gleeson

builders for generations

MJ Gleeson Group plc

Report and Accounts
for the year ended 30 June 2013

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Making a real and lasting difference to communities

MJ Gleeson Group plc

The Group is engaged in:

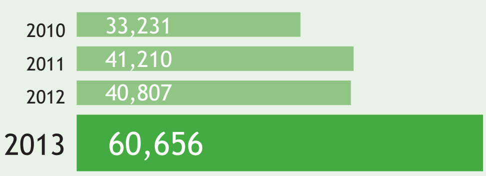
- housebuilding on brownfield land in the North of England with a particular emphasis on low cost homes for local communities;
- strategic land trading, primarily in the South of England, and benefiting from the enhancement of the value of green field sites by securing residential planning consents.

Financial highlights

	2013	2012	
Operating profit continuing operations	£6.0m	£2.7m	▲ 121%
Gleeson Homes operating profit	£4.0m	£0.3m	▲ 1,209%
Gleeson Strategic Land operating profit	£3.5m	£3.7m	▼ 6%

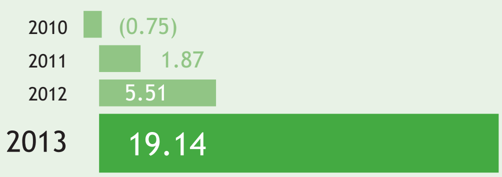
Revenue*

£'000



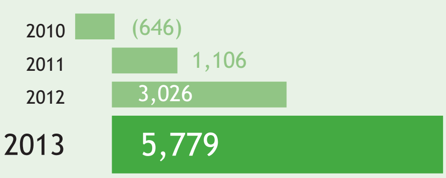
Earnings per share continuing operations*

(p)



Profit before tax continuing operations*

£'000



Net Assets per share

(p)

*Restated (see note 11)

Chairman's Statement

The Group has continued to expand and strengthen its presence in urban housing and regeneration on brownfield sites in the North of England, where we are market leader.

Dermot Gleeson, Chairman

The Group made excellent progress over the year.

Gleeson Homes increased unit sales by 46% to 406 units (2012: 279 units). Moreover, this increase in volume, which was primarily driven by sales on recently acquired, higher margin sites, has resulted in a significant rise in gross margins.

In addition, the division continued substantially to expand its landbank, taking advantage of the low land prices that still persist in most parts of the North of England.

Gleeson Strategic Land also produced a strong set of results, reflecting 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.

Continuing our community projects, see page 4

Financial performance

Group revenues increased 49% to £60.7m (2012 restated: £40.8m). The Group recorded an operating profit from continuing operations of £6.0m, an increase compared to the previous year of 121% (2012 restated: £2.7m). Discontinued operations, which included the sale of our last PFI investment, generated a post-tax profit of £1.3m (2012 restated: £0.7m).

Profit for the year attributable to equity holders of the parent company, including an exceptional deferred tax credit of £4.2m, totalled £11.4m (2012: £3.6m).

Net Assets increased by 11.6% to £112.1m (2012: £100.4m), representing net assets per share of 212p (2012: 190p). Net cash at 30 June 2013 was £9.9m (2012: £13.9m), the decrease of £3.9m primarily reflecting the continuing expansion of the Group's landbank and work-in-progress.

Normalised basic earnings per share, which excludes the exceptional tax credit of £4.2m, was 13.7p (2012: 6.9p).

Market context

The housing market during the year benefited significantly from the Government's Funding for Lending, and Help to Buy schemes, and continues to do so. Concerns have been expressed that the Government initiatives may create an unsustainable housing bubble but, in our markets, these seem misplaced. Outside central London, the increases in prices and sales rates have been very modest and are likely to remain so at a time when average real incomes continue to be exceptionally constrained.

Employees

The average number of employees during the year increased to 201 (2012: 130). The number at the year end was 215 (2012: 166).

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

Dividend policy

I stated in last year's Annual Report that, due to the improving prospects of Gleeson Homes, the Board was hoping to recommence regular dividend payments during 2013. I am pleased to report that regular dividend payments duly recommenced in April 2013 with the payment of an interim dividend of 0.5 pence per share (2012: nil) at a total cost of £0.26m. Furthermore, the Board is recommending a final dividend for the year of 2.0 pence per share (2012: nil) at a cost of £1.1m. Combined with the interim dividend, this will give a total dividend for the year of 2.5 pence per share (2012: 5.0 pence per share special dividend). Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid on 20 December 2013 to shareholders on the register at close of business on 22 November 2013.

It is the Board's intention to maintain a progressive dividend policy in which, from the current year onwards, the final dividend will normally represent roughly two thirds of the total dividend.

Prospects

The Group has continued to expand and strengthen its presence in the two areas of the housing market in which it now operates: urban housing and regeneration on brownfield sites in the North of England, where we are market leader, and the promotion through the planning system and subsequent sale of high value green field sites in the South of England.

Forward orders are significantly ahead of last year and we are confident that, barring an unexpected deterioration in economic conditions, we will achieve further significant growth in revenue and profit in the current year and beyond.

Dermot Gleeson
Chairman

Carlisle Park, Swinton

Community Matters

"Making a real and lasting difference to communities"

We understand the importance of involving the community before & during the construction of our developments & leaving a legacy once our works are complete.

The following are just some of the ways we help local communities.

Forward Thinking Partnerships

The communities in which we build new homes are the core of our business. Throughout every development we work with local people and local authorities to build strong relationships. We have a flexible approach to ensure the development meets local needs and new homes are in keeping with other buildings in the area. We liaise with planning, housing and social service departments to build good quality low cost housing for local people.

Mayor of Hartlepool, Cllr Stephen Akers-Belcher and Regional Director, Ed Alder at Tanfield Gardens, Hartlepool

Pupils from West Boldon Primary School, Boldon Colliery, get a bricklaying lesson

Projects for Schools

We work with local schools to foster partnerships within the community, coordinate competitions & projects for pupils throughout our development and to educate children on the dangers of playing on building sites.

Ecclesfield Spartans away kit, supplied by MJ Gleeson.

The Gleeson Community Sports Foundation

Since its inception in 2010 the Foundation has sponsored nearly 20 community run, junior sports teams across the three operating regions.

Ardwick Lads Amateur Boxing Club, Manchester

"Angling, apart from being good fun, has been shown to help young people understand the local environment as well as helping with discipline, concentration & boosts confidence. We provide all the equipment, bait & facilities. Gleeson's help will allow us to continue our programme."

Terry Littlewood, Phoenix & Parkgate Junior Angling Club

"Parents and children get a big lift when companies like Gleeson show a positive interest in what we are trying to achieve for young people. The sponsorship helps us reach our goal of making sport, and not crime, a choice for young people."

Bolton Woods Junior Football Club, Shipley

Darfield Cricket Club


Some of our apprentices in the North East

The Gleeson Apprecticeship Scheme

The Gleeson Apprenticeship Scheme offers young people the opportunity to train for a qualification in either brick-laying or joinery whilst gaining hands-on, paid work experience on one of Gleeson's new homes developments.

Following the recent intake in September 2013, Gleeson Homes has increased the number of apprentices by 50% to 21.


Macauley Bartley, Bricklaying Apprentice at Moorland Walk, Barnsley


Kavan Grainger, Apprentice Joiner at Lowfield Park, Bolton-upon-Dearne


Josh Fowler, Bricklaying Apprentice at Lowfield Park, Bolton-upon-Dearne

Proven Success

Simon Cauchie commenced his Apprenticeship with Gleeson Homes in 2011 working as a carpenter at Grove Village in Manchester. He soon became an integral part of the team, winning the award for 'Most Improved Student' at Manchester College during the second year of his course.

Simon has now successfully completed his apprenticeship and has set up his own business as a carpenter.

Low Cost Homes for Local People

We pride ourselves in building homes for local people at prices they can afford. Owner occupiers take on responsibility for their homes and become stakeholders in society.

Gleeson has many schemes to help people buy their new home. There are currently 10 schemes to assist this first step on the housing ladder including the Government's Help to Buy scheme.


Oswald Park, Burnley


Hackworth Place, Shildon

"When we found out we were expecting a baby we decided to move in with my parents so we could save towards a deposit and look for a new home. We were really impressed with the new homes at Allendale Court and were excited when the Gleeson's Sales Negotiator explained that they offered a number of schemes which could help us buy. We had already saved a small deposit so chose to use The MatchMaker scheme whereby Gleeson matched our deposit which enabled us to buy a new home much sooner than we thought possible."

Faye Beadle, Ormesby, Middlesbrough

"We didn't think we could afford to buy as we had no deposit saved. However, thanks to Gleeson's Save & Build scheme, we were able to reserve a home last August and save a 5% deposit whilst the property was built. Once our home was ready to move into, and our deposit saved, we took advantage of Gleeson's Shared Equity scheme which helped lower our monthly mortgage repayments."

Lee Jenkins, Goldthorpe, South Yorkshire


Lastingham Green, Buttershaw

Gaisby Mill, Shipley

Business Review

The year to 30 June 2013 has been a transitional year for the Group which has resulted in a significantly improved financial performance. Gleeson Homes, focused on the provision of low cost homes in the North of England, substantially increased the number of sites under development, the volume of homes sold and its gross and net margins. Gleeson Strategic Land once again delivered an impressive profit and a high return on capital employed from the sale of land with residential planning permission in the South of England.

GROUP BUSINESSES AND STRATEGY

Gleeson Homes

A housebuilder focusing on development on brownfield land in the North of England, with a particular emphasis on low cost homes for local communities. The strategy is to grow the business in the North of England, particularly in areas of urban regeneration.

The key features of the Gleeson Homes business model are:

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

Cllr Ann O'Byrne becomes a builder for the day at Grafton Park, Toxteth, Liverpool

Gleeson Strategic Land

A land promotion business that enhances the value of land by securing residential planning consents. The primary focus is on green field sites in the South of England likely to be attractive to volume housebuilders.

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

- Achieving mutually beneficial agreements with landowners. We enter into agreements with landowners to promote their land through the planning process.
- Promotion through the planning process. The division's team of land surveyors and town planners, along with legal and technical experts, steer the land through the planning process with a view to achieving a commercially attractive residential planning consent.
- Realising value. We strive to ensure that the best value is achieved for all stakeholders by managing the sale of the consented site to a developer.

DISCONTINUED OPERATIONS

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

Gleeson Commercial Property Developments: The Group has now sold its commercial property developments and ended its remaining leasehold interests.

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

PERFORMANCE

Gleeson Homes

Gleeson Homes' results for the year were as follows:

	2013	2012
Revenue	**£47.9m**	£32.6m
Operating profit	**£4.0m**	£0.3m

During the year, 406 homes were sold, an increase of 46% from the prior year's total of 279. The proportion of homes sold from new, higher margin sites rose from 31% in the prior year to 75%. This increase in the contribution from new sites, along with the increase in the volume of homes sold, significantly improved the profitability of the business unit.

The Average Selling Price ("ASP") for the homes sold in the year was £118,000 (2012: £117,000).

Customer demand increased in the second half of the year, with reservation rates improving from January onwards. Mortgage availability remained constrained but was helped by the Government's Funding for Lending scheme which improved the availability of higher loan to value mortgages. The Government's FirstBuy and Help to Buy schemes were also of assistance to many of our customers.

Included within the Operating Profit is an exceptional credit of £1.0m (2012: £3.0m) relating to the partial reversal of a debtor write down. The exceptional credits in the prior year related to the partial reversal of inventory write downs and the release of contract and restructuring provisions.

At the year end, Gleeson Homes had 34 selling outlets, located in County Durham, Derbyshire, Merseyside, Manchester, Newcastle, Nottinghamshire, Tyneside and Yorkshire. The number of outlets is expected to increase during the course of the current financial year to in excess of 40.

The business unit continued to take advantage of reduced land prices in the North of England to build up a substantially enlarged landbank. During the year, 15 sites were purchased which added 1,050 plots to the landbank. A further 16 sites that have been conditionally purchased are expected to add a further 1,240 plots to the landbank in the near future. When and if these acquisitions are completed, the landbank will total in excess of 3,860 plots. Impaired plots now represent only 7% of the landbank. In addition to owned and conditionally purchased plots, there are a further 2,000 plots which are being actively considered for acquisition.

Barnburgh View, Goldthorpe, South Yorkshire

Business Review continued

GLEESON STRATEGIC LAND

	2013	2012
Revenue	£12.7m	£8.2m
Operating profit	£3.5m	£3.7m

The demand for green field residential land in the South of England from the major housebuilders remained strong throughout the year. As a result, the business unit was able to complete seven land sales, with a combined acreage of 42.5 acres.

During the year, ten new sites were secured by means of either option, promotion, or subject to planning agreements. These covered 203 acres, with the potential to deliver 1,200 houses. In addition, heads of terms have been agreed for a further five sites covering 116 acres, with the potential for 950 plots.

Gleeson Strategic Land continues to progress the portfolio through the planning system. During the year residential planning approval was achieved on 35 acres over four sites, to deliver 355 plots. It is expected that 175 plots on three of the sites will be sold in the current financial year. At the year end planning applications on two sites remain undecided, which if successful will deliver 220 plots. During the current financial year planning applications are expected to be submitted on a further 22 sites, delivering a further 2,600 plots.

At the year end, Gleeson Strategic Land's portfolio totalled 3,582 acres (2012: 3,653 acres), of which 155 acres (2012: 177 acres) were wholly or part owned by the Group, 2,162 acres (2012: 2,337 acres) were held under option, and 1,265 acres (2012: 1,139 acres) were the subject of promotion agreements. The geographic bias of the portfolio is towards the South of England, predominantly in: Buckinghamshire, Dorset, Essex, Hampshire, Hertfordshire, Kent, Oxfordshire, Surrey, Sussex and Wiltshire.

The land owned or part owned by the Group and managed by Gleeson Strategic Land includes sites which have residential planning permission for a total of 1,084 plots. In addition, the Group and its joint venture partners have options to buy two sites which have residential permission for a total of 42 plots.

May 2012

Allendale Court, Ormesby, Middlesbrough May 2013

FINANCE REVIEW

Overview

The profit before tax from continuing operations, increasing by 91% to £5.8m (2012: £3.0m). This significant improvement was led by Gleeson Homes, which recorded a £3.7m increase in operating profit to £4.0m (2012: £0.3m). Gleeson Strategic Land achieved a profit of £3.5m (2012: £3.7m).

Key performance indicators

	2013	2012 Restated Note 11
Revenue	**£60.7m**	£40.8m
Operating profit	**£6.0m**	£2.7m
Cash generation	**£(3.9)m**	£(3.9)m
Basic EPS - continuing operations		
- normalised*	**11.1p**	5.5p
Net assets per share	**212p**	190p

* Normalised EPS excludes the deferred tax credit of £4.2m recorded in the year.

Gleeson Homes

2013 has been a year of strong growth and operational performance. Revenue increased by 47% to £47.9m (2012: £32.6m) driven by a 46% increase in home completions to 406 (2012: 279). Operating profit increased by £3.7m to £4.0m (2012: £0.3m), resulting in an operating margin of 8.4% (2012: 0.9%).

A key factor in the improvement of the operating margin was the 64% reduction in the proportion of completions from sites that had previously been impaired to 25% (2012: 69%). The proportion of completions from impaired sites will continue to reduce as these sites are sold out. At 30 June 2013, only 7% of the landbank was impaired.

Included within the operating result are the following exceptional credits:

	2013	2012
Reversal of inventories write downs and contract provisions	£1.0m	£2.9m
Release of restructuring provisions	-	£0.1m
Total	**£1.0m**	£3.0m

The average selling price was relatively stable at £118,000 (2012: £117,000).

Gleeson Strategic Land

Gleeson Strategic Land recorded an operating profit of £3.5m (2012: £3.7m) on revenue of £12.7m (2012: £8.2m) following the sale of seven sites, comprising 42.5 acres.

Discontinued operations

Gleeson Capital Solutions was reclassified as a discontinued operation during the year, following the sale of its remaining PFI investment in February 2013. The business unit recorded a profit after tax of £1.5m (2012: £0.7m). The result for the year included the £1.4m profit on sale of a PFI investment which generated gross proceeds of £3.6m. The operations of this business unit have now ceased.

Gleeson Commercial Property Developments was reclassified as a discontinued operation during the year as the Group has now disposed of its commercial property developments and ended its remaining leasehold interests. A profit after tax of £7k was recorded in the year (2012: £183k).

The Building Contracting division of Gleeson Construction Services, was reclassified as a discontinued operation during the year as contracting work, including rectification work on behalf of insurers, is now complete. Both the Building Contracting and the Engineering Contracting divisions are now classified as discontinued operations and any distinction between the divisions is no longer relevant. Gleeson Construction Services recorded revenue of £1.1m (2012: £1.2m), relating to rectification work on behalf of insurers, on which a nominal gross profit was achieved. An operating loss of £0.1m (2012: £0.1m) was recorded.

Interest

Financial income of £0.4m (2012 restated: £0.3m) consists of interest earned on bank deposits, and the unwinding of discounts on deferred receipts. Interest earned on bank deposits was lower than in the previous year due to lower average cash balances during the year. Interest earned on unwinding of deferred receipts was higher as a result of a higher level of discount being unwound due to a higher level of deferred receipts outstanding. Interest on joint venture loans totalling £0.2m (2012: £0.2m) was recorded within discontinued operations. The joint venture was disposed of in February 2013 at which point interest ceased to be accrued, resulting in a lower income than the prior year.

Financial expenses of £0.6m (2012: £19k) consist of interest payable on bank loans and overdrafts, bank charges and interest,

Business Review continued

and unwinding of discounts relating to deferred payments. Financial expenses are higher in the current year due to bank charges relating to the provision of the £5.0m overdraft which was arranged during the year, along with the interest expense on deferred payments for land acquisition.

Tax

A net tax credit for continuing operations, of £4.3m (2012: £0.1m charge) has been recorded in the Income Statement. The tax credit includes an exceptional credit relating to deferred tax of £4.2m. Deferred tax assets relating to unused tax losses have been recognised to the extent that it is probable that taxable profits will be available against which the asset can be utilised. The Group now has £67.9m (2012: £83.1m) of tax losses, of which £19.9m have been recognised as a deferred asset, which can be carried forward indefinitely.

The tax charge attributable to discontinued operations was £10k (2012 restated: £24k), so the total tax credit was £4.3m (2012: £0.1m charge). The net deferred tax asset recorded within the Balance Sheet totals £5.0m (2012: £0.7m).

Earnings per share

Basic earnings per share improved by 216% to 21.7p (2012: 6.9p). Excluding the exceptional deferred tax credit, the basic earnings per share improved by 99% to 13.7p (2012: 6.9p). For continuing operations only, excluding the exceptional deferred tax credit, basic earnings per share improved by 101% to 11.1p (2012: 5.5p).

Dividend

Against the background of Gleeson Homes' return to operational profitability and of the continuing commercial success of Gleeson Strategic Land, the Board decided to recommence regular dividend payments with the payment of an interim dividend of 0.5 pence per share in April 2013. In the light of the continuing improvement in the Group's performance, the Board proposes a final dividend of 2.0 pence per share. Combined with the interim dividend, the dividend for the full year totals 2.5 pence per share. A special dividend of 5.0 pence per share was paid in December 2011.

Disposals

The Group sold its remaining PFI investment in February 2013. The gross proceeds from the sale totalled £3.6m, generating a

Hackworth Place, Shildon

profit of £1.4m, which has been recognised within discontinued operations.

In the previous year, the Group disposed of three PFI investments with gross proceeds of £7.5m and a profit of £0.3m.

Balance sheet

At 30 June 2013, shareholders' funds totalled £112.1m (2012: £100.4m).

In the year, non-current assets increased by £7.3m to £20.0m (2012: £12.7m). This included an increase in plant & equipment of £0.5m, comprising the acquisition of site equipment and the capitalisation of show homes, an increase in trade and other receivables of £2.4m due to further shared equity sales, and an increase in the deferred tax asset of £4.3m noted above.

Current assets increased by £16.6m to £120.2m (2012: £103.5m). Inventories increased by £20.3m to £96.8m, with a £8.6m net investment in land and a £11.7m increase in work-in-progress. Trade and other receivables increased by £2.2m due to increased deferred receipts following land sales, and assets classified as held for sale reduced to £nil from £2.0m following the sale of the PFI investment. Cash balances reduced by £3.9m.

Total liabilities increased by £12.2m to £28.0m (2012: £15.8m). £2.2m of the increase related to the drawdown of a loan from the Government's Get Britain Building Fund. Trade payables increased by £10.3m, with £7.2m due to an increase in land creditors to £9.8m (2012: £2.6m).

Cash flow

The Group utilised £3.9m (2012: £3.9m) of cash in the year, resulting in a net cash balance at 30 June 2013 of £9.9m (2012: £13.9m).

Operating cash flows, including working capital movements, utilised £8.7m (2012: £8.6m). Cash generated from investing activities totalled £2.8m (2012: £7.2m), which included £3.3m net proceeds from the sale of a PFI investment. Net cash flows from financing activities generated £2.1m (2012: £2.5m utilised), including £2.2m due to the drawdown of the Get Britain Building loan and £0.3m (2012: £2.6m) 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 has a £5.0m overdraft facility, which is renewable in February 2014. The Group is in advanced negotiations regarding the acceptance of a revolving working capital facility, which would be used to accelerate the Group's growth plans.

Pension

The Group contributes to a defined contribution pension scheme. A charge of £0.4m (2012: £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 and the overdraft facility. 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, other than usage of an overdraft, 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.

Operating Risk Statement

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

Risk	Description	Mitigation
Economic environment The impact of continuing economic fragility and government austerity measures.	Continuing uncertainty in the wider economy, including government austerity measures, affect buyer confidence and the demand for new houses. This could have a negative impact on revenues, profits, cash generation and the carrying value of the Group's assets.	• Sites are selected to meet the needs of the local community. • Prices and incentives are regularly reviewed. • Lead indicators of the housing market, such as visitors to sites and reservation rates are closely monitored. • A cautious approach to debt funding is maintained.
Mortgage availability The limited availability of mortgages for first time buyers.	The availability of mortgage finance, particularly the deposit requirements for first time buyers, is crucial to customer demand. Restrictions on mortgages granted could reduce demand for new homes and impact on the Group's revenues and profits.	• Gleeson Homes provides a range of customer assistance packages. • We continually innovate to find additional ways to assist customers to buy a home. • We work with key lenders to ensure products are appropriate.
Land An inability to source sufficient land at an acceptable cost to meet the Group's business needs.	Gleeson Homes needs to acquire consented land at appropriate prices and in appropriate areas in the North of England in order to construct and sell homes to deliver profit. Gleeson Strategic Land needs to acquire control of land in the South of England so that it can promote it through the planning system and subsequently sell it in order to deliver profit.	• We have a clearly defined strategy and geographic focus. • There is a formal appraisal process and rigorous adherence to rates of return.
Planning policy and regulations The potentially damaging uncertainties in the planning regime relating to the Localism Act, the National Planning Policy Framework and the Community Infrastructure Levy.	Increased complexity in some aspects of the planning process may slow down, or increase the cost of, the delivery of consented land for development or sale and so impact on the Group's revenues and profits.	• We have a very high level of in-house expertise devoted to monitoring and complying with planning regulations and to achieving implementable planning consents. • We consult with central government, parliament and local authorities, both directly and via industry bodies, in order to understand proposed changes to regulations and to highlight potential issues.

Risk	Description	Mitigation
People An inability to attract, develop or retain good people.	The loss of key staff or the failure to attract, develop and retain people with the right skills may have a detrimental impact on the business.	• We have programmes that generously reward the achievement of performance targets. • The Group encourages employee share ownership. • Our apprenticeship schemes enable us to identify and secure the loyalty of talented individuals at an early age. • We perform regular performance and development reviews. • We monitor staff turnover and benchmark remuneration against competitors.
Availability of raw materials and subcontractors An inability to secure materials and skilled labour on a timely basis at suitable prices.	Shortages or increased cost of materials or skilled labour, the failure of key suppliers, or the inability to secure supplies upon appropriate credit terms could increase costs and delay construction.	• The Group has multiple suppliers for both labour contracts and material supplies. • The Group seeks to partner with the supply chain.
Health & Safety A failure to prevent unsafe practices within our construction activities, causing injury or death.	Health and safety breaches can result in injuries to employees, subcontractors and site visitors, delays in construction, additional cost, reputational damage, criminal prosecution and civil litigation.	• Our documented policies and procedures are regularly reviewed and modified in order to ensure continuous improvement. • Dedicated Health & Safety personnel ensure implementation and adherence to these policies and procedures. • Performance is reviewed both by local management and the main Board.
Latent defects Financial losses may arise from latent defects that may arise on completed projects during the liability period.	The Group may be exposed to latent defects which occur during the liability period on completed construction contracts that have not been transferred to the purchaser of the relevant construction business. Although subcontractors will normally resolve such defects, the Group will become liable if the subcontractor is no longer trading, potentially resulting in additional cost.	• We have experienced personnel, dedicated to dealing with such claims. • Insurance policies are in place to minimise Group liabilities, wherever possible. • The provisions relating to completed contracts are reviewed on a regular basis.

Corporate Social Responsibility Report

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

Health & safety

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

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

The overall accident incidence rate ("AIR") was zero (2012: negligible) in spite of a further sizable increase in construction activity and is significantly below the house building industry average of 330 injuries per 100,000 employees, as published by the Housebuilders Federation ("HBF") and the Health & Safety Executive. The AIR is an industry-wide indicator of health & safety performance.

Community matters

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

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.

Jumanah Alqfaili, winner of the Design a Bedroom competition, with Cllr Ann O'Bryne at Cawdor Park, Toxteth

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 are 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, despite the ongoing uncertainties of the housebuilding sector, the Group's employees have remained loyal and committed with the voluntary turnover rate and sickness absence rate below the national average.

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

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

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

Charitable and political donations

Charitable donations in 2013 totalled £10,225 (2012: £3,475). No contributions were made to political parties (2012: £nil).

July 2012

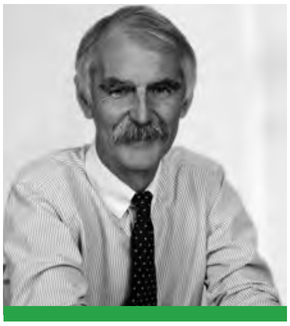
Moorland Walk, Barnsley May 2013

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 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. Chairman of Churngold Construction Holdings Limited and Independent Non-Executive Director of Galaxy Entertainment Group Limited.

Colin Dearlove, BA, FCMA, CGMA

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 is a director of several publicly quoted companies, including Catalyst Media Group plc, Bioquell and Cyprotex.

Directors' Report

Results and dividends

During the year, the Group made a profit after taxation of £11.4m (2012: £3.6m). An interim dividend of 0.5 pence per share was paid to shareholders on 5 April 2013 (2012: nil). The Board proposes to pay, subject to shareholder approval at the 2013 Annual General Meeting, a final dividend of 2.0 pence per share (2012: nil) in respect of the 2013 financial year on 20 December 2013 to shareholders on the register at the close of business on 22 November 2013. On this basis, the total dividend for the year will be 2.5 pence per share. A special dividend of 5.0 pence per share was paid in December 2011.

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 13 December 2013, 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 18 and 19.

Directors' interests

The interests of the Directors serving during the financial year and their connected persons in the ordinary share capital of the Company were as follows:

Director	27 Sept 2013	30 June 2013	30 June 2012
Dermot Gleeson	1,053,086	1,053,086	1,053,086
Jolyon Harrison	1,301,920	1,301,760	1,154,190
Alan Martin	10,979	10,817	9,591
Ross Ancell	-	-	-
Colin Dearlove	-	-	-
Christopher Mills	13,655,000 [a]	13,927,000 [a]	14,450,640 [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 52,876,487 ordinary shares of two pence each, as at 27 September 2013. Further details are given in note 30. The number of ordinary shares in issue has increased by 146,252 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 27 September 2013, the shareholdings noted below, representing 3% or more of the issued share capital, had been notified to the Company. In addition, as at 27 September 2013, Capita IRG Trustees Limited held 300,046 ordinary shares as trustees of the Employee Share Purchase Plan.

Name of shareholder	Number of shares	Proportion of total
North Atlantic Value LLP	13,655,000	25.80%
Schroder Investment Management Limited	7,365,620	13.93%
Mrs J C Cooper & spouse*	2,815,365	5.32%

* 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 12 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 2013 was 57 days (2012: 50 days).

Disclosure of information to Auditor

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

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 20 and within note 30. The rights of shareholders are set out in the Company's Articles of Association (the "Articles"). The holders of ordinary shares are entitled to receive the Company's reports and accounts, to attend and speak at general meetings of the Company, to exercise voting rights in person or by appointing a proxy, and to receive a dividend where declared or paid out of profits available for such a purpose.

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

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

Auditor

KPMG Audit Plc was re-appointed by the members at the last Annual General Meeting and is considered to be independent. KPMG Audit Plc has instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as Auditor and a resolution concerning their appointment and fixing their remuneration will be put to the forthcoming Annual General Meeting to be held on 13 December 2013.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 13 December 2013, together with details of the Resolutions to be considered, is set out in a separate circular.

Special business

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

1. Resolution 11 seeks shareholders' authority for the allotment of Ordinary shares up to an aggregate maximum nominal amount of £351,535 (being the nominal amount equal to one third of the issued share capital of the Company) in substitution for all existing authorities. This authority will expire at the conclusion of the next Annual General Meeting or 31 December 2014 whichever is earlier.

2. Resolution 12 asks shareholders to waive their pre-emption rights for a further year in respect of any rights issue and in respect of the allotment of shares having a maximum aggregate nominal value of £52,880 which is equivalent to approximately 5% of the Company's issued equity share capital as at 27 September 2013.

3. Resolution 13 has been prepared in connection with the renewal of the general authority to the Company to make market purchases of its own shares having a maximum aggregate nominal value of £105,755, being equivalent to approximately 10% of the issued share capital as at 27 September 2013. The Directors would exercise this authority only if they believed that to do so would be in the interests of shareholders generally and would be likely to result in an increase in earnings per share. Any EPS targets included in employee share incentive schemes will be adjusted to take account of any buyback.

4. Resolution 14 asks shareholders' approval to call General Meetings other than Annual General Meetings on not less than 14 clear days' notice.

5. Resolution 15 seeks shareholders' authority to amend the Company's Performance Share Plan, details of which are set out in the AGM Circular.

By order of the Board

Alan Martin
Company Secretary

27 September 2013

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 Conduct 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 2013:

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 Towers Watson on remuneration issues and BDO LLP on share scheme issues. Both Towers Watson and BDO LLP were selected and appointed by the Remuneration Committee.

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 2013, 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. In addition, a further 5% of profits in excess of target performance will be payable to the Executive Directors. 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 the year ended 30 June 2013 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.

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. The awards will vest in full in December 2013, on the third anniversary of the date of award, as the performance target, being a total shareholder return ("TSR") target of £2.10 by 30 June 2013, has been met in full. In November 2012, Jolyon Harrison was awarded shares worth 200% of base salary. For this award to vest in November 2015, the Committee resolved to impose a target for TSR over the three financial years from 1 July 2012 to 30 June 2015. Current outstanding awards are shown within the table on page 25.

Share are 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

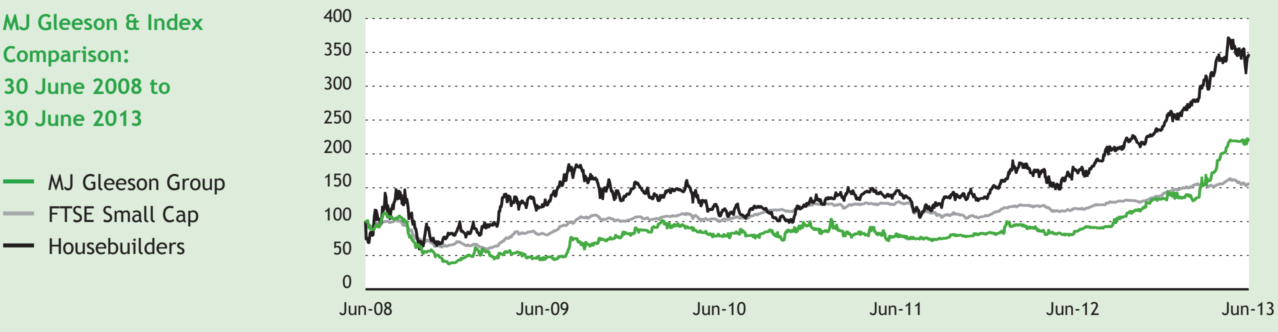
At the discretion of the Board, Executive Directors are allowed to act as Non-Executive Directors of other companies and retain any fees relating to those posts.

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 Small Cap Index, of which the Company is a member, and a comparator index of listed housebuilders. The Comparator Group consists of a group of listed housebuilders comprising Barratt Developments, Bellway, Bovis Homes, Crest Nicholson, Persimmon, Redrow, Taylor Wimpey and Telford Homes.

MJ Gleeson & Index Comparison: 30 June 2008 to 30 June 2013



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 re-elected	Date next due for re-election
Jolyon Harrison	23/10/2009	01/07/2010	07/12/2012	13/12/2013
Alan Martin	01/01/2009	01/01/2009	07/12/2012	13/12/2013

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 2013 are set out in the table on page 25 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 re-elected	Date next due for re-election	Period since first elected (complete years)
Dermot Gleeson	27/11/1975	04/02/1976	01/10/2012	30/09/2013	07/12/2012	13/12/2013	37
Ross Ancell	01/10/2006	10/01/2007	25/09/2012	30/09/2013	07/12/2012	13/12/2013	6
Colin Dearlove	03/12/2007	12/12/2008	25/09/2012	02/12/2013	07/12/2012	13/12/2013	4
Christopher Mills	01/01/2009	11/12/2009	10/01/2013	31/12/2013	07/12/2012	13/12/2013	3

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 2012 and 30 June 2013 are shown below:

	Fee/Basic £000	Bonus £000	Benefits in kind £000	Subtotal £000	Pension £000	Total 2013 £000	Total 2012 £000
Chairman							
Dermot Gleeson	80	-	-	**80**	-	**80**	81
Executive Directors							
Jolyon Harrison	321	262	20	**603**	48	**651**	582
Alan Martin	185	150	19	**354**	46	**400**	349
Non-Executive Directors							
Ross Ancell	30	-	-	**30**	-	**30**	30
Colin Dearlove	30	-	-	**30**	-	**30**	30
Christopher Mills	25	-	-	**25**	-	**25**	25
	671	**412**	**39**	**1,122**	**94**	**1,216**	**1,097**

(a) Retired 30 June 2011

Share options and awards

Director	30 June 2012	Granted/ awarded during year	Exercised during year	Options lapsed	30 June 2013	Scheme	TSR target	Exercise price	Date from which option may be exercised
Jolyon Harrison	242,857	-	-	-	242,857	PSP	210.00p	-	17/12/2013
	-	423,015	-	-	423,015	PSP	350.00p	-	05/11/2015
Alan Martin	138,888	-	-	-	138,888	PSP	210.00p	-	17/12/2013

- No payment was made in relation to the grant of any awards.
- The middle market price on 30 June 2013 was 292 pence and the range during the year to 30 June 2013 was from 108 pence to 293 pence.
- During the year, a charge of £86,000 (2012: £65,000) was recorded in the Income Statement for share based incentives awarded to the Executive Directors.

Approval

This Report was approved by the Board on 27 September 2013.

By order of the Board.

Alan Martin
Company Secretary

27 September 2013

Corporate Governance

The Board is committed to the principles of corporate governance contained in the September 2012 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.

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, Dermot Gleeson, who has previously served in an Executive capacity, nor Christopher Mills, who represents a major shareholder, North Atlantic Value LLP, are not considered to be "independent" within the definition of that term contained in the Code. All other Non-Executive Directors are independent. The Directors' biographies are set out on pages 18 and 19.

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 six occasions. Board packs, which include a formal agenda, are circulated in advance of such meetings.

Attendance by individual Directors at Board meetings and by members at Committee meetings was as follows:

	Board	Audit Committee	Renumeration Committee	Nomination Committee
No of scheduled meetings	6	4	3	2
Attendance				
Dermot Gleeson	6	*	***	2
Ross Ancell	6	4	3	2
Colin Dearlove	6	4	3	2
Christopher Mills	4	*	*	*
Jolyon Harrison	6	**	***	*
Alan Martin	6	**	**	**

* Not a member of this Committee.

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

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

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

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

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

On joining the Board, arrangements are made for all new Directors to meet their colleagues and other senior management, to ensure an adequate induction to the Group.

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

On resignation, any concerns raised by an outgoing Director are circulated by the Chairman to the remaining members of the Board.

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

Corporate Governance continued

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 2013:

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 Auditor, 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 Auditor;
- 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 Auditor.

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

The Committee receives a report from the Auditor 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 Auditor. 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 Auditor and its staff. The Audit Committee concluded that the Auditor was independent.

The Audit Committee approves all non-audit services proposed to be undertaken by the Auditor. During 2013, 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 22 to 25.

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 2013:

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; 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 Auditor.

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

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

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

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

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.

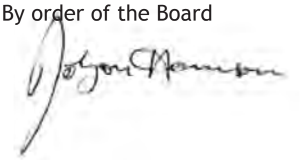
Under applicable law and regulations, the Directors are also responsible for preparing a Directors’ Report, Directors’ Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

27 September 2013

Independent Auditor's Report

INDEPENDENT AUDITOR'S 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 2013 set out on pages 34 to 67. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 31, 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 2013 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 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 26 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

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

27 September 2013

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 Before exceptional items £000	2013 Exceptional items Note 4 £000	2013 £000	2012 Before exceptional items Restated Note 11 £000	2012 Exceptional items Note 4 £000	2012 Restated Note 11 £000
Continuing operations							
Revenue		60,656	-	60,656	40,807	-	40,807
Cost of sales		(43,641)	1,028	(42,613)	(32,233)	2,879	(29,354)
Gross profit		17,015	1,028	18,043	8,574	2,879	11,453
Administrative expenses		(12,034)	-	(12,034)	(8,906)	76	(8,830)
Profit on sale of investment properties		-	-	-	101	-	101
Operating profit/(loss)		4,981	1,028	6,009	(231)	2,955	2,724
Financial income	7	417	-	417	321	-	321
Financial expenses	7	(647)	-	(647)	(19)	-	(19)
Profit before tax		4,751	1,028	5,779	71	2,955	3,026
Tax	8	82	4,238	4,320	(130)	-	(130)
Profit/(loss) for the year from continuing operations		4,833	5,266	10,099	(59)	2,955	2,896
Discontinued operations							
Profit for the year from discontinued operations (net of tax)	3			1,344			710
Profit for the year attributable to equity holders of the parent company				11,443			3,606
Other comprehensive income							
Share of joint venture's cashflow hedges				118			(3)
Total comprehensive income for the year attributable to equity holders of parent company				11,561			3,603
Earnings per share attributable to equity holders of parent company							
Basic	10			21.69p			6.86p
Diluted	10			21.46p			6.86p
Earnings per share from continuing operations							
Basic	10			19.14p			5.51p
Diluted	10			18.94p			5.51p

The notes on pages 40 to 67 form part of these financial statements.

Consolidated Statement of Financial Position

at 30 June 2013

	Note	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Non-current assets					
Plant and equipment	12	**1,467**	922	**39**	47
Investment properties	13	**748**	748	**-**	-
Investments in joint ventures	14	**15**	15	**-**	-
Loans and other investments	15	**4,896**	4,896	**4,896**	4,896
Investments in subsidiaries	16	**-**	-	**32,062**	30,200
Trade and other receivables	18	**7,797**	5,369	**-**	-
Deferred tax assets	26	**5,032**	725	**407**	420
		19,955	12,675	**37,404**	35,563
Current assets					
Inventories	17	**96,820**	76,495	**-**	-
Trade and other receivables	18	**13,401**	11,183	**66,535**	58,636
UK corporation tax		**-**	15	**-**	-
Cash and cash equivalents	28	**9,936**	13,862	**3,583**	9,011
Assets classified as held for sale	19	**-**	1,990	**-**	-
		120,157	103,545	**70,118**	67,647
Total assets		**140,112**	116,220	**107,522**	103,210
Non-current liabilities					
Loans and borrowings	22	**(1,885)**	-	**-**	-
Provisions	24	**(85)**	(219)	**-**	-
		(1,970)	(219)	**-**	-
Current liabilities					
Loans and borrowings	22	**(308)**	-	**-**	-
Trade and other payables	23	**(25,509)**	(15,249)	**(22,220)**	(22,425)
Provisions	24	**(236)**	(358)	**-**	(100)
		(26,053)	(15,607)	**(22,220)**	(22,525)
Total liabilities		**(28,023)**	(15,826)	**(22,220)**	(22,525)
Net assets		**112,089**	100,394	**85,302**	80,685
Equity					
Share capital	30	**1,058**	1,055	**1,058**	1,055
Share premium account		**6,343**	6,114	**6,343**	6,114
Capital redemption reserve		**120**	120	**120**	120
Retained earnings		**104,568**	93,105	**77,781**	73,396
Total equity		**112,089**	100,394	**85,302**	80,685

The financial statements were approved by the Board of Directors on 27 September 2013 and were signed on its behalf by:

J Harrison
Director

A Martin
Director

The notes on pages 40 to 67 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

	Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
GROUP						
At 1 July 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**
Total comprehensive income for the period						
Profit for the period		-	-	-	11,443	**11,443**
Other comprehensive income						
Cashflow hedges		-	-	-	118	**118**
Total comprehensive income for the period		-	-	-	11,561	**11,561**
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Share issue		3	229	-	-	**232**
Purchase of own shares		-	-	-	(15)	**(15)**
Share-based payments		-	-	-	181	**181**
Dividends	9	-	-	-	(264)	**(264)**
Transactions with owners, recorded directly in equity		3	229	-	(98)	**134**
At 30 June 2013		1,058	6,343	120	104,568	**112,089**

	Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000	Total £000
COMPANY						
At 1 July 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**
Total comprehensive income for the period						
Profit for the period		-	-	-	4,352	**4,352**
Total comprehensive income for the period		-	-	-	4,352	**4,352**
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Share issue		3	229	-	-	**232**
Own shares disposed		-	-	-	116	**116**
Share-based payments		-	-	-	181	**181**
Dividends	9	-	-	-	(264)	**(264)**
Transactions with owners, recorded directly in equity		3	229	-	33	**265**
At 30 June 2013		1,058	6,343	120	77,781	**85,302**

Consolidated Statement of Cashflow
for the year ended 30 June 2013

	Note	Group 2013 £000	Group 2012 Restated Note 11 £000	Company 2013 £000	Company 2012 £000
Operating activities					
Profit before tax from continuing operations		**5,779**	3,026	**4,359**	3,886
Profit before tax from discontinued operations	3	**1,354**	734	**-**	-
		7,133	3,760	**4,359**	3,886
Depreciation of plant and equipment	12	**597**	229	**27**	21
Impairment of investments in subsidiaries		**-**	-	**138**	800
Reinstatement of investments in subsidiaries		**-**	-	**(1,000)**	-
Share-based payments		**181**	149	**181**	149
Profit on sale of investment properties		**-**	(101)	**-**	-
Profit on sale of assets held for sale		**(1,372)**	(341)	**-**	-
Share of loss/(profit) of joint ventures (net of tax)	14	**107**	(3)	**-**	-
Capitalisation of available for sale assets		**(2,443)**	-	**-**	-
Financial income		**(570)**	(561)	**(1,081)**	(1,175)
Financial expenses		**647**	19	**133**	13
Dividends received		**(117)**	-	**(4,117)**	(4,760)
Operating cash flows before movements in working capital		**4,163**	3,151	**(1,360)**	(1,066)
Increase in inventories		**(20,325)**	(6,998)	**-**	-
(Increase)/decrease in receivables		**(2,075)**	810	**8**	53
Increase/(decrease) in payables		**9,490**	(5,545)	**(319)**	(23)
Increase in amounts due from subsidiary undertakings		**-**	-	**(7,979)**	(11,003)
Cash utilised in operating activities		**(8,747)**	(8,582)	**(9,650)**	(12,039)
Tax received		**19**	-	**6**	-
Interest paid		**(133)**	(13)	**(133)**	(13)
Net cash flows from operating activities		**(8,861)**	(8,595)	**(9,777)**	(12,052)

	Note	Group 2013 £000	Group 2012 Restated Note 11 £000	Company 2013 £000	Company 2012 £000
Investing activities					
Proceeds from disposal of assets held for sale		**3,314**	7,209	**-**	-
Proceeds from disposal of available for sale assets		**157**	-	**-**	-
Proceeds from disposal of investment properties		**-**	156	**-**	-
Interest received		**345**	665	**1,169**	1,086
Dividends received		**117**	-	**4,117**	4,760
Purchase of plant and equipment	12	**(1,144)**	(893)	**(21)**	(16)
Investments in subsidiaries		**-**	-	**(1,000)**	-
Repayment of loans to joint ventures and other investments		**-**	68	**-**	1
Net cash flows from investing activities		**2,789**	7,205	**4,265**	5,831
Financing activities					
Increase in loans and borrowings	22	**2,193**	-	**-**	-
Proceeds from issue of shares		**232**	76	**232**	76
Purchase of own shares		**(15)**	-	**-**	(193)
Own shares disposed		**-**	39	**116**	-
Dividends paid	9	**(264)**	(2,626)	**(264)**	(2,626)
Net cash flows from financing activities		**2,146**	(2,511)	**84**	(2,743)
Net decrease in cash and cash equivalents		**(3,926)**	(3,901)	**(5,428)**	(8,964)
Cash and cash equivalents at beginning of year		**13,862**	17,763	**9,011**	17,975
Cash and cash equivalents at end of year	28	**9,936**	13,862	**3,583**	9,011

Notes to the Financial Statements

for the year ended 30 June 2013

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, investments 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 £4,342,000 (2012: £3,738,000).

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.

Financial income and expenses

Financial 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.

Financial 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 value 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. Gains and losses arising from changes in fair value with respect to impairment losses, cashflows and interest are recognised in profit in the year. The difference between the amount receivable by the Group and the initial fair value is credited over the deferred term to finance income, with the financial asset increasing to its full cash settlement value on the anticipated receipt date. Credit risk is accounted for in determining fair values and appropriate discount factors are applied. The Group holds a second charge over property sold under shared equity schemes.

Trade receivables

Trade receivables are initially measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the 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.

Loans and borrowings

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

Trade and other payables

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

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the 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.

Notes to the Financial Statements continued

Critical accounting judgements and key sources of estimation uncertainty

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

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.

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 of 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 2013, the Group has adopted the following standards:

IFRS 7 'Financial Instruments: Disclosures' which amends disclosure requirements;
IAS 1 'Presentation of Financial Statements' which amends the presentation of comprehensive income;
IAS 12 'Income Taxes' which is a scope amendment of the recovery of the underlying asset.

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 2013:

Standard	Effective for periods beginning on or after
IFRS 9 'Financial Instruments' (issued December 2011)*	1 January 2015
IFRS 10 'Consolidated Financial Statements' (issued October 2012)*	1 January 2014
IFRS 12 'Disclosure of Interests in Other Entities' (issued October 2012)*	1 January 2014
IAS 32 'Separate Financial Instruments: Presentation' (issued December 2011)	1 January 2013
IAS 36 'Impairment of Assets' (issued May 2013)*	1 January 2014
IAS 39 'Financial Instruments: Recognition and Measurement' (issued June 2013)*	1 January 2014

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

* not yet endorsed by the EU

2. SEGMENTAL ANALYSIS

IFRS 8 "Operating Segments" requires operating segments to be identified on the basis of discrete financial information about components of the Group that are regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") to allocate resources to the segments and to assess their performance. The Directors have concluded that the discontinued operations which consist of the Gleeson Capital Solutions, the Gleeson Commercial Property Development and the Gleeson Construction Services divisions no longer fall under this definition and the segmental information has been restated to reflect this change. Further details of the restatement are given in Note 11. The CODM is regarded as the Board of Directors of the Group.

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

- Gleeson Homes
- Gleeson Strategic Land

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

	Note	2013 £000	2012 Restated Note 11 £000
Revenue			
Continuing activities:			
Gleeson Homes		**47,940**	32,634
Gleeson Strategic Land		**12,716**	8,173
		60,656	40,807
Discontinued activities:	3	**1,146**	1,168
Total revenue		**61,802**	41,975
Profit on activities			
Gleeson Homes		**4,007**	306
Gleeson Strategic Land		**3,450**	3,655
		7,457	3,961
Group Activities		**(1,448)**	(1,237)
Financial income		**417**	321
Financial expenses		**(647)**	(19)
Profit before tax		**5,779**	3,026
Tax		**4,320**	(130)
Profit for the year from continuing operations		**10,099**	2,896
Profit for the year from discontinued operations (net of tax)	3	**1,344**	710
Profit for the year attributable to equity holders of the parent company		**11,443**	3,606

All rental income from investment properties, totalling £4,000 (2012: £4,000), is reported within the Gleeson Homes segment. The revenue in the Gleeson Homes segment relates to the sale of residential properties and land. All revenue for Gleeson Strategic Land segment is in relation to the sale of land.

Notes to the Financial Statements continued

Balance sheet analysis of business segments:

	2013 Assets £000	2013 Liabilities £000	2013 Net assets £000	2012 Restated Note 11 Assets £000	2012 Restated Note 11 Liabilities £000	2012 Restated Note 11 Net assets £000
Gleeson Homes	**92,190**	**(18,314)**	**73,876**	65,783	(7,315)	58,468
Gleeson Strategic Land	**31,471**	**(5,442)**	**26,029**	26,907	(3,077)	23,830
Group Activities / Discontinued Operations	**6,515**	**(4,267)**	**2,248**	9,668	(5,434)	4,234
Net cash	**9,936**	**-**	**9,936**	13,862	-	13,862
	140,112	**(28,023)**	**112,089**	116,220	(15,826)	100,394

Other information:

	2013 Capital additions £000	2013 Depre-ciation £000	2012 Capital additions £000	2012 Depre-ciation £000
Continuing operations:				
Gleeson Homes	**1,122**	**565**	866	205
Gleeson Strategic Land	**1**	**5**	11	3
Group Activities	**21**	**27**	16	21
	1,144	**597**	893	229

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.

The Group disposed of certain assets and liabilities of the Gleeson Building Division of Gleeson Construction Services to GB Building Solutions Ltd, in a prior period. Following the completion of rectification work on behalf of insurers, this division was reclassified as discontinued.

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

During the year, the Gleeson Commercial Property Development division was no longer considered significant within the Group and is treated as discontinued.

	Note	Gleeson Capital Solutions 2013 £000	Gleeson Commercial Property Develop-ments 2013 £000	Gleeson Construc-tion Services 2013 £000	Total 2013 £000	Gleeson Capital Solutions Restated Note 11 2012 £000	Gleeson Commercial Property Develop-ments Restated Note 11 2012 £000	Gleeson Construc-tion Services Restated Note 11 2012 £000	Total Restated Note 11 2012 £000
Revenue		**-**	**2**	**1,144**	**1,146**	-	3	1,165	1,168
Cost of sales		**-**	**-**	**(1,106)**	**(1,106)**	-	2	(1,082)	(1,080)
Gross profit		**-**	**2**	**38**	**40**	-	5	83	88
Administrative expenses		**52**	**-**	**(156)**	**(104)**	67	178	(183)	62
Profit on sale of assets held for sale		**1,372**	**-**	**-**	**1,372**	341	-	-	341
Share of profit of joint ventures (net of tax)		**(107)**	**-**	**-**	**(107)**	3	-	-	3
Operating profit/(loss)		**1,317**	**2**	**(118)**	**1,201**	411	183	(100)	494
Financial income	7	**153**	**-**	**-**	**153**	240	-	-	240
Profit/(loss) before tax		**1,470**	**2**	**(118)**	**1,354**	651	183	(100)	734
Tax		**-**	**5**	**(15)**	**(10)**	-	-	(24)	(24)
Profit/(loss) for the year from discontinued operations		**1,470**	**7**	**(133)**	**1,344**	651	183	(124)	710

Earnings per share: impact of discontinued operations

	Note	2013 p	2012 Restated Note 11 p
Basic	10	**2.55**	1.35
Diluted	10	**2.52**	1.35

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

	2013 £000	2012 Restated Note 11 £000
Operating activities	**(30)**	(1,553)
Investing activities	**3,642**	7,465
	3,612	5,912

Notes to the Financial Statements continued

4. EXCEPTIONAL ITEMS

Impairment of inventories and contract provisions

At 30 June 2013, 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 £Nil (2012: £76,000) in relation to onerous lease provisions provided for and treated as exceptional in prior years.

Deferred tax on tax losses

During the year, the Group recognised £4,238,000 (2012: £Nil) of previously unrecognised deferred tax asset in relation to tax losses available to offset against future profits.

Exceptional income may be summarised as follows:

	2013 £000	2012 £000
Re-instatement of inventories and contract provisions	**1,028**	2,879
Reversal of restructuring costs	**-**	76
Tax	**4,238**	-
	5,266	2,955

In the year ended 30 June 2013, £1,028,000 (2012: £2,955,000) of exceptional income was reported in the Gleeson Homes division and £4,238,000 (2012: £Nil) as tax.

5. EXPENSES AND AUDITOR'S REMUNERATION

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

	Note	2013 £000	2012 £000
Staff costs	6	**9,056**	6,636
Depreciation of plant and equipment (continuing operations)		**597**	229
Profit on sale of investment properties		**-**	(101)
Rental income from investment properties		**(4)**	(4)
Auditor's remuneration for:			
• Audit of these financial statements		**10**	10
• Audit of financial statements of subsidiaries pursuant to legislation		**55**	50
• Taxation services		**35**	39
• Other services		**38**	65

6. STAFF COSTS

	Note	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Wages and salaries		**7,572**	5,560	**788**	789
Redundancy		**19**	16	**7**	-
Share-based payments		**181**	149	**34**	34
Social security costs		**817**	595	**86**	100
Other pension costs	25	**467**	316	**61**	61
		9,056	6,636	**976**	984

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

	Group 2013 No.	Group 2012 No.
Gleeson Homes	**182**	111
Gleeson Strategic Land	**9**	8
Group Activities	**10**	11
	201	130

The average number of people employed by the Company (including Directors) during the year was 10 (2012: 11).

Directors' remuneration

Full details of the Directors' remuneration is provided in the audited part of the Directors' Remuneration Report on pages 22 to 25.

7. FINANCIAL INCOME AND EXPENSES

	Continuing operations		Discontinued operations		Total	
Group	2013 £000	2012 Restated Note 11 £000	2013 £000	2012 Restated Note 11 £000	2013 £000	2012 £000
Financial income						
Interest on bank deposits	**45**	199	**-**	-	**45**	199
Interest on joint venture loans	**-**	-	**153**	240	**153**	240
Other interest	**-**	1	**-**	-	**-**	1
Unwinding of discount on deferred receipts	**372**	121	**-**	-	**372**	121
	417	321	**153**	240	**570**	561
Financial expenses						
Interest on bank overdrafts and loans	**(3)**	-	**-**	-	**(3)**	-
Bank charges	**(130)**	(13)	**-**	-	**(130)**	(13)
Interest and unwinding of discount on deferred payments	**(514)**	(6)	**-**	-	**(514)**	(6)
	(647)	(19)	**-**	-	**(647)**	(19)
Net financial (expense)/income	**(230)**	302	**153**	240	**(77)**	542

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

Notes to the Financial Statements continued

8. TAX

Group	Note	Continuing operations 2013 £000	Continuing operations 2012 Restated Note 11 £000	Discontinued operations 2013 £000	Discontinued operations 2012 Restated Note 11 £000	Total 2013 £000	Total 2012 £000
Current tax:							
Adjustment in respect of prior years		**(12)**	(15)	**8**	-	**(4)**	(15)
		(12)	(15)	**8**	-	**(4)**	(15)
Deferred tax:							
Current year (credit)/expense	26	**(4,336)**	97	**-**	18	**(4,336)**	115
Adjustment in respect of prior years	26	**-**	(8)	**-**	-	**-**	(8)
Impact of rate change	26	**28**	56	**2**	6	**30**	62
Corporation tax expense/(credit) for the year		**(4,320)**	130	**10**	24	**(4,310)**	154
Joint ventures tax credit for the year		**-**	-	**-**	(9)	**-**	(9)
Total tax		**(4,320)**	130	**10**	15	**(4,310)**	145

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. The weighted average rate of corporation tax was 23.75% (2012: 25.50%) 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	2013 £000	2013 %	2012 Restated Note 11 £000	2012 %
Profit before tax on continuing operations		**5,779**		3,026	
		5,779		3,026	
Profit before tax from discontinued operations	3	**1,354**		734	
Joint venture tax credit for the year	14	**-**		(9)	
		1,354		725	
Profit before tax		**7,133**		3,751	
Tax charge at standard rate		**1,694**	**23.8**	957	25.5
Tax effect of:					
Non-taxable income		**(326)**	**(4.6)**	(125)	(3.3)
Expenses that are not deductible in determining taxable profits		**119**	**1.7**	45	1.2
Utilisation of tax losses not previously recognised		**(1,605)**	**(22.5)**	(771)	(20.6)
Recognition of tax losses not previously recognised		**(4,235)**	**(59.4)**	-	-
Changes in tax rates		**30**	**0.4**	62	1.7
Adjustments in respect of prior years		**13**	**0.2**	(23)	(0.6)
Tax (credit)/charge and effective tax rate for the year		**(4,310)**	**(60.4)**	145	3.9

9. DIVIDENDS

	2013 £000	2012 £000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 30 June 2013 of 0.5p (2012: nil p) per share	**264**	-
Special dividend paid on 16 December 2011 of 5p per share	**-**	2,626
	264	2,626
Proposed final dividend proposed for the year ended 30 June 2013 of 2p per share (2012: nil p per share)	**1,058**	-

10. EARNINGS PER SHARE

From continuing and discontinued operations

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

Earnings

	2013 £000	2012 Restated Note 11 £000
Earnings for the purposes of basic earnings per share, being net profit attributable to equity holders of the parent company		
Profit from continuing operations	10,099	2,896
Profit from discontinued operations	1,344	710
Profit for the purposes of basic and diluted earnings per share	11,443	3,606

Number of shares

	2013 No. 000	2012 No. 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	52,758	52,574
Effect of dilutive potential ordinary shares:		
Share options	564	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	53,322	52,574

From continuing operations

	2013 p	2012 Restated Note 11 p
Basic	19.14	5.51
Diluted	18.94	5.51

From discontinued operations

	2013 p	2012 Restated Note 11 p
Basic	2.55	1.35
Diluted	2.52	1.35

From continuing and discontinued operations

	2013 p	2012 Restated Note 11 p
Basic	21.69	6.86
Diluted	21.46	6.86

Notes to the Financial Statements continued

11. RESTATEMENT

IFRS 5 Discontinued operations

At the period end, the Group considered that all of the operations of the Gleeson Capital Solutions, Gleeson Commercial Property Developments and the Gleeson Building division of Gleeson Construction Services were discontinued as there was no material on-going trading within the divisions. The Group has reported the current period results in line with the reclassification and restated the comparatives for the year ended 30 June 2012. This has resulted in the Income Statement, Cashflow, Segmental analysis and Discontinued operations being restated. The revised Discontinued items are shown in Note 3.

12. PLANT AND EQUIPMENT

	Group Plant and machinery £000	Company Plant and Machinery £000
Cost or valuation		
At 1 July 2011	1,663	713
Additions	893	16
Disposals	(24)	-
At 30 June 2012	**2,532**	**729**
Additions	**1,144**	**21**
Disposals	**(6)**	**(6)**
At 30 June 2013	**3,670**	**744**
Accumulated depreciation		
At 1 July 2011	1,405	661
Charge for the year	229	21
Disposals	(24)	-
At 30 June 2012	**1,610**	**682**
Charge for the year	**597**	**27**
Disposals	**(4)**	**(4)**
At 30 June 2013	**2,203**	**705**
Net book value		
At 30 June 2013	**1,467**	**39**
At 30 June 2012	922	47
At 1 July 2011	258	52

The Group has recorded a depreciation expense of £597,000 (2012: £229,000), of which £204,000 (2012: £102,000) has been charged in cost of sales and £393,000 (2012: £127,000) in administrative expenses.

The Company has recorded a depreciation expense of £27,000 (2012: £21,000), all of which has been charged in administrative expenses.

13. INVESTMENT PROPERTY

Group	Freehold investment property £000
Cost or valuation	
At 1 July 2011	803
Disposals	(55)
At 30 June 2012	748
At 30 June 2013	**748**

Investment properties are included at Directors' valuation.

14. INTEREST IN JOINT VENTURES

Share of results and investment in joint ventures

	2013 £000	2013 £000	2012 £000	2012 £000
At 1 July		**15**		15
Share of results for the year	**(107)**		(6)	
Share of tax expense	**-**		9	
Share of (loss)/profit in joint ventures (net of tax) for the year		**(107)**		3
Cashflow hedges		**107**		(3)
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 19). Profit for the year from this joint venture has been recorded within discontinued operations.

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

Aggregate amounts in respect of Group share of joint ventures

	Note	2013 £000	2012 £000
Current assets		**15**	1,534
Non-current assets		**-**	19,215
Current liabilities		**-**	(275)
Non-current liabilities		**-**	(20,341)
		15	133
Cashflow hedges		**-**	(118)
		15	15
Classified as assets held for sale	19	**-**	-
At 30 June		**15**	15
Revenue		**402**	2,010
Expenses		**(509)**	(2,016)
Loss before tax		**(107)**	(6)
Tax		**-**	9
(Loss)/profit for the year		**(107)**	3

There are no significant contingent liabilities in the joint ventures.

Notes to the Financial Statements continued

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
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.

15. LOANS AND OTHER INVESTMENTS

Group loans & other investments

	Note	Joint venture loans		Other investments		Total	
		2013 £000	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000
At 1 July		**-**	2,006	**4,896**	4,896	4,896	6,902
Additions		**-**	240	**-**	-	**-**	240
Repayments		**-**	(256)	**-**	-	**-**	(256)
Classified as assets held for sale	19	**-**	(1,990)	**-**	-	**-**	(1,990)
At 30 June		**-**	-	4,896	4,896	**4,896**	4,896

On 30 June 2012, an investment in and loan to Leeds Independent Living Accommodation Company Holdings Ltd was considered, under IFRS 5, to be Assets held for sale (Note 19). Interest receivable on this loan has been recorded within financial income in discontinued operations.

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.

Company loans & other investments

The Company has no loans.

	Other investments	
	2013 £000	2012 £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	2013 £000	2012 £000	Interest rate	Terms
Leeds Independent Living Accommodation Company Holdings Ltd		-	1,990	12.00%	Joint venture sold in the year
		-	1,990		
Classified as held for sale	19	-	(1,990)		
		-	-		

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.

16. INVESTMENTS IN SUBSIDIARIES

	Subsidiary under-takings £000
Cost	
At 1 July 2011	31,001
Impairment in investments	(800)
Repayments	(1)
At 30 June 2012	**30,200**
Subscription to shares	**1,000**
Impairments	**(138)**
Impairment reversal	**1,000**
At 30 June 2013	**32,062**

The repayments in the prior year reflect the dissolution of dormant subsidiaries 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 2013 and 30 June 2012, the company impaired its investment in Gleeson Constrution Services where the net assets were below the cost of the investment.

Principal subsidiary undertakings

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

Notes to the Financial Statements continued

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
Gleeson Developments (North East) Limited (formerly Norfolk Park)	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

17. INVENTORIES

	2013 £000	2012 £000
Work-in-progress	**96,820**	76,495
	96,820	76,495

18. TRADE AND OTHER RECEIVABLES

	Note	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Current assets					
Trade receivables		**8,746**	5,564	**92**	103
Amounts due from construction contract customers	20	**677**	1,540	**-**	-
VAT recoverable		**320**	489	**-**	-
Prepayments and accrued income		**3,658**	3,590	**136**	220
Amount due from subsidiary undertakings		**-**	-	**66,307**	58,313
		13,401	11,183	**66,535**	58,636
Non-current assets					
Available for sale financial assets		**7,797**	5,369	**-**	-
		21,198	16,552	**66,535**	58,636

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 financial income, with the financial asset increasing to its full cash settlement value on the anticipated receipt date. Credit risk is accounted for in determining fair values and appropriate discount factors are applied. The Group holds a second charge over property sold under shared equity schemes.

See note 21 for reference to credit risk associated with trade receivables.

The Company recharges subsidiaries for all staff-related costs, insurance, and interest on intercompany loans. The total costs recharged for the year totalled £5,511,000 (2012: £5,098,000).

The Company charges interest at Bank of England base rate plus 1% on £73,447,000 (2012: £64,432,000) of the unimpaired intercompany loan adjusted for bank balances held within the company. At 30 June 2013, the adjusted figure was £67,663,000 (2012: £70,504,000).

19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

At 30 June 2012, the joint venture within the Gleeson Capital Solutions division was presented as available for sale. The joint venture, Leeds Independent Living Accommodation Company Holdings Ltd, was sold during the year generating a profit of £1,372,000.

	Note	Group 2013 £000	Group 2012 £000
Investments in joint ventures	14	**-**	-
Loans and other investments	15	**-**	1,990
		-	1,990

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

20. CONSTRUCTION CONTRACTS

	Note	Group 2013 £000	Group 2012 £000
Contracts in progress at the balance sheet date:			
Amounts due from contract customers included in trade and other receivables	18	**677**	1,540
Amounts due to contract customers included in trade and other payables	23	**-**	(60)
		677	1,480
Contract costs incurred plus recognised profits less recognised losses to date		**89,501**	932,736
Less: progress billings		**(88,824)**	(931,256)
		677	1,480

At 30 June 2013, retentions held by customers for contract work amounted to £663,000 (2012: £355,000).

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

21. FINANCIAL INSTRUMENTS

Risk exposure

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

Cash and cash equivalents

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

Notes to the Financial Statements continued

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 2013, the Group's most significant customer, a property investor, accounted for £2,836,000 (2012: £4,239,000) 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 £Nil (2012: £4,239,000). The Group has no other significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Trade receivables ageing

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

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Not past due	**7,659**	4,618	**-**	-
Past due 0-30 days	**487**	21	**-**	-
Past due 31-120 days	**44**	35	**-**	-
Past due 121-365 days	**9**	60	**-**	41
Past due more than one year	**547**	830	**92**	62
	8,746	5,564	**92**	103

All trade receivables are from UK customers.

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

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

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

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Balance at 1 July	**91**	84	**91**	84
Impairment loss recognised	**(17)**	7	**(17)**	7
Balance at 30 June	**74**	91	**74**	91

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 £99,000 (2012: £139,000) based on the cash balance at the year end. A 1% decrease would cause income to fall by the same amount.

In the prior year, one of the Group's joint ventures used interest rate swaps to manage its exposure to interest rate movement on their bank borrowings. This joint venture was sold in the year and the Group has no interest rate swaps (2012: Group's share of the interest rate swap contract with notional value of £17,753,000 had fixed interest payments at an average rate of 5.15% for periods up until 2035).

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

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Interest payable:				
Within one year	-	1,038	-	1,038
Within two to five years	-	3,719	-	3,719
After five years	-	9,207	-	9,207
	-	13,964	-	13,964

In the year, the joint venture holding the hedged instruments was sold.

Liquidity risk

The Group entered into a £3,000,000 12 month credit facility with The Co-operative Bank plc on 22 November 2012. The facility was increased to £5,000,000 on 19 February 2013 and the expiry date extended to 31 January 2014.

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:

	2013 Effective interest rate %	2013 Due within one year £000	2012 Effective interest rate %	2012 Due within one year £000
Bank balances	0.00	6,436	0.00-0.50	6,862
Short term deposits	0.38	3,500	2.10	7,000
Net cash		9,936		13,862

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 2013							
Trade and other payables [1]	24,784	(24,803)	(12,599)	(2,622)	(8,597)	(985)	-
	24,784	(24,803)	(12,599)	(2,622)	(8,597)	(985)	-
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)	-

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

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

Exposure to currency risk

The Group has no exposure to foreign currency risk.

Notes to the Financial Statements continued

Fair values

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

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

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

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

	Note	2013 Level 3 £000	2013 Total £000	2012 Level 3 £000	2012 Total £000
Available for sale financial assets	18	**7,797**	**7,797**	5,369	5,369
		7,797	**7,797**	5,369	5,369

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

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

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

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

22. LOANS AND BORROWINGS

The Group has secured borrowings under the Government's Get Britain Building scheme. Under this scheme, finance is provide for 50% of the construction cost of the properties. The loan is repayable as homes are sold using 50% of the revenue from the sale of the properties until repaid in full, with the final payment due on the earlier of 20 business days from the last disposal of property or December 2018. The agreed loan facility is £2,226,000, of which £2,193,000 was drawn at 30 June 2013 with the balance split between current and non-current liabilites based on expected repayment date.The loan is in sterling and interest accrues at 3.19%.

	Group 2013 £000	Group 2012 £000
Get Britain Building loan		
Non-current liabilities	**1,885**	-
Current liabilities	**308**	-
	2,193	-

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

The Company does not have any loans and borrowings.

23. TRADE AND OTHER PAYABLES

	Note	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Current liabilities					
Amounts due to construction contract customers	20	**-**	60	**-**	-
Trade payables		**21,273**	10,797	**215**	339
Other taxation and social security		**377**	331	**225**	195
VAT payable		**107**	113	**107**	113
Accruals and deferred income		**3,752**	3,948	**366**	486
Amount due to subsidiary undertakings		**-**	-	**21,307**	21,292
		25,509	15,249	**22,220**	22,425

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.

24. PROVISIONS

	Group Restruc-turing costs £000	Group Onerous leases £000	Group Total £000
At 1 July 2012	**100**	**477**	**577**
Provisions used during the year	**(100)**	**(156)**	**(256)**
At 30 June 2013	**-**	**321**	**321**
Non-current	**-**	**85**	**85**
Current	**-**	**236**	**236**
	-	**321**	**321**

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 4 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 2012	**100**	**100**
Provisions used during the year	**(100)**	**(100)**
At 30 June 2013	**-**	**-**

Notes to the Financial Statements continued

25. 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 £371,000 (2012: £316,000) represents contributions payable to the defined contribution pension plan by the Group at rates specified in the plan rules. At 30 June 2013, contributions of £47,000 (2012: £40,000) 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 £81,000 (2012: £61,000) represents contributions payable to the defined contribution pension plan by the Company at rates specified in the plan rules.

26. DEFERRED TAX

Group

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

	Plant and machinery £000	Losses £000	Short-term timing differences £000	Total £000
At 1 July 2011	798	-	96	894
Charge to income	(89)	-	(18)	(107)
Impact of rate change	(56)	-	(6)	(62)
At 30 June 2012	**653**	**-**	**72**	**725**
Credit to income	**99**	**4,238**	**-**	**4,337**
Impact of rate change	**(27)**	**-**	**(3)**	**(30)**
At 30 June 2013	**725**	**4,238**	**69**	**5,032**

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

	Group 2013 £000	Group 2012 £000
Deferred tax assets	**5,032**	725
Deferred tax liabilities	**-**	-
	5,032	725

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. The deferred tax asset is recognised at the year end substantively enacted rate of 23% (2012: 24%).

In the year, the Group has recognised £4,238,000 (2012: £Nil) of previously unrecognised deferred tax asset in relation to tax losses available to offset against future profits. These losses are recognised to the extent that it is probable that future taxable profits will be available against which they can be used and the prevailing tax rate at that time. In the prior year, no deferred tax asset was recognised in respect of these losses due to the uncertain conditions in the housing market at that time.

At the balance sheet date, the Group has gross tax losses of £67,935,000 (2012: £83,089,000) of which £19,858,000 (2012: £Nil) have been recognised as deferred tax assets. The Group has unrecognised tax losses of £48,077,000 (2012: £83,089,000) available for offset against future profits. Losses may be carried forward indefinitely against future taxable profits.

Company

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

	Plant and machinery £000	Short-term timing differences £000	Total £000
At 1 July 2011	555	12	567
Charge to income	(98)	(12)	(110)
Impact of rate change	(37)	-	(37)
At 30 June 2012	**420**	**-**	**420**
Credit to income	**5**	**-**	**5**
Impact of rate change	**(18)**	**-**	**(18)**
At 30 June 2013	**407**	**-**	**407**

At the balance sheet date, the Company had unused tax losses of £7,347,000 (2012: £6,665,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses. Losses may be carried forward indefinitely.

27. OPERATING LEASE ARRANGEMENTS

Operating leases: lessee

	Group 2013 £000	Group 2012 £000
Minimum lease payments under non-cancellable operating leases recognised as an expense for the year		
Minimum lease payments	**421**	1,240
	421	1,240

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

	Group 2013 Land and buildings £000	Group 2012 Land and buildings £000
Within one year	**395**	416
Within two to five years	**1,058**	1,301
After five years	**211**	89
	1,664	1,806

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 £156,000 were released (2012: £251,000). See note 24 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.

Notes to the Financial Statements continued

Operating leases: lessor

The Group's total future minimum sub-lease receipts expected under non-cancellable sub-leases as at 30 June 2013 is £770,000 (2012: £841,000). These receipts are included within the minimum rent receivables table below.

The Company has no (2012: £nil) future minimum sub-lease receipts.

	Group 2013 £000	Group 2012 £000
Minimum rental income under operating leases recognised as revenue for the year	**64**	367

Included in the figures above is £60,000 (2012: £363,000) which relates to properties which the Group had previously occupied as operating lease lessees and have now sublet. The balance of £4,000 (2012: £4,000) relates to investment properties.

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

	Group 2013 Land and buildings £000	Group 2012 Land and buildings £000
Within one year	**195**	70
Within two to five years	**575**	771
After five years	**-**	-
	770	841

28. ANALYSIS OF CASH AND CASH EQUIVALENTS

	Group £000	Company £000
At 1 July 2011	17,763	17,975
Cashflow	(3,901)	(8,964)
At 30 June 2012	**13,862**	**9,011**
Cashflow	**(3,926)**	**(5,428)**
At 30 June 2013	**9,936**	**3,583**

29. BONDS AND SURETIES

Group and Company

As at 30 June 2013, the Group had bonds and sureties of £6,798,000 (2012: £4,491,000) 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.

30. SHARE CAPITAL

	2013 No. 000	2013 £000	2012 No. 000	2012 £000
Issued and fully paid Ordinary shares:				
At the beginning of the year	**52,730**	**1,055**	52,696	1,054
Shares issued	**146**	**3**	34	1
At the end of the year	**52,876**	**1,058**	52,730	1,055

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 2013 was 52,876,487 (2012: 52,730,235).

At 30 June 2013, the Employee Benefit Trusts ("EBT") held 118,000 (2012: 225,000) shares at a cost of £345,000 (2012: £364,000). 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 (2012: Nil).

Details of share options are given in note 31.

31. SHARE-BASED PAYMENTS

During the year to 30 June 2013, 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 condition	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) Grant date 17/12/2010	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
Performance share plan (PSP) Grant date 5/11/2012	3 years	For the Chief Executive Officer the award will vest in whole or in part on or after the third anniversary of the date of grant if performance conditions have been met. The condition is based on the total shareholder return on the three financial years from 1 July 2012 to 30 June 2015. None of these shares are currently exercisable.	Equity

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

Notes to the Financial Statements continued

Expected volatility was determined by calculating the historical volatility of the Company's share price. For the 17/12/10 and 5/11/12 schemes 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	PSP 5/11/12 No. of shares
Outstanding at 1 July 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	-
Granted in the year	13,367	-	423,015
Forfeited	(11)	-	-
Exercised	(25,307)	-	-
Outstanding at 30 June 2013	69,567	839,049	423,015
Remaining contractual life	Rolling scheme	0.5 years	2.5 years
Weighted average exercise price	-	-	-
Weighted average share price at date of exercise - current year	£1.93	n/a	n/a
Weighted average share price at date of exercise - prior year	£1.23	n/a	n/a

Share options granted prior to 7 November 2002

Date of grant	Share purchase plan Monthly No. of shares
Outstanding at 1 July 2011	1,627
Exercised	(280)
Outstanding at 30 June 2012	1,347
Exercised	(800)
Outstanding at 30 June 2013	547
Remaining contractual life	Rolling scheme
Weighted average exercise price	-
Weighted average share price at date of exercise - current year	£1.93
Weighted average share price at date of exercise - prior year	£1.23

32. CAPITAL COMMITMENTS

During the year, the Group entered into a contract to provide infrastructure for an owned site resulting in a capital commitment of £799,000 at 30 June 2013 (2012: contract to purchase land for development £1,436,000).

33. 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 22 to 25.

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

	2013 £000	2012 £000
Grove Village Ltd	-	5
Chrysalis (Stanhope) Ltd	-	4
AvantAge (Cheshire) Ltd	-	2
Leeds Independent Living Accommodation Company Ltd	163	252
	163	263

Sales to related parties were made at market rates.

Purchase of goods and services from joint ventures

There have been no purchases of goods from joint ventures.

Amounts owed by and owed to joint ventures

The amounts owed by joint ventures, including those classified as held for sale, are shown below:

	Note	2013 £000	2012 £000
Assets classified as held for sale	19	-	1,990
Prepayments and accrued income	18	31	98
		31	2,088

The amounts owed to joint ventures at 30 June 2013 totalled £Nil (2012: £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	
	2013 £000	2012 £000
Subsidiaries	5,511	5,098
	5,511	5,098

	Receivables outstanding		Payables outstanding	
	2013 £000	2012 £000	2013 £000	2012 £000
Subsidiaries	66,307	58,313	21,307	21,292
	66,307	58,313	21,307	21,292

Five Year Review

for the years ended 30 June

	2013 £000	2012[1] Restated £000	2011[1] Restated £000	2010[1] Restated £000	2009[1] Restated £000
Revenue	**60,656**	40,807	41,210	33,231	40,881
Operating profit/(loss)	**6,009**	2,724	899	(1,017)	(42,774)
Net finance income	**(230)**	302	207	371	792
Profit/(loss) before tax	**5,779**	3,026	1,106	(646)	(41,982)
Tax	**4,320**	(130)	(123)	255	(2,885)
Profit/(loss) after tax	**10,099**	2,896	983	(391)	(44,867)
Discontinued operations	**1,344**	710	528	3,528	(6,588)
Profit/(loss) for year attributable to equity holders of the parent company	**11,443**	3,606	1,511	3,137	(51,455)
Total assets	**140,112**	116,220	120,517	131,380	140,069
Total liabilities	**(28,023)**	(15,826)	(21,364)	(33,537)	(37,637)
Net assets	**112,089**	100,394	99,153	97,843	102,432
	p	p	p	p	p
Total dividend per share	**0.50**	5.00	-	15.00	-
Earnings/(loss) per share from continuing operations	**19.14**	5.51	1.87	(0.75)	(86.07)
Net assets per share	**212**	190	188	186	195

[1] The 2009 to 2012 results have been restated for the reclassification of the the Gleeson Capital Solutions, Gleeson Commercial Property Developments and the Gleeson Building division of Gleeson Construction Services as discontinued. The revised Discontinued items are shown in note 3.

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