
Staff costs	6	6,636	5,497
Depreciation of plant and equipment (continuing operations)		**229**	92
Profit on sale of investment properties		**(101)**	(5)
Rental income from investment properties		**(4)**	(20)
Auditors' remuneration for:			
• Audit of these financial statements		**10**	10
• Audit of financial statements of subsidiaries pursuant to legislation		**50**	55
• Taxation services		**39**	47
• Other services		**65**	38

Notes to the Financial Statements continued

6. STAFF COSTS

	Note	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Wages and salaries		**5,560**	4,731	**789**	747
Redundancy		**16**	61	**-**	23
Share-based payments		**149**	(114)	**34**	(198)
Social security costs		**595**	501	**100**	95
Other pension costs	23	**316**	318	**61**	100
		6,636	5,497	**984**	767

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

	Group 2012 No.	Group 2011 No.
Gleeson Homes	**111**	76
Gleeson Strategic Land	**8**	8
Gleeson Capital Solutions	**-**	4
Group Activities	**11**	12
	130	100

The average number of people employed by the Company (including Directors) during the year was 11 (2011: 12).

Directors' remuneration

Full details of the Directors' remuneration is provided in the audited part of the Directors' Remuneration Report on pages 18 to 21.

7. FINANCIAL INCOME AND EXPENSES

	Continuing operations		Discontinued operations		Total	
Group	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Financial income						
Interest on bank deposits	**199**	114	**-**	-	**199**	114
Interest on joint venture loans	**240**	440	**-**	-	**240**	440
Other interest	**1**	24	**-**	15	**1**	39
Unwinding of discount on deferred receipts	**121**	215	**-**	-	**121**	215
	561	793	**-**	15	**561**	808
Financial expenses						
Interest on bank overdrafts and loans	**-**	(2)	**-**	-	**-**	(2)
Bank charges	**(13)**	(119)	**-**	-	**(13)**	(119)
Unwinding of discount on deferred payments	**(6)**	(58)	**-**	-	**(6)**	(58)
	(19)	(179)	**-**	-	**(19)**	(179)
Net financial income	**542**	614	**-**	15	**542**	629

Note 20 discloses any further exposure for the Group to interest rate risk.

8. TAX

Group	Note	Continuing operations 2012 £000	Continuing operations 2011 £000	Discontinued operations 2012 £000	Discontinued operations 2011 £000	Total 2012 £000	Total 2011 £000
Current tax:							
Adjustment in respect of prior years		**(15)**	(201)	**-**	-	**(15)**	(201)
		(15)	(201)	**-**	-	**(15)**	(201)
Deferred tax:							
Current year expense	24	**115**	100	**-**	-	**115**	100
Adjustment in respect of prior years	24	**(8)**	(14)	**-**	-	**(8)**	(14)
Impact of rate change	24	**62**	73	**-**	-	**62**	73
Corporation tax expense/(credit) for the year		**154**	(42)	**-**	-	**154**	(42)
Joint ventures tax (credit)/expense for the year		**(9)**	45	**-**	-	**(9)**	45
Total tax		**145**	3	**-**	-	**145**	3

On 1 April 2012, the rate of Corporation tax reduced from 26% to 24%. The weighted average rate of corporation tax was 25.50% (2011: 27.75%) 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	2012 £000	2012 %	2011 £000	2011 %
Profit before tax on continuing operations		**3,797**		1,542	
Add joint venture tax for the year	13	**(9)**		45	
		3,788		1,587	
Loss before tax from discontinued operations	3	**(37)**		(73)	
Profit before tax		**3,751**		1,514	
Tax charge at standard rate		**957**	**25.5**	420	27.7
Tax effect of:					
Non-taxable income		**(125)**	**(3.3)**	(164)	(10.8)
Expenses that are not deductible in determining taxable profits		**45**	**1.2**	-	-
Losses arising in the year carried forward		**-**	**-**	718	47.4
Utilisation of tax losses not previously recognised		**(771)**	**(20.6)**	(829)	(54.8)
Changes in tax rates		**62**	**1.7**	73	4.8
Adjustments in respect of prior years		**(23)**	**(0.6)**	(215)	(14.2)
Tax charge and effective tax rate for the year		**145**	**3.9**	3	0.2

9. DIVIDENDS

	2012 £000	2011 £000
Amounts recognised as distributions to equity holders in the year:		
Special dividend paid on 16 December 2011 of 5p per share	**2,626**	-
	2,626	-
There is no final dividend proposed for the year ended 30 June 2012 (2011: nil p per share)	**-**	-

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

	2012 £000	2011 £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	3,643	1,584
Loss from discontinued operations	(37)	(73)
Profit for the purposes of basic and diluted earnings per share	3,606	1,511

Number of shares

	2012 No. 000	2011 No. 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	52,574	52,458
Effect of dilutive potential ordinary shares:		
Share options	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	52,574	52,458

From continuing operations

	2012 p	2011 p
Basic and diluted	6.93	3.02

From discontinued operations

	2012 p	2011 p
Basic and diluted	(0.07)	(0.14)

From continuing and discontinued operations

	2012 p	2011 p
Basic and diluted	6.86	2.88

11. PLANT AND EQUIPMENT

	Group Plant and machinery £000	Company Plant and Machinery £000
Cost or valuation		
At 1 July 2010	1,544	713
Additions	200	-
Disposals	(81)	-
At 30 June 2011	**1,663**	**713**
Additions	**893**	**16**
Disposals	**(24)**	**-**
At 30 June 2012	**2,532**	**729**
Accumulated depreciation		
At 1 July 2010	1,394	642
Charge for the year	92	19
Disposals	(81)	-
At 30 June 2011	**1,405**	**661**
Charge for the year	**229**	**21**
Disposals	**(24)**	**-**
At 30 June 2012	**1,610**	**682**
Net book value		
At 30 June 2012	**922**	**47**
At 30 June 2011	258	52
At 1 July 2010	150	71

The Group has recorded a depreciation expense of £229,000 (2011: £92,000), of which £102,000 (2011: £30,000) has been charged in cost of sales and £127,000 (2011: £62,000) in administrative expenses.

The Company has recorded a depreciation expense of £21,000 (2011: £19,000), all of which has been charged in administrative expenses.

12. INVESTMENT PROPERTY

Group	Freehold investment property £000
Cost or valuation	
At 1 July 2010	873
Additions	79
Disposals	(149)
At 30 June 2011	**803**
Disposals	**(55)**
At 30 June 2012	**748**

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	2012 £000	2012 £000	2011 £000	2011 £000
At 1 July			**15**		2,124
Share of results for the year		**(6)**		437	
Share of tax expense		**9**		(45)	
Share of profit in joint ventures (net of tax) for the year			**3**		392
Cashflow hedges			**(3)**		(40)
			15		2,476
Classified as assets held for sale	18		**-**		(2,461)
At 30 June			**15**		15

On 30 June 2012, an investment in Leeds Independent Living Accommodation Company Holdings Ltd was considered, under IFRS 5, to be Assets held for sale (note 18). Profits for the year from this joint venture has been recorded within the share of results for the year.

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 18). Profits for the year from these joint ventures have been recorded within the share of results for the prior year. These Joint Ventures were sold in 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	2012 £000	2011 £000
Current assets		**1,534**	6,376
Non-current assets		**19,215**	58,451
Current liabilities		**(275)**	(1,835)
Non-current liabilities		**(20,341)**	(60,401)
		133	2,591
Cashflow hedges		**(118)**	(115)
		15	2,476
Classified as assets held for sale	18	**-**	(2,461)
At 30 June		**15**	15
Revenue		**2,010**	9,720
Expenses		**(2,016)**	(9,283)
Profit before tax		**(6)**	437
Tax		**9**	(45)
Profit for the year		**3**	392

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 [2]
Genesis Estates (Manchester) Ltd	Residential property development	50%	Ordinary shares	England	26 March
Gleeson Black and Veatch Joint Venture Partnership	Construction	60% [1]		England	30 June
Leeds Independent Living Accommodation Company Holdings Ltd	Assisted housing	33%	A Ordinary shares	England	31 December
The Gleeson Capital Solution Partners Joint Venture Partnership	Construction - Engineering	35% [1]		England	30 June

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

2 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.

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.

14. LOANS AND OTHER INVESTMENTS

Group loans & other investments

	Note	Joint venture loans		Loans & other investments		Total	
		2012 £000	2011 £000	**2012 £000**	2011 £000	**2012 £000**	2011 £000
At 1 July		**2,006**	4,484	**4,896**	4,896	**6,902**	9,380
Additions		**240**	2,442	**-**	-	**240**	2,442
Repayments		**(256)**	(513)	**-**	-	**(256)**	(513)
Classified as assets held for sale	18	**(1,990)**	(4,407)	**-**	-	**(1,990)**	(4,407)
At 30 June		**-**	2,006	**4,896**	4,896	**4,896**	6,902

On 30 June 2012, an investment in Leeds Independent Living Accommodation Company Holdings Ltd was considered, under IFRS 5, to be Assets held for sale (note 18). Interest receivable on this loans has been recorded within financial income.

On 30 June 2011, loans to AvantAge (Cheshire) Holdings Limited, Chrysalis (Stanhope) Holdings Ltd, and Grove Village Holdings Limited were considered, under IFRS 5, to be Assets held for sale (note 18). In the prior year, interest receivable on these loans was recorded within financial income.

The loans and other investments represent equity in GB Group Holdings Limited, details of which are provided below. There is no interest on the loan and no specified term.

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

Notes to the Financial Statements continued

Company loans & other investments

The Company has no loans.

	Other investments	
	2012 £000	2011 £000
At 1 July	**4,896**	4,896
At 30 June	**4,896**	4,896

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

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

Joint venture loans

The Group has made the following unsecured loans to:

Group	Note	**2012 £000**	2011 £000	Interest rate	Terms
AvantAge (Cheshire) Holdings Ltd		**-**	1,650	10.72%	Joint venture sold in the year
Chrysalis (Stanhope) Holdings Ltd		**-**	842	10.50%	Joint venture sold in the year
Grove Village Holdings Ltd		**-**	1,915	9.07%	Joint venture sold in the year
Leeds Independent Living Accommodation Company Holdings Ltd		**1,990**	2,006	12.00%	25 years
		1,990	6,413		
Classified as held for sale	19	**(1,990)**	(4,407)		
		-	2,006		

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

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

	Subsidiary under-takings £000
Cost	
At 1 July 2010	32,001
Repayments	(1,000)
At 30 June 2011	**31,001**
Impairment in investments	**(800)**
Repayments	**(1)**
At 30 June 2012	**30,200**

The repayments in the year reflect the dissolution of dormant subsidiaries within the Group.

The repayments in the prior year 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. At 30 June 2012, the company impaired its investment in Gleeson Constrution Services where the net assets are below the cost of the investment.

Principal subsidiary undertakings

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

Registered in England and Wales and operate in the United Kingdom

Subsidiary	Principal activity
Gleeson Capital Solutions Limited	Provision of bid management
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 [1]	Strategic land trading
Norfolk Park Limited	House building and housing regeneration

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

1 shares held by Gleeson Developments Limited

16. INVENTORIES

	2012 £000	2011 £000
Work-in-progress	**76,495**	69,497
	76,495	69,497

During the year, there was a write up to net realisable value of work-in-progress of £2,879,000 (2011: £3,221,000) in relation to work-in-progress previously impaired.

Notes to the Financial Statements continued

17. TRADE AND OTHER RECEIVABLES

	Note	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Current assets					
Trade receivables		**5,564**	7,899	**103**	127
Amounts due from construction contract customers	19	**1,540**	4,018	**-**	-
VAT recoverable		**489**	302	**-**	-
Prepayments and accrued income		**3,590**	1,460	**220**	160
Amount due from subsidiary undertakings		**-**	-	**58,313**	49,527
		11,183	13,679	**58,636**	49,814
Non-current assets					
Available for sale financial assets		**5,369**	3,838	**-**	-
		16,552	17,517	**58,636**	49,814

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 20 for reference to credit risk associated with trade receivables.

The Company recharges subsidiaries for all staff-related costs, insurance and interest on intercompany loans. The total costs recharged for the year totalled £5,098,000 (2011: £4,386,000).

The Company charges interest at Bank of England base rate plus 1% on £64,432,000 (2011: £59,432,000) of the unimpaired intercompany loan adjusted for bank balances held within the company. At 30 June 2012, this figure was £70,504,000 (2011: £62,138,000).

18. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

At 30 June 2012, the joint venture within the Gleeson Capital Solutions division is presented as available for sale. Following an impairment review, the directors do not consider it necessary to impair the joint ventures on reclassification.

At 30 June 2011, three joint ventures within the Gleeson Capital Solutions division are presented as available for sale. These were sold during the year generating a profit of £341,000.

	Note	Group 2012 £000	Group 2011 £000
Investments in joint ventures	13	**-**	2,461
Loans and other investments	14	**1,990**	4,407
		1,990	6,868

The joint ventures investments at the start of the year which were classified as held for sale, all of which were sold in the year were:

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

The joint venture investment at 30 June 2012, which was classified as held for sale is:

- Leeds Independent Living Accommodation Company Holdings Ltd

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

19. CONSTRUCTION CONTRACTS

	Note	Group 2012 £000	Group 2011 £000
Contracts in progress at the balance sheet date:			
Amounts due from contract customers included in trade and other receivables	17	**1,540**	4,018
Amounts due to contract customers included in trade and other payables	21	**(60)**	(121)
		1,480	3,897
Contract costs incurred plus recognised profits less recognised losses to date		**932,736**	1,032,679
Less: progress billings		**(931,256)**	(1,028,782)
		1,480	3,897

At 30 June 2012, retentions held by customers for contract work amounted to £355,000 (2011: £661,000).

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

20. FINANCIAL INSTRUMENTS

Risk exposure

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

Cash and cash equivalents

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

Credit risk

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

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

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

At 30 June 2012, the Group's most significant customer, a housebuilder, accounted for £4,239,000 (2011: £4,245,000) of the trade and other receivables carrying amount and relates to a deferred receipt. The Group's turnover with this customer in the year is £4,239,000 (2011: £Nil). 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 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Not past due	**4,618**	7,363	**-**	54
Past due 0-30 days	**21**	40	**-**	-
Past due 31-120 days	**35**	109	**-**	7
Past due 121-365 days	**60**	68	**41**	-
Past due more than one year	**830**	319	**62**	66
	5,564	7,899	**103**	127

All trade receivables are from UK customers.

Notes to the Financial Statements continued

Trade receivables past due more than one year largely represents retentions within the Gleeson Homes division.

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 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Balance at 1 July	**84**	24	**84**	24
Impairment loss recognised	**7**	60	**7**	60
Balance at 30 June	**91**	84	**91**	84

Market risk

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

Interest rate risk

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

A 1% increase in interest rates would improve the annual income of the Group and Company by £139,000 (2011: £178,000) 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 £17,753,000 (2011: £18,455,000) has fixed interest payments at an average rate of 5.15% (2011: 5.15%) for periods up until 2035.

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

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Interest payable:				
Within one year	**1,038**	1,083	**1,038**	1,083
Within two to five years	**3,719**	3,899	**3,719**	3,899
After five years	**9,207**	10,092	**9,207**	10,092
	13,964	15,074	**13,964**	15,074

Liquidity risk

The Group meets its day-to-day liquidity requirements through cashflow.

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:

	2012 Effective interest rate %	2012 Due within one year £000	2011 Effective interest rate %	2011 Due within one year £000
Bank balances	**0.00-0.50**	**6,862**	0.00-0.50	10,763
Short term deposits	**2.10**	**7,000**	1.00-1.18	7,000
Net cash		**13,862**		17,763

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 2012							
Trade and other payables [1]	**12,094**	**(12,095)**	**(7,916)**	**(520)**	**(3,625)**	**(34)**	**-**
	12,094	**(12,095)**	**(7,916)**	**(520)**	**(3,625)**	**(34)**	**-**
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)

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	2012 Level 3 £000	2012 Total £000	2011 Level 3 £000	2011 Total £000
Available for sale financial assets	17	**5,369**	**5,369**	3,838	3,838
		5,369	**5,369**	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 17).

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 28 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.

Notes to the Financial Statements continued

21. TRADE AND OTHER PAYABLES

	Note	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Current liabilities					
Amounts due to construction contract customers	19	**60**	121	**-**	-
Trade payables		**10,797**	13,228	**339**	513
Other taxation and social security		**331**	267	**195**	170
VAT payable		**113**	50	**113**	50
Accruals and deferred income		**3,948**	6,143	**486**	458
Amount due to subsidiary undertakings		**-**	-	**21,292**	23,509
		15,249	19,809	**22,425**	24,700

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

22. PROVISIONS

	Group Restruc-turing costs £000	Group Onerous leases £000	Group Total £000
At 1 July 2011	95	1,460	1,555
Provisions made during the year	35	-	35
Provisions used during the year	(29)	(732)	(761)
Provisions released during the year	(1)	(251)	(252)
At 30 June 2012	100	477	577
Non-current	-	219	219
Current	100	258	358
	100	477	577

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

	Company Restruc-turing costs £000	Company Total £000
At 1 July 2011	65	65
Provisions used during the year	35	35
At 30 June 2012	100	100
Non-current	-	-
Current	100	100
	100	100

23. EMPLOYEE BENEFITS

Defined contribution pension plan

The Group operates a defined contribution pension plan. The assets of the pension plan are held separately from those of the Group in funds under the control of the trustees.

Group

The total pension cost charged to the Income Statement of £316,000 (2011: £318,000) represents contributions payable to the defined contribution pension plan by the Group at rates specified in the plan rules. At 30 June 2012, contributions of £40,000 (2011: £37,000) 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 £61,000 (2011: £100,000) represents contributions payable to the defined contribution pension plan by the Company at rates specified in the plan rules.

24. DEFERRED TAX

Group

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

	Plant and machinery £000	Short-term timing differences £000	Total £000
At 1 July 2010	951	102	1,053
Charge to income	(86)	-	(86)
Impact of rate change	(67)	(6)	(73)
At 30 June 2011	**798**	**96**	**894**
Charge to income	**(89)**	**(18)**	**(107)**
Impact of rate change	**(56)**	**(6)**	**(62)**
At 30 June 2012	**653**	**72**	**725**

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

	Group 2012 £000	Group 2011 £000
Deferred tax asset	**725**	894
Deferred tax liabilities	**-**	-
	725	894

On 28 July 2010, a change in corporate tax rates was substantively enacted, with corporation tax reduced from 26% to 24% with effect from 1 April 2012. The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. The first phase of this reduction to 23% from 1 April 2013 was substantively enacted on 3 July 2012.

At the balance sheet date, the Group has unused tax losses of £83,089,000 (2011: £85,575,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses (2011: £nil) due to the continuing uncertain conditions in the housing market. Losses may be carried forward indefinitely against future taxable profits.

Notes to the Financial Statements continued

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 2010	606	13	619
Charge to income	(9)	-	(9)
Impact of rate change	(42)	(1)	(43)
At 30 June 2011	**555**	**12**	**567**
Charge to income	**(98)**	**(12)**	**(110)**
Impact of rate change	**(37)**	**-**	**(37)**
At 30 June 2012	**420**	**-**	**420**

At the balance sheet date, the Company had unused tax losses of £6,665,000 (2011: £6,695,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses. Losses may be carried forward indefinitely.

25. OPERATING LEASE ARRANGEMENTS

Operating leases: lessee

	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Minimum lease payments under non-cancellable operating leases recognised as an expense for the year				
Minimum lease payments	**1,240**	1,428	**-**	43
	1,240	1,428	**-**	43

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

Group	2012 Land and buildings £000	2011 Land and buildings £000
Within one year	**416**	1,365
Within two to five years	**1,301**	1,399
After five years	**89**	374
	1,806	3,138

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

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

In the current year, onerous lease provisions of £251,000 were released (2011: £1,712,000). See note 22 for details.

Where possible, the Group always endeavours to sub-lease any vacant space on short-term lets. An onerous lease provision is recognised where the rents receivable over the lease term are less than the obligation to the head lessor. The Group's investment properties are also leased to a number of tenants for varying terms.

Operating leases: lessor

The Group's total future minimum sub-lease receipts expected under non-cancellable sub-leases as at 30 June 2012 is £841,000 (2011: £1,526,000). These receipts are included within the minimum rent receivables table below.

The Company has no (2011: £nil) future minimum sub-lease receipts.

	Group 2012 £000	Group 2011 £000
Minimum rental income under operating leases recognised as revenue for the year	**367**	546

Included in the figures above is £363,000 (2011: £526,000) which relates to properties which the Group had previously occupied as operating lease lessees and have now sublet. The balance of £4,000 (2011: £20,000) relates to investment properties.

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

Group	2012 Land and buildings £000	2011 Land and buildings £000
Within one year	**70**	546
Within two to five years	**771**	644
After five years	**-**	336
	841	1,526

26. ANALYSIS OF CASH AND CASH EQUIVALENTS

	Group £000	Company £000
At 1 July 2010	18,423	20,546
Cashflow	(660)	(2,571)
At 30 June 2011	**17,763**	**17,975**
Cashflow	**(3,901)**	**(8,964)**
At 30 June 2012	**13,862**	**9,011**

27. BONDS AND SURETIES

Group and Company

As at 30 June 2012, the Group had bonds and sureties of £4,491,000 (2011: £5,143,000) provided by financial institutions in support of ongoing contracts.

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

Notes to the Financial Statements continued

28. SHARE CAPITAL

	2012 No. 000	2012 £000	2011 No. 000	2011 £000
Issued and fully paid Ordinary shares:				
At the beginning of the year	**52,696**	**1,054**	52,644	1,053
Shares issued	**34**	**1**	52	1
At the end of the year	**52,730**	**1,055**	52,696	1,054

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 2012 was 52,730,235 (2011: 52,696,158).

At 30 June 2012, the Employee Benefit Trusts ("EBT") held 225,000 (2011: 1,034,000) shares at a cost of £364,000 (2011: £1,269,000). 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 none of these shares (2011: 67,898).

Details of share options are given in note 29.

29. SHARE-BASED PAYMENTS

During the year to 30 June 2012, the Group had two share-based payment arrangements.

The recognition and measurement principles in IFRS 2 have not been applied to those options granted before 7 November 2002 in accordance with the transitional provisions in IFRS 1 and IFRS 2.

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

Arrangement	Contractual life	Vesting conditions	Settlement basis
Share purchase plan	10 years	From 1 March 2009 the Group matches shares purchased by employees on a 1 for 3 basis. Prior to this date the Group matched shares purchased by employees on a 4 for 3 basis. The shares purchased by the employees are immediately exercisable. The Group matching shares are only exercisable after 3 years.	Equity
Performance share plan ("PSP")	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. None of these shares are currently exercisable.	Equity

Share options granted after 7 November 2002

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

Share purchase plan

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

Performance share plan

The fair value per option for the performance share plan scheme has been calculated using a modified Monte Carlo model. The inputs into the model at each grant date and the estimated fair value were as follows: 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 17/12/10
The model inputs were:	
Share price at grant date	£1.28
Exercise price	£1.26
Expected volatility	45%
Expected dividends	1.56%
Expected life	3 years
Risk-free interest rate	1.69%
Fair value of one option	£0.50

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

Further details of the option plans are as follows:

Date of grant	Share purchase plan Monthly No. of shares	PSP 17/12/10 No. of shares
Outstanding at 1 July 2010	**259,103**	**-**
Granted in the year	**12,016**	**863,168**
Forfeited	**(640)**	**-**
Lapsed	**-**	**(24,119)**
Exercised	**(192,494)**	**-**
Outstanding at 30 June 2011	**77,985**	**839,049**
Granted in the year	**15,197**	**-**
Forfeited	**(2,347)**	**-**
Exercised	**(9,317)**	**-**
Outstanding at 30 June 2012	**81,518**	**839,049**
Remaining contractual life	Rolling scheme	1.5 years
	No. of shares	No. of shares
Weighted average exercise price	**-**	**£1.26**
Weighted average share price at date of exercise - current year	**£1.23**	**-**
Weighted average share price at date of exercise - prior year	**£1.15**	**-**

Notes to the Financial Statements continued

Share options granted prior to 7 November 2002

Date of grant	Share purchase plan Monthly No. of shares
Outstanding at 1 July 2010	**9,127**
Exercised	**(7,500)**
Outstanding at 30 June 2011	**1,627**
Exercised	**(280)**
Outstanding at 30 June 2012	**1,347**
Remaining contractual life	Rolling scheme
Weighted average exercise price	-
Weighted average share price at date of exercise - current year	**£1.23**
Weighted average share price at date of exercise - prior year	**£1.15**

30. CAPITAL COMMITMENTS

During the year, the Group entered into a contract to purchase land for development resulting in a capital commitment of £1,436,000 at 30 June 2012 (2011: £3,852,000).

31. RELATED PARTY TRANSACTIONS

Identity of related parties

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

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

Transactions with key management personnel

The Group's key management personnel are the executive and non-executive Directors, as identified in the Directors' Remuneration Report on pages 18 to 21.

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

Provision of goods and services to joint ventures

	2012 £000	2011 £000
Grove Village Ltd	**5**	203
Chrysalis (Stanhope) Ltd	**4**	194
AvantAge (Cheshire) Ltd	**2**	264
Leeds Independent Living Accommodation Company Ltd	**252**	143
	263	804

Sales to related parties were made at market rates.

Purchase of goods and services from joint ventures

There have been no purchases of goods or services 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	2012 £000	2011 £000
Loans and other investments	14	**-**	2,006
Assets classified as held for sale	18	**1,990**	4,407
Prepayments and accrued income	17	**98**	74
		2,088	6,487

The amounts owed to joint ventures at 30 June 2012 totalled £Nil (2011 £Nil).

Identity of related parties with which the Company has transacted

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

Related party transactions:

	Administrative expenses	
	2012 £000	2011 £000
Subsidiaries	**5,098**	4,386
	5,098	4,386

	Receivables outstanding		Payables outstanding	
	2012 £000	2011 £000	2012 £000	2011 £000
Subsidiaries	**58,313**	49,527	**21,292**	23,509
	58,313	49,527	**21,292**	23,509

Five Year Review

for the years ended 30 June

	IFRS 2012 £000	IFRS 2011 £000	IFRS 2010 £000	IFRS 2009 £000	IFRS 2008 £000
Revenue	**41,937**	41,353	46,534	43,030	71,125
Operating profit/(loss)	**3,255**	928	(323)	(51,558)	(23,897)
Net finance income	**542**	614	770	868	3,559
Profit/(loss) before tax	**3,797**	1,542	447	(50,690)	(20,338)
Tax	**(154)**	42	235	(2,609)	(5)
Profit/(loss) after tax	**3,643**	1,584	682	(53,299)	(20,343)
Discontinued operations	**(37)**	(73)	2,455	1,844	2,003
Profit/(loss) for year attributable to equity holders of the parent company	**3,606**	1,511	3,137	(51,455)	(18,340)
Total assets	**116,220**	120,517	131,380	140,069	213,021
Total liabilities	**(15,826)**	(21,364)	(33,537)	(37,637)	(59,284)
Net assets	**100,394**	99,153	97,843	102,432	153,737
	p	p	p	p	p
Total dividend per share	**5.00**	-	15.00	-	2.00
Earnings/(loss) per share from continuing operations	**6.93**	3.02	1.30	(102.25)	(38.97)
Net assets per share	**190**	188	186	195	294

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