M J Gleeson Group PLC

Report and Accounts
for the year ended 30 June 2010


	2010	2009*
Revenue	£46.5m	£43.0m
Profit/(loss) before tax continuing operations	£0.4m	£(50.7)m
Shareholders' funds	£97.8m	£102.4m
Net cash	£18.4m	£10.9m
Dividend	£7.9m	-
Net assets per share	186p	195p

* The results for 2009 have been restated. For details see Note 11.

Contents

Moving forward with confidence

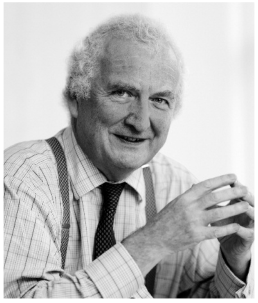
Following a period of restructuring and consolidation, the Group is now concentrating its efforts in the following areas:

- estate regeneration and housing development on brownfield land in the North of England;
- enhancing the value of land options by achieving residential planning consents on greenfield sites, primarily in the South of England;
- investing in social housing Private Finance Initiative schemes.

urban housing regeneration

strategic land trading

Board of Directors



Dermot Gleeson
MA (Cantab), 61
Non-Executive Chairman

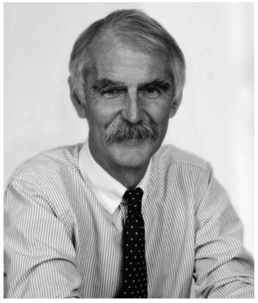
Joined the Board in 1975. Appointed Chief Executive in 1988 and Chairman in 1994. Relinquished the post of Chief Executive in 1998. Member of the Nomination Committee. Currently a Non-Executive Director of GB Group Holdings Limited (the parent company of GB Building Solutions Limited, previously Gleeson 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, Director of the Housing Corporation and Director of Construction Industry Training Board.

Chris Holt
BSc, MBA, CIMA, 59
Group Chief Executive

Joined the Board in May 2007. Appointed Group Chief Executive in January 2009. Previously Group Finance Director and, prior to that, held the position of Interim Group Finance Director since August 2006. Chris has over 30 years of widespread financial experience with internationally renowned businesses, most recently with Foster Wheeler, the global engineering and construction contractor and power equipment supplier. Chris will retire from the Board on 30 September 2010 following the successful sale of Powerminster which took place on 30 June 2010.

Alan Martin
BSc, ACA, 44
Group Finance Director

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. Upon the retirement of Chris Holt as Group Chief Executive, Alan will continue as Group Finance Director but will also take up, with effect from 1 October 2010, the role of Chief Operating Officer with responsibility for Human Resources, Company Secretariat, Internal Audit and IT.



Jolyon Harrison
FCIOB, FIoD, FCMI, 62
Managing Director, Gleeson Regeneration & Homes

Appointed to the Board on 1 July 2010. Joined the Group in November 2009 as Managing Director of Gleeson Regeneration & Homes. Jolyon has over 40 years of house building experience, most recently as founder and Chairman of Pelham Construction/North Country Homes Group and prior to that as Managing Director of Shepherd Homes. Currently Chairman of York Housing Association, JDP Rooflines Limited and the Yorkshire region of the Home Builders Federation. Formerly a member of the North East Housing Board and a Council member of the National House Building Council.

Board of Directors continued

Ross Ancell
ACA (NZ), 57
Non-Executive Director
Appointed October 2006. Senior Independent Director. Chairman of the Nomination Committee and member of the Audit and Remuneration Committees. Executive Chairman and controlling shareholder of Churngold Group of Companies. Independent Non-Executive Director of Galaxy Entertainment Group Limited, and Non-Executive Chairman, Taylor Containers.

Terry Morgan
MSc, 61
Non-Executive Director
Appointed November 2006. Independent Director. Chairman of the Remuneration Committee and member of the Audit and Nomination Committees. Currently Chairman of Crossrail Limited and Non-Executive Director of Mitie Group PLC. Formerly Chief Executive of Tube Lines Limited, Group Managing Director – Operations and Group HR Director of BAe Systems plc, Managing Director of Royal Ordnance plc at British Aerospace plc and Managing Director - Land Rover Vehicles, Rover Group plc.

Colin Dearlove
BA, FCMA, 58
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, 57
Non-Executive Director
Appointed January 2009. Currently Chief Investment Officer of J O Hambro Capital Management Limited which he joined in 1993. He is also Chief Executive and Investment Manager of North Atlantic Smaller Companies Investment Trust PLC, a UK listed investment trust. Christopher has been a director of several publicly quoted companies, including Castle Support Services PLC, Catalyst Media Group plc, Inspired Gaming Group plc, Prime Focus London PLC and Sirvis IT plc.

Chairman's Statement

Dermot Gleeson
Chairman

During the year, conditions in the housing market showed modest signs of improvement. The steep fall in selling prices experienced in the previous two years levelled off and there was some easing of the credit conditions required by mortgage providers. Against this background, the Group, which has net cash balances, recommenced construction on a number of mothballed developments and has begun selectively to purchase new residential sites, taking advantage of depressed land prices in the North of England.

Financial overview

As explained in the Finance Review, the prior year results have been restated due to a change in accounting policy for our Grove Village regeneration project and the reclassification of Powerminster Gleeson Services as a discontinued operation.

Revenue from continuing operations increased by £3.5m to £46.5m (2009: £43.0m). This increase reflected an increase of £9.4m by Gleeson Strategic Land, which achieved the sale of three significant sites during the year, and an increase of £11.1m by Gleeson Commercial Property Developments, which disposed of its remaining properties. These increases were offset by a reduction of £17.1m by Gleeson Regeneration & Homes, due to a 44% decrease in housing unit sales, mitigated by a 17% increase in the average selling price ("ASP").

Profit for the year attributable to equity holders of the parent company totalled £3.1 m (2009: loss £51.5m).

A profit before tax from continuing operations of £0.4m (2009: loss £50.7m) was recorded, which included exceptional credits of £3.5m (2009: charge £41.3m) relating to the partial reversal of asset valuation write-downs.

Discontinued operations, which this year includes the trading result and profit on sale of Powerminster Gleeson Services, generated a post-tax profit of £2.5m (2009: £1.8m).

The year end total equity attributable to equity holders of the parent company decreased by 4% to £97.8m (2009: £102.4m), representing net assets per share of 186p (2009: 195p). Net cash at 30 June 2010 was £18.4m (2009: £10.9m), an increase of £7.5m. Both the equity and cash figures reflect the payment of the £7.9m special dividend paid in March 2010.

Business review

The Group's continuing operations comprise ongoing business units and business units in run-off.

The Group's ongoing business units – Gleeson Regeneration & Homes, Gleeson Strategic Land, and Gleeson Capital Solutions – all improved their year on year trading results.

"During the year, conditions in the housing market showed modest signs of improvement. The steep fall in selling prices experienced in the previous two years levelled off and there was some easing of the credit conditions required by mortgage providers."

Gleeson Regeneration & Homes unit sales decreased by 44% to 174 (2009: 313). This reflected its strategy to build to demand in the private sector (2010: 129 units, 2009: 156 units) as well as a significant reduction in units sold to Registered Social Landlords ("RSLs") (2010: 45 units, 2009: 157 units). ASP increased by 17%, from £112,000 to £131,000. Exceptional credits of £2.8m were recorded due to the partial reversal of asset valuation write-downs. This reversal is due to greater than anticipated success in reducing construction costs (£1.9m), along with higher than forecast selling prices (£0.9m). One new site (43 units) was purchased during the year and a further four sites (217 units) have been conditionally purchased since the year end.

Gleeson Strategic Land had a successful year, completing three significant land sales and the sale of three smaller plots. The business unit added to its portfolio of options and now has 3,862 acres (2009: 3,755 acres) under option.

Chairman's Statement continued

Gleeson Capital Solutions recorded a profit of £0.3m (2009: loss £0.6m). In the year, no PFI investments were sold and no new PFI projects reached financial close.

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

Gleeson Commercial Property Developments disposed of its remaining developments, recording a profit of £0.5m (2009: loss £8.0m) of which £0.7m was an exceptional credit (2009: charge £7.5m).

Gleeson Building Contracting Division recorded a loss of £0.1m (2009: £0.1m).

Group Activities (the central overhead) reduced by 47% to £1.9m (2009: £3.6m). There were no exceptional items (2009: charge £0.6m).

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

Gleeson Engineering Division recorded a loss of £0.1m (2009: £0.2m).

Powerminster Gleeson Services was sold to Morgan Sindall Group plc on 30 June 2010 for total cash proceeds of £6.6m and a pre-tax gain of £1.9m. The sale reflected concerns over decreasing revenues, reducing margins and an uncertain business climate. An operating profit of £0.6m (2009: £1.0m) was recorded.

Board

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

"The short term outlook for housing demand remains difficult to predict."

The sale of Powerminster Gleeson Services Limited makes it an appropriate time for Chris Holt, Group Chief Executive, to retire from the Board. As announced on 30 June 2010, this will take effect from 30 September 2010. Chris has been a magnificent and immensely professional Group Chief Executive and I and my colleagues owe him a huge debt of gratitude.

Alan Martin will combine his current role as Group Finance Director with that of Chief Operating Officer, with additional responsibility for Human Resources, Company Secretariat, Internal Audit and IT.

Vale Croft, Bolsover, Derbyshire.

Lastingham Green, Bradford
Gleeson Regeneration and Homes’ newest development in its initial phases. The foundations for the first property can be seen at the front of the site.

Chairman's Statement continued

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

Employees

The average number of employees reduced in the year to 285 (2009: 311), and the number at the year end, following the disposal of Powerminster Gleeson Services, was 95 (2009: 286).

The Board would like to thank all employees for their commitment and continuing dedication during the year, especially given the difficult market conditions with which the Group has had to contend.

Dividends

During the year, the Group reviewed its short and long term cash needs and concluded that the Group had cash in excess of its requirements. Accordingly, the Board decided to pay a special dividend of 15p a share on 31 March 2010. The dividend payment totalled £7.9m.

The Board does not propose a final dividend for the year ended 30 June 2010.

Current trading and prospects

Although trading to date during the current year has been in line with expectations, the short term outlook for housing demand remains difficult to predict. However, the Board has been encouraged by the achievements over the last year of both Gleeson Regeneration & Homes and Gleeson Strategic Land and believe that both are well placed to meet the challenges ahead.

Dermot Gleeson
Chairman

In August 2010, the Lord Mayor and Lady Mayoress of Bradford, along with Sarah Humphries, Gleeson Regeneration and Homes' Sales Manager kick off the building work on Plot 1, Lastingham Green, Bradford.

Business Review and Directors' Report

Chris Holt
Group Chief Executive

Management has reacted to the uncertain trading conditions by continuing to reduce costs in both overhead and build costs. We have taken advantage of the lower value of land by securing an additional site in the North of England during the year and since year end, we have conditionally purchased a further four sites in the North of England.

GROUP BUSINESSES AND STRATEGY

Gleeson is predominantly a housebuilder in the North of England, focused on the regeneration sector and with particular emphasis on creating sustainable communities.

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

Ongoing businesses

Gleeson Regeneration & Homes: This business unit focuses on estate regeneration and housing development on brownfield land in the North of England. In response to market conditions, the business unit has reduced build and labour spend. However, the longer term strategy is to grow the business in the North of England and the business unit has recently recommenced the purchase of land for development.

Gleeson Strategic Land: This business unit focuses on the purchase of options over land in the South of England, with the objective of enhancing the value of the sites concerned by securing residential planning consents.

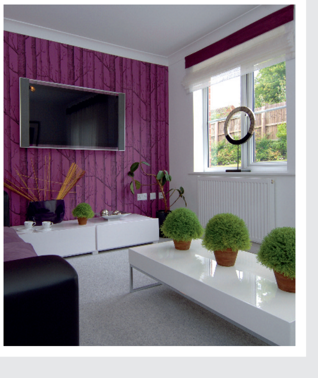
Gleeson Capital Solutions: This business unit manages the Group's PFI investments in social housing and takes the lead in securing new PFI opportunities that offer good investment returns, while also providing development opportunities for Gleeson Regeneration & Homes.

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

Businesses in run-off

Gleeson Commercial Property Developments: during the year, the Group completed the sale of its remaining developments. This business unit is no longer trading.

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



The Brambles, Doe Lea,
Chesterfield, Derbyshire

Business Review and Directors' Report continued

OPERATING RISK STATEMENT

The Group has established risk management procedures, involving the identification, control and monitoring of risks at various levels within the organisation. However, there are other significant risks out of the Group's control which could affect its business, which include but are not limited to the following:

Risks common to the Group

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

Risks specific to Gleeson Regeneration & Homes

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

Risks specific to Gleeson Strategic Land

Planning	The uncertainty resulting from the coalition Government's amendments to the planning system may impact upon the timing of achieving planning consents.

Risks specific to Gleeson Capital Solutions

Government policy	The business unit is dependent upon the Government's continued commitment to PFI procurement as a means of funding regeneration projects.
Bid costs	Substantial bid costs can be incurred, without recovery, when seeking to win new projects.

Risks specific to businesses in run-off

Engineering and Building Contracting

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

Business Review and Directors' Report continued

PERFORMANCE

GLEESON REGENERATION & HOMES

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

	2010	2009
Revenue	£22.7m	£39.8m
Operating loss	£1.3m	£33.3m

Included within these results were the following exceptional items:

	2010	2009
Non-cash valuation write down of land and work in progress	£2.8m	£(27.0)m
Restructuring costs	-	£(0.3)m
	£2.8m	£(27.3)m

Jolyon Harrison was appointed Managing Director of this business unit in November 2009.

In response to historically low levels of customer demand, the business unit has placed a strong emphasis on conserving cash, reducing overhead and construction cost, and rigorously aligning construction work-in-progress to sales rates. The number of house types has been reduced, build specifications have been simplified and new build methods and procedures have been implemented to improve efficiency and drive down costs.

The business unit has seven regeneration sites, all of which – apart from Ashford, Kent - are in the North of England. In addition, the business unit has two non-regeneration sites, one of which is in the North of England. During the year, the business unit purchased one site and subsequent to the year end it conditionally purchased a further four sites.

During the year, 174 (2009: 313) units were sold, of which private sales totalled 129 (2009: 156) and sales to RSLs totalled 45 (2009: 157). ASP for private sales was £140,000 (2009: £130,000) and for sales to RSLs was £103,000 (2009: £97,000). The increase in ASP for private sales reflected a change in product mix year-on-year with a higher proportion of units being sold off in the South.

Stanhope, Ashford, Kent

Business Review and Directors' Report continued

Unit sales as recognised in revenue

	2010 Units	2010 %	2010 ASP £000	2009 Units	2009 %	2009 ASP £000
Private sales	129	74	140	156	50	130
RSL sales	45	26	103	157	50	97
Total	174	100	131	313	100	112

Unit sales as handed over

	2010 Units	2010 %	2010 ASP £000	2009 Units	2009 %	2009 ASP £000
Private sales	129	67	140	156	41	130
RSL sales	64	33	104	221	59	97
Total	193	100	127	377	100	112

Market sector analysis

	2010 Units	2010 %	2010 ASP £000	2009 Units	2009 %	2009 ASP £000
Private sales - 1 & 2 beds	55	28	102	63	17	97
Private sales - 3 beds	56	30	150	57	15	142
Private sales - 4 beds	15	8	154	30	8	154
Private sales - 5 or more beds	3	1	498	6	2	264
RSL sales	64	33	104	221	58	99
Total	193	100	127	377	100	112

Product mix analysis

	2010 Units	2010 %	2010 ASP £000	2009 Units	2009 %	2009 ASP £000
Apartments	35	18	123	52	13	88
Three storey	1	1	625	40	11	141
Room in roof	5	2	359	10	3	267
Traditional - other	88	46	126	54	14	138
RSL Sales	64	33	104	221	59	99
Total	193	100	127	377	100	112

Business Review and Directors' Report continued

GLEESON STRATEGIC LAND

	2010	2009
Revenue	**£10.5m**	£1.1m
Operating profit/(loss)	**£2.2m**	£(5.9)m

The business unit completed three significant land sales in the year and sold off a smaller parcel of land and some houses. A number of the major housebuilders have re-entered the land market in order to replenish their depleted land stocks and the business unit anticipates selling two significant residential sites during the remainder of the current financial year. In addition, it will shortly be marketing a small commercially consented site in Kent.

During the year, three new options were secured covering 195 acres. In addition, heads of terms have been agreed for a further seven options covering 230 acres.

At the year end, the portfolio totalled 3,862 acres (2009: 3,755 acres), most of which are in Southern England (Buckinghamshire, Dorset, Essex, Hampshire, Hertfordshire, Kent, Oxfordshire, Surrey, Sussex and Wiltshire).

Regional Planning Policy – The previous Government's Regional Planning Policy has been abandoned as part of a move away from a "top down" approach to housing delivery in favour of a policy of "localism", which permits Local Authorities to identify their own housing number requirements. We await firm details of how this will evolve and to what extent it will impact upon our business in terms of both constraints and opportunities.

Planning Applications – There is currently one planning application for a 152 unit site awaiting consent. A further three applications are to be lodged in the near future. These are expected to deliver circa 350 units.

Planning Consents – During the year, planning consent was secured on four sites, which means that the Group currently holds in excess of 1,250 plots of consented residential land.

GLEESON CAPITAL SOLUTIONS

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

	2010	2009
Revenue	**-**	-
Operating profit/(loss)	**£0.3m**	£(0.6)m

During the year, no projects achieved financial close (2009: none).

The business unit is currently bidding for a regeneration project in Manchester. In the year, speculative bid costs of £0.1m (2009: £0.3m) were incurred, which were expensed.

Grove Village, Manchester

Business Review and Directors' Report continued

POWERMINSTER GLEESON SERVICES

	2010	2009
Revenue	**£17.4m**	£18.7m
Operating profit	**£0.6m**	£1.0m
Operating margin	**3.6%**	5.3%

On 30 June 2010, the Group sold Powerminster Gleeson Services to Morgan Sindall Group plc.

GLEESON COMMERCIAL PROPERTY DEVELOPMENTS

Although the results of this business are included within continuing operations, the business is in run-off, as announced on 30 March 2007.

During the year, the Group disposed of the five remaining commercial property sites generating a turnover of £13.2m (2009: £2.1m). An operating profit of £0.5m (2009: loss £8.0m) was recorded including an exceptional credit of £0.7m (2009: charge £7.5m), which related to the partial reversal of asset valuation write-downs.

The Group has now concluded the disposal of its commercial property developments.

GLEESON CONSTRUCTION SERVICES

Continuing operations

	2010	2009
Revenue	**£0.1m**	£0.0m
Operating loss	**£(0.1)m**	£(0.1)m

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

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

Discontinued operations

	2010	2009
Revenue	**£0.7m**	£3.8m
Operating loss	**£(0.1)m**	£(0.2)m

The Group disposed of sufficient assets and liabilities of its Gleeson Engineering Division in October 2006 such that the results of these retained assets are classified as discontinued.

The retained element of the Gleeson Engineering Division recorded an operating loss for the year of £0.1m (2009: £0.2m), which represented its running costs.

GROUP ACTIVITIES

The charge for the year, which relates to the Board, Company Secretariat and Group Finance, was £1.9m (2009: £3.6m), of which £nil (2009: £0.6m) was exceptional.

Business Review and Directors' Report continued

Alan Martin
Group Finance Director

FINANCE REVIEW

Overview

The financial results for the year reflected the continuing uncertain trading environment.

The profit before tax from continuing operations of £0.4m (2009: loss £50.1m) included exceptional credits of £3.5m (2009: charge £41.3m). The exceptional credits comprise the partial reversal of asset valuation write-downs, with £2.8m relating to Gleeson Regeneration & Homes and £0.7m to Gleeson Commercial Property Developments.

Key performance indicators

	2010	2009
Continuing operations		
Revenue	**£46.5m**	£43.0m
Operating loss	**£(0.3)m**	£(51.6)m

Continuing operations

Gleeson Regeneration & Homes recorded an operating loss of £1.3m (2009: £33.3m) on revenue of £22.7m (2009: £39.8m). Included within the operating loss is an exceptional credit of £2.8m (2009: charge £27.3m), which related to the partial reversal of asset valuation write-downs. The accounting treatment of the only regeneration site to be accounted for as a long term contract was changed during the year to a unit sales basis, which is now consistent with the Group's other housebuilding projects. The change was made in light of guidance provided by IFRIC 15 Agreements for the Construction of Real Estate, which the Group has adopted early.

Gleeson Strategic Land recorded an operating profit of £2.2m (2009: loss £5.9m) on revenue of £10.5m (2009: £1.1m). There were no exceptional items within the operating result for the year (2009: charge £5.5m).

Gleeson Capital Solutions recorded an operating profit of £0.3m (2009: loss £0.6m) on revenue of £nil (2009: £nil). There were no exceptional items within the operating result for the year (2009: charge £0.5m). No projects for which Gleeson Capital Solutions is bidding achieved financial close during the year.

Gleeson Commercial Property Developments made an operating profit of £0.5m (2009: loss £8.0m) on revenue of £13.2m (2009: £2.1m). Included within the operating profit is an exceptional credit of £0.7m (2009: charge £7.5m), which related to the partial reversal of asset valuation write-downs.

Gleeson Construction Services, the continuing element of which comprises the run-off of the Gleeson Building Contracting Division, recorded revenue of £0.1m (2009: £nil), on which an operating loss of £0.1m (2009: £0.1m) was recorded.

Discontinued operations

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

Powerminster Gleeson Services recorded an operating profit of £0.6m (2009: £1.0m) on revenue of £17.4m (2009: £18.7m). The profit on the sale of Powerminster Gleeson Services totalled £1.9m.

The Gleeson Engineering Division of Gleeson Construction Services generated revenue of £0.7m (2009: £3.8m). An operating loss of £0.1m (2009: £0.2m) was recorded.

Interest

Net interest income of £0.8m (2009: £0.9m) was lower due to reduced average net cash balances maintained by the Group, along with reduced interest rates.

Tax

A net tax credit for continuing operations, excluding tax for joint ventures, of £0.2m (2009: charge £2.6m) has been recorded in the Income Statement. The Group now has £89.9m (2009: £89.0m) of tax losses which can be carried forward indefinitely.

Business Review and Directors' Report continued

The total tax credit, including tax on discontinued operations and tax attributable to joint ventures, was £0.1m (2009: charge £1.9m). The net deferred tax asset recorded within the Balance Sheet totals £1.1m (2009: £0.6m).

Earnings per share

Basic and diluted earnings per share were 6.0p (2009: loss 98.7p). For continuing operations only, the basic and diluted earnings per share were 1.3p (2009: loss 102.3p).

Dividend

During the year, the Group reviewed its short and long term cash needs and concluded that the Group had cash in excess of its requirements. Accordingly, the Board decided to pay a special dividend of 15p a share on 31 March 2010. The dividend payment totalled £7.9m.

The Board does not propose a final dividend for the year ended 30 June 2010.

Acquisitions

The Group acquired the balance of the share capital of two joint ventures during the year. In October 2009, the Group acquired the 50% of the share capital of Oakmill Properties Limited ("Oakmill") that it did not own for £1. Oakmill had developed a residential and commercial site in Barnes, London and at the time of acquisition the residential properties had yet to be sold. The remaining properties in the development were sold during the year.

In February 2010, the Group acquired the 50% of the share capital of Denbigh Gleeson (Cap Green) Limited ("Denbigh") that it did not own for £1. Denbigh had developed a commercial site in Luton, which at the time of the acquisition was partly let. The Group sold the freehold of the site during the year.

Disposals

The Group sold Powerminster Gleeson Services Limited to Morgan Sindall Group plc on 30 June 2010. The cash proceeds totalled £6.6m, with the net cash inflow of £3.8m after taking account of the costs of disposal and cash transferring with the company. The gain on disposal, after tax, totalled £1.9m. As the disposal occurred on the final day of the financial year, the trading results of Powerminster Gleeson Services for the full year have been included within the Group's results. The entity is treated as a discontinued operation and prior year results have been restated within the Income Statement.

Balance sheet

At 30 June 2010, shareholders' funds totalled £97.8m (2009: £102.4m). Non-current assets decreased to £16.6m (2009: £22.1m) due to the reduction of plant and equipment with the disposal of Powerminster Gleeson Services and a reduction in the loans to joint ventures. Net current assets were broadly in line with the prior year at £84.3m (2009: £84.4m).

Cash flow

The Group generated a cash inflow for the year of £7.5m (2009: £11.0m outflow), resulting in a net cash balance at 30 June 2010 of £18.4m (2009: £10.9m).

Operating cash flows, including working capital movements, generated £14.2m (2009: utilised £20.4m). There were no taxes paid or received during the year (2009: net receipt £3.4m). Cash inflows from investing activities totalled £1.4m (2009: £6.4m), with £3.8m net receipt from the sale of Powerminster Gleeson Services set off by £2.8m cash outflow from loans to joint ventures and other investments. Net cash flows from financing activities utilised £7.9m (2009: £nil), due to dividend payments (2009: £nil).

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

Following a review of the Group's banking facilities, which were to expire in June 2010, the Board concluded that the Group had no further need for its revolving credit facility and terminated this in March 2010.

The review of the Group's banking needs demonstrated that the only requirement was for a letter of credit facility. Subsequent to the year end, the Group signed a £5m letter of credit and bonding facility with Santander.

Pension

The Group contributes to a defined contribution pension scheme. A charge of £0.6m (2009: £0.7m) was recorded in the Income

Business Review and Directors' Report continued

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. In addition, the notes to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group meets its day-to-day working capital requirements through its cash resources. The current economic conditions create uncertainty, particularly over the level of demand for the Group's goods and services and the availability of bank finance in the foreseeable future.

The Group's forecasts and projections show that the Group is able to operate without the need for debt finance for the foreseeable future.

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

Montreal Gardens,
North Huyton, Liverpool

Business Review and Directors' Report continued

CORPORATE SOCIAL RESPONSIBILITY REPORT

Introduction

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

Corporate governance

Details of the Group's corporate governance are included in the Corporate Governance Statement on pages 28 to 32 which form part of the Directors' Report.

Health & safety

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

There have been no prohibition or improvement notices issued to the Group during the year. Two injuries have been reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations ("RIDDOR"), neither of which was classed as a major injury. In the previous year, the Group reported three injuries under RIDDOR.

The overall accident incidence rate ("AIR") was 680 (2009: 513), a 32% increase. This increase is a reflection of the reduced number of employees rather than an increase in the number of incidents. The AIR is an industry-wide indicator as to health & safety performance. The Group's AIR remains significantly below the construction industry average of 906, as published by the Health & Safety Executive.

During the year, the Royal Society for the Prevention of Accidents awarded the Group its gold medal, for achieving a very high level of health & safety performance. In addition, the Group was also awarded the coveted President's Award for the second year running.

Environment

Each of the Group's operating business units continued to remain accredited to ISO14001: 2004, the international standard for environmental management.

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, each site carries out a project environmental risk assessment and develops an environmental plan, dependent on the complexity of the job and the risks encountered.

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 and form part of the specific site environmental plan. Suitable recovery or disposal arrangements are made for all wastes. Arrangements are identified for dealing with all waste in line with environmental agency recommendations.

Timber policy

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

Communities

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

The Group's approach to its corporate social responsibilities is evidenced by examples of positive engagement with the communities within which it works, to the benefit of all its stakeholders.

Human resources

The year under review has seen the Group restructure and change to support its business strategy. This has impacted on our employees, resulting in a number of compulsory redundancies, whilst ensuring key skills and capabilities are retained, and new opportunities created in selected areas to meet our current and future business needs.

The Group has consulted with all of its employees affected by the changes and every effort has been made to ensure they have been dealt with in a fair and consistent manner.

It is the Group's policy to ensure that it provides a safe, professional and stable working environment, that all employees are afforded

Business Review and Directors' Report continued

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

Throughout this period of change, 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 future growth and therefore, despite the ongoing economic challenges, it has continued to invest in its employees through relevant training and development programmes. The Group actively encourages all of its employees to be fully engaged with their own training and development programmes in order to achieve their full potential and to meet the needs of the business and its customers.

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's commitment to having all site-based employees qualified and Construction Skills Certification Scheme ("CSCS") carded remains an objective.

The Grange, Retford, Nottinghamshire

Business Review and Directors' Report continued

Joy Baldry
Company Secretary

Results and dividends

During the year, the Group made a profit after taxation of £3.1m (2009: loss of £51.5m). The Directors have decided not to propose a final dividend. The total distribution for the year was £7.9m (2009: nil).

Directors

During the year, the following served as Directors:

Dermot Gleeson	Non-executive Chairman
Chris Holt	Executive Director
Alan Martin	Executive Director
Ross Ancell	Non-executive Director and Senior Independent Director
Terry Morgan	Non-executive Director
Colin Dearlove	Non-executive Director
Christopher Mills	Non-executive Director

Subsequent to the year end, Jolyon Harrison was appointed to the Board on 1 July 2010.

At the next Annual General Meeting of the Company, to be held on 10 December 2010, Jolyon Harrison, having been appointed to the Board since the last Annual General Meeting, will stand for re-appointment. Pursuant to the Articles, Terry Morgan and Colin Dearlove will retire by rotation and, being eligible, will offer themselves for re-election. With the exception of Chris Holt, who will retire from the Board on 30 September 2010, all remaining Directors will, voluntarily, offer themselves for re-election in order to make themselves more accountable to shareholders. Of the Directors standing for election or re-election this year, Alan Martin and Jolyon Harrison hold service contracts that may be terminated by the Company with a notice period of one year. Directors' biographies are shown on pages 2 and 3.

Directors' interests

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

Director	22 Sept 2010	30 June 2010	30 June 2009
Dermot Gleeson	**1,028,986**	1,028,986	1,017,156
Ross Ancell	**-**	-	-
Terry Morgan	**4,851**	4,851	4,851
Colin Dearlove	**-**	-	-
Christopher Mills	**9,532,250**[a]	9,532,250[a]	9,532,250[a]
Chris Holt	**18,151**	18,151	-
Alan Martin	**6,492**	6,024	4,177
Jolyon Harrison	**1,065,450**	1,055,450[b]	N/A

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

(b) On 1 July 2010, the date of his appointment to the Board

Share capital

The Company has issued share capital of 52,643,985 ordinary shares of two pence each, as at 22 September 2010. Further details are given in note 28. The number of ordinary shares in issue has increased by 50,000 shares since the date of publication of the last Report and Accounts, following the issue of shares awarded under the Company's Employee Share Purchase Plan.

Substantial shareholdings

On 22 September 2010, the shareholdings noted below, representing 3% or more of the issued share capital, had been notified to the Company. In addition, as at 22 September 2010, Capita IRG Trustees Limited held 1,028,317 ordinary shares as trustees of the Employee Share Purchase Plan and Bank of New York Nominees Limited held 67,898 ordinary shares on behalf of Lloyds TSB Offshore Trust Company Limited in its capacity as trustee of the employee shares schemes.

Business Review and Directors' Report continued

Name of shareholder	Number of shares	Proportion of total
North Atlantic Value LLP	9,532,250	18.12%
Schroder Investment Management Ltd	7,119,762	13.53%
Guinness Peat Group plc	3,500,421	6.65%
Mrs J C Cooper & spouse*	2,809,615	5.34%
Legal & General Investment Management	2,068,246	3.93%
Barclays plc	1,843,779	3.50%

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

Property, plant and equipment

Information relating to changes in property, 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 2010 was 59 days (2009: 45 days).

Disclosure of information to Auditors

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

Takeovers directive

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

The structure of the Company's share capital is shown on page 19 and within note 28. The rights of shareholders are set out in the Company's Articles of Association ("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, those Directors who are not retiring by rotation 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 Savings-Related Share Option Scheme, the M J Gleeson Group Performance Share Plan, the Bond Facility Agreement provided by Zurich Insurance plc and the Bank Facility Agreement provided by Santander UK plc. In the event of a takeover of the company the share option schemes/plans would vest and the bank and bond facility agreements would potentially lapse.

Auditors

KPMG Audit plc was re-appointed by the members at the last Annual General Meeting and is considered to be independent. The Directors will propose a resolution to the members at the Annual General Meeting to be held on 10 December 2010 to re-appoint KPMG Audit plc as Auditors and to fix its remuneration. KPMG Audit plc has indicated its willingness to continue in office.

Annual General Meeting

The Notice of the Annual General Meeting to be held on 10 December 2010, together with details of the Resolutions to be considered, is set out in a separate circular.

Business Review and Directors' Report continued

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 £350,960 (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 15 months from the date of the passing of this resolution.

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 £52,644 which is equivalent to approximately 5% of the Company's issued equity share capital as at 22 September 2010.

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 £105,287, being equivalent to approximately 10% of the issued share capital as at 22 September 2010. 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 earnings per share targets included in employee share incentive schemes will be adjusted to take account of any buyback.

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

By order of the Board

Joy Baldry
Company Secretary

22 September 2010

Directors' Remuneration Report

Introduction

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

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

INFORMATION NOT SUBJECT TO AUDIT

Remuneration Committee

The Remuneration Committee ("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 2010:

Terry Morgan (Chairman)
Ross Ancell
Colin Dearlove

The Secretary of the Committee is Joy Baldry, Company Secretary.

The Committee is responsible for recommending to the Board the Group's remuneration policy for the Chairman of the Company, 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 Group Chief Executive 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 Group Chief Executive and the Head of Human Resources concerning its proposals. These individuals are not involved in the decisions regarding their own remuneration. During the year, the Committee received external professional advice from BDO Stoy Hayward LLP on remuneration and share scheme issues. BDO Stoy Hayward LLP was selected and appointed by the Remuneration Committee and has no other connection with, nor provided any other services to, the Group.

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

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

Directors' Remuneration Report continued

- 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 house-building 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 2010, the Committee resolved to re-introduce a bonus scheme for Executive Directors which had been suspended during the prior year due to adverse market conditions. For the year ended 30 June 2010, the Executive Directors who held office during that year participated in an annual bonus scheme under which they may potentially receive 100% of their respective base salaries for achieving target performance. The targets and range over which the bonus vests are set by the Committee and are designed to be challenging and to produce an equitable distribution of additional profits earned by superior performance between the executive team and shareholders. The performance measures for the year ended 30 June 2010 were determined by the Committee to be based on achieving a certain level of profit before tax and also achieving a closing cash balance above a certain level.

For the year ended 30 June 2010, the minimum, but not the maximum, profit before tax level was achieved, resulting in 70% of bonus related to profit becoming payable. The cash target level was also achieved, resulting in 10% of the bonus relating to cash becoming payable.

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

Share option schemes

The current Executive Directors hold share options under the M J Gleeson Group Sharesave Scheme ("Sharesave Scheme"). As is normal for such schemes, share options issued under the Sharesave Scheme are not subject to any performance criteria. Details of the options held by Directors, identifying those granted during the year, are set out in the tables on page 27.

Performance Share Plan

The M J Gleeson Group plc Performance Share Plan ("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. The intention is to make awards to Executive Directors worth up to 100% of their basic salary, but for other senior participants to receive awards worth up to 50% of their basic salary. Such awards will vest on the third anniversary of the date of award to the extent that the performance targets have been met. For the awards that were granted in December 2007 to vest, the Committee resolved to impose targets for total shareholder return ("TSR") over

Directors' Remuneration Report continued

the three financial years from 1 July 2007 to 30 June 2010. No awards were made to the Executive Directors under the Plan for the year ended 30 June 2010. Current outstanding awards are shown within the table on page 27.

Long Term Incentive Plan

In view of the introduction of the Performance Share Plan, the Remuneration Committee reviewed the operation of the Long Term Incentive Plan ("LTIP") introduced in 2003. The LTIP has not been utilised during this or the previous financial year and it is envisaged that henceforth the Performance Share Plan will be the primary incentive plan to reward Directors and certain members of the senior management team. None of the Executive Directors currently hold shares in the LTIP.

Share Purchase Plan

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

Pensions

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

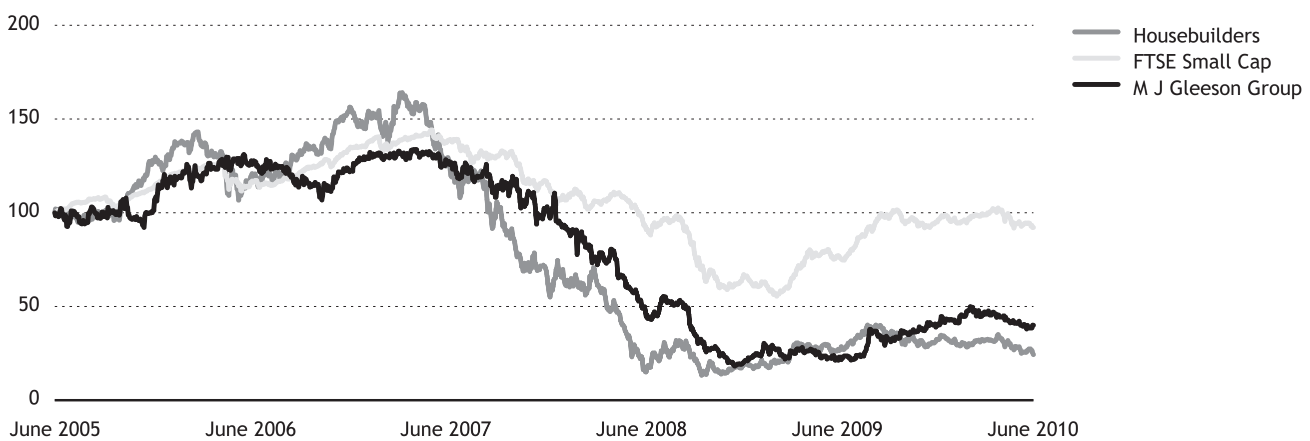
External appointments

None of the Executive Directors currently holds any non-executive appointments elsewhere.

Performance graph

The graph to the right 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 Capitalisation Index and a comparator index of listed housebuilders. This Index, of which the Company is a member, is considered to be the most appropriate index against which to measure performance, as it reflects the performance of a range of other companies of a similar size that are quoted on the London Stock Exchange. The Comparator Group consists of a peer group of listed housebuilders comprising Barratt Developments, Bellway, Bovis Homes, Persimmon, Redrow, Taylor Wimpey and Telford Homes.

MJ Gleeson & Index Comparison – 30/06/2005 to 30/06/2010



Directors' Remuneration Report continued

Service contracts

In accordance with the Combined 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 service contracts of the Executive Directors who served during the year are set out below:

Director	Date of latest service contact	Date appointed to the Board	Date last elected/re-elected	Date next due for election/re-election
Chris Holt	01/05/2007	01/05/2007	11/12/2009	Will retire from Board on 30/09/2010
Alan Martin	01/01/2009	01/01/2009	11/12/2009	10/12/2010

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 but having regard to the exceptionally difficult trading conditions being faced by the Group. The fees paid to the Non-Executive Directors during the year ended 30 June 2010 are set out in the table on page 26 and comprise the whole of their remuneration. They are not entitled to participate in any of the employee benefit schemes and are not eligible to join the pension scheme. Save for any fees due for any unexpired period of notice or term of appointment, no compensation is due on termination of their appointment.

Details of their letters of appointment are set out below:

Director	Date appointed to the Board	Date first elected by the members	Date of most recent letter of appointment	Date of expiry	Date last elected/ re-elected	Date next due for election/ re-election	Period since first elected (complete years)
Dermot Gleeson	27/11/1975	04/02/1976	01/10/2009	30/09/2010	11/12/2009	10/12/2010	34
Ross Ancell	01/10/2006	10/01/2007	01/10/2009	30/09/2010	11/12/2009	10/12/2010	3
Terry Morgan	01/11/2006	10/01/2007	01/11/2009	31/10/2010	11/12/2009	10/12/2010	3
Colin Dearlove	03/12/2007	12/12/2008	21/11/2007	30/11/2010	11/12/2009	10/12/2010	1
Christopher Mills	01/01/2009	11/12/2009	01/01/2009	31/12/2012	11/12/2009	10/12/2010	0

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

Directors’ Remuneration Report continued

INFORMATION SUBJECT TO AUDIT

Directors’ emoluments

The emoluments of the Directors for the years ended 30 June 2010 and 30 June 2009 are shown below:

	Note	Fee/Basic £000	Bonus £000	Benefits in kind £000	Subtotal £000	Pension £000	Total 2010 £000	Total 2009 £000
Chairman								
Dermot Gleeson	a	41	-	1	**42**	-	**42**	119
Executive Directors								
Chris Holt	b	208	53	65	**326**	-	**326**	273
Alan Martin		130	52	16	**198**	33	**231**	91
Non-Executive Directors								
Ross Ancell		30	-	-	**30**	-	**30**	35
Terry Morgan		30	-	-	**30**	-	**30**	35
Colin Dearlove		30	-	-	**30**	-	**30**	35
Christopher Mills		25	-	-	**25**	-	**25**	13
Former Directors								609
		494	**105**	**82**	**681**	**33**	**714**	**1,210**

(a) With effect from 1 August 2009, the Chairman voluntarily reduced his fee from £55,000 to £40,000 per year.

(b) Chris Holt is entitled to remuneration and benefits for any unexpired period of notice as a result of his retirement following the sale of Powerminster Gleeson Services. The payment will be included in the remuneration report for the year ended 30 June 2011.

Directors' Remuneration Report continued

Share options and awards

Director	30 June 2009	Granted/ awarded during year	Exercised during year	Options lapsed	30 June 2010	Scheme	Exercise price	Market value on date of exercise	Date from which option may be exercised	Expiry
Chris Holt	1,947	-	-	-	1,947	SAYE	276.00p	-	21/12/10	21/06/11
	184,615	-	-	-	184,615	PSP	325.00p	-	14/12/10	14/12/13
Alan Martin	1,947	-	-	-	1,947	SAYE	276.00p	-	21/12/10	21/06/11
	52,800	-	-	-	52,800	PSP	325.00p	-	14/12/10	14/12/13

1. No payment was made in relation to the grant of any options.
2. No performance criteria apply to the Sharesave Scheme options.
3. The middle market price on 30 June 2010 was 113 pence and the range during the year to 30 June 2010 was from 67 pence to 141 pence.
4. During the year, a charge of £92,000 (2009: credit £78,000) was recorded in the Income Statement for share options awarded to the Executive Directors.

Approval

This Report was approved by the Board on 22 September 2010.

By order of the Board.

Joy Baldry
Company Secretary

22 September 2010

Corporate Governance

The Board is committed to the principles of corporate governance contained in the June 2008 Financial Reporting Council's Combined Code on Corporate Governance which is appended to the Listing Rules of the Financial Services Authority ("the Combined 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 Combined Code's provisions throughout the year, save that the Chairman has previously served as an Executive Director.

Board of Directors

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

- strategy and financial policy;
- banking arrangements and any changes to them;
- interim and annual financial statements;
- risk management and internal control policy;
- major capital expenditure;
- 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 eight Directors, five of whom are Non-Executive. Chris Holt will be retiring from the Board with effect from 30 September 2010. Neither the Non-Executive Chairman, who has previously served in an executive capacity, nor Christopher Mills, who represents a major shareholder, North Atlantic Value LLP, is considered to be "independent" within the definition of that term contained in the Combined Code. All other Non-Executive Directors are independent. The Directors' biographies are set out on pages 2 and 3.

Following the introduction of s.175 of the Companies Act 2006 on 1 October 2008 and the authority given by shareholders at the 2008 Annual General Meeting to the Directors to authorise conflicts of interest, the Board has procedures in place to deal with conflicts of interest. Under s.175, all Directors are under a duty to consider their positions fully at all times. They must advise the Chairman immediately or, if the Chairman is conflicted, he must advise the Senior Independent Director. If a conflict is identified, permission or refusal to authorise a conflict is given by the non-conflicted Directors subject to the appropriate quorum requirement being met without counting the conflicted Director. The Board may vary or terminate the authorisation should the facts change or should the Board feel it is no longer appropriate for such authorisation to be in place. A register of authorisations is maintained by the Company Secretary which includes date of authorisation, expiry and comments on any special circumstances which might include the requirement of a conflicted Director to absent himself from Board discussions or be precluded from receiving Board papers.

Ross Ancell is the Senior Independent Non-Executive Director.

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

Corporate Governance continued

The roles of Chairman and Group Chief Executive are separate and have been so throughout the financial year. 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.

Chris Holt, as Group Chief Executive, is, subject to the schedule of matters reserved for a decision of the Board, responsible for all operational matters, for making strategic proposals to the Board and for the presentation of the annual business plan for approval by the Board.

During the year, the Board met on 9 scheduled occasions. Board packs, which include a formal agenda, are circulated in advance of such meetings. Attendance by individual Directors at Board meetings and by members at Committee meetings was as follows:

		Board	Audit Committee	Remuneration Committee	Nomination Committee
No of scheduled meetings		**9**	**5**	**3**	**2**
Attendance	Dermot Gleeson	9	*	*	2
	Ross Ancell	9	5	3	2
	Terry Morgan	7	5	3	2
	Colin Dearlove	9	5	3	2
	Christopher Mills	9	*	*	*
	Chris Holt	9	**	***	***
	Alan Martin	9	**	*	*

* 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 part of certain meetings.

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

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

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

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

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.

Corporate Governance continued

Directors' and Officers' Insurance is procured through the Company's Insurance Brokers, Aon Limited. Its terms and conditions are reviewed annually.

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

Board evaluation

During the year, under the leadership of the Chairman, the Board undertook an evaluation of its own performance. This was based on completion of a detailed questionnaire and individual discussions between the Chairman and the Directors. Being a smaller listed company, it was not considered necessary to have this year's Board evaluation externally facilitated. Similarly, the Chairman of each of the Audit, Remuneration and Nomination Committees conducted a performance review of each Board Committee. Ross Ancell, as the Senior Independent Director, conducted an evaluation of the Chairman's performance in conjunction with his Non-Executive Director colleagues and with input from both 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 and also that the reduced size of the company made it appropriate to reduce the annual number of Board meetings.

Audit Committee

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

Ross Ancell
Terry Morgan

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

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

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

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

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

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

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

Corporate Governance continued

The Audit Committee approves all non-audit services proposed to be undertaken by the Auditors. During 2010, in accordance with its terms of reference, the Audit Committee approved the appointment of KPMG as tax advisors to replace Brebners following a review of scope of work, performance and cost.

Remuneration Committee

Details of the Remuneration Committee are given in the Directors' Remuneration Report which is set out on pages 22 to 27.

Nomination Committee

The Nomination Committee is chaired by Ross Ancell, Senior Independent Director. The other members of the Committee who served during the year were:

Dermot Gleeson
Terry Morgan
Colin Dearlove

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

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

All Board appointments and re-appointments are considered by the Nomination Committee. In considering any new appointments to the Board, the balance of skills, knowledge and experience on the Board are evaluated, together with the role to be filled and the capabilities required to do so. All appointments are made on merit. Following the successful fulfilment since November 2009 of his role as Managing Director of the Regeneration & Homes business, Jolyon Harrison was appointed as an additional Executive Director with effect from 1 July 2010. There have been 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 Combined Code. This process takes the form of a formal Risk Management Policy supported by financial and management controls that are operated Group-wide and which are subject to both internal review by the Group Finance Director and external review as part of the statutory audit carried out by the Auditors.

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

- The Board and management committees meet regularly to monitor performance against key performance indicators which include cash management and financial and operations 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 Group Operations Director 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 judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

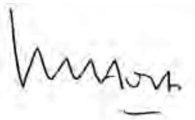
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

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

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

- the Financial Statements of the Group and of the Company have been prepared in accordance with IFRSs as adopted in the EU in accordance with applicable United Kingdom law and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that face the Group.

By order of the Board



C Holt
Group Chief Executive

A Martin
Group Finance Director

22 September 2010

Independent Auditors' Report

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

We have audited the Financial Statements of M J Gleeson Group Plc for the year ended 30 June 2010 set out on pages 36 to 75. 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 33, 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 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 web-site at www.frc.org.uk/apb/scope/UKP.

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 2010 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 28 to 32 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.

Independent Auditors’ Report continued

Matters on which we are required to report by exception

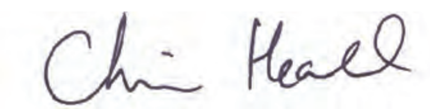
We have nothing to report in respect of the following:

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 16, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review.



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

22 September 2010

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	2010 Before exceptional items £000	2010 Exceptional items Note 4 £000	2010 £000	2009 Before exceptional items £000 Restated Note 11	2009 Exceptional items Note 4 £000 Restated Note 11	2009 £000 Restated Note 11
Continuing operations							
Revenue		46,534	-	46,534	43,030	-	43,030
Cost of sales		(43,507)	2,803	(40,704)	(41,760)	(33,917)	(75,677)
Gross profit/(loss)		3,027	2,803	5,830	1,270	(33,917)	(32,647)
Administrative expenses		(7,281)	710	(6,571)	(12,408)	(7,341)	(19,749)
Profit on sale of investment and owner-occupied properties		57	-	57	340	-	340
Share of profit of joint ventures (net of tax)	13	361	-	361	498	-	498
Operating (loss)/profit		(3,836)	3,513	(323)	(10,300)	(41,258)	(51,558)
Financial income	7	1,086	-	1,086	1,444	-	1,444
Financial expenses	7	(316)	-	(316)	(576)	-	(576)
Profit/(loss) before tax		(3,066)	3,513	447	(9,432)	(41,258)	(50,690)
Tax	8	235	-	235	(2,609)	-	(2,609)
Profit/(loss) for the year from continuing operations		(2,831)	3,513	682	(12,041)	(41,258)	(53,299)
Discontinued operations							
Profit for the year from discontinued operations (net of tax) and gain from sale of discontinued operation	3			2,455			1,844
Profit/(loss) for the year attributable to equity holders of the parent company				3,137			(51,455)
Other comprehensive income							
Cashflow hedges				(75)			-
Total comprehensive income for the year				3,062			(51,455)
Earnings/(loss) per share attributable to equity holders of the parent company							
Basic and diluted	10			6.00			(98.71)
Earnings/(loss) per share from continuing operations							
Basic and diluted	10			1.30			(102.25)

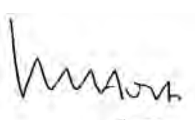
The notes on pages 42 to 75 form part of these financial statements.

Consolidated Statement of Financial Position

at 30 June 2010

	Note	Group 2010 £000	Group 2009 £000 Restated Note 11	Group 2008 £000 Restated Note 11	Company 2010 £000	Company 2009 £000
Non-current assets						
Property, plant and equipment	12	**150**	1,650	1,875	**71**	82
Investment properties	12	**873**	1,140	3,278	**-**	-
Investments in joint ventures	13	**2,124**	1,888	3,050	**-**	-
Loans and other investments	14	**9,380**	14,582	21,860	**4,896**	4,896
Investments in subsidiaries	15	**-**	-	-	**32,001**	34,021
Trade and other receivables	18	**3,012**	1,962	11,674	**-**	-
Deferred tax assets	24	**1,053**	862	3,889	**620**	475
		16,592	22,084	45,626	**37,588**	39,474
Current assets						
Inventories	17	**76,077**	73,702	107,829	**-**	-
Trade and other receivables	18	**20,266**	33,355	35,561	**48,651**	124,231
UK corporation tax		**22**	**2**	2,130	-	-
Cash and cash equivalents	26	**18,423**	10,926	21,875	**20,546**	24,428
		114,788	117,985	167,395	**69,197**	148,659
Total assets		**131,380**	140,069	213,021	**106,785**	188,133
Non-current liabilities						
Provisions	22	**(3,063)**	(3,803)	(4,364)	**-**	-
Deferred tax liabilities	24	**-**	(291)	(328)	**-**	-
		(3,063)	(4,094)	(4,692)	**-**	-
Current liabilities						
Trade and other payables	21	**(28,898)**	(31,914)	(51,326)	**(32,282)**	(47,931)
Provisions	22	**(1,571)**	(1,624)	(3,266)	**(483)**	(273)
UK corporation tax		**(5)**	(5)	-	**(5)**	(5)
		(30,474)	(33,543)	(54,592)	**(32,770)**	(48,209)
Total liabilities		**(33,537)**	(37,637)	(59,284)	**(32,770)**	(48,209)
Net assets		**97,843**	102,432	153,737	**74,015**	139,924
Equity						
Share capital	28	**1,053**	1,052	1,047	**1,053**	1,052
Share premium account		**5,969**	5,861	5,611	**5,969**	5,861
Capital redemption reserve		**120**	120	120	**120**	120
Retained earnings		**90,701**	95,399	146,959	**66,873**	132,891
Total equity		**97,843**	102,432	153,737	**74,015**	139,924

The financial statements were approved by the Board of Directors on 22 September 2010 and were signed on its behalf by:



C Holt
Director

A Martin
Director

The notes on pages 42 to 75 form part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2010

	Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000 Restated Note 11	Total £000 Restated Note 11
GROUP						
At 1 July 2008		1,047	5,611	120	152,461	**159,239**
Effect of change in accounting policy (Note 11)		-	-	-	(5,502)	**(5,502)**
At 1 July 2008 (restated)		1,047	5,611	120	146,959	**153,737**
Total comprehensive income for the period						
Loss for the period		-	-	-	(51,455)	**(51,455)**
Total comprehensive income for the period		-	-	-	(51,455)	**(51,455)**
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Share issue		5	250	-	-	**255**
Purchase of own shares		-	-	-	(161)	**(161)**
Share-based payments		-	-	-	56	**56**
Transactions with owners, recorded directly in equity		5	250	-	(105)	**150**
At 30 June 2009		1,052	5,861	120	95,399	**102,432**
Total comprehensive income for the period						
Profit for the period		-	-	-	3,137	**3,137**
Other comprehensive income						
Cashflow hedges		-	-	-	(75)	**(75)**
Total comprehensive income for the period		-	-	-	3,062	**3,062**
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Share issue		1	108	-	-	**109**
Purchase of own shares		-	-	-	(108)	**(108)**
Share-based payments		-	-	-	220	**220**
Dividends	9	-	-	-	(7,872)	**(7,872)**
Transactions with owners, recorded directly in equity		1	108	-	(7,760)	**(7,651)**
At 30 June 2010		1,053	5,969	120	90,701	**97,843**

Consolidated Statement of Changes in Equity continued

	Note	Share capital £000	Share premium account £000	Capital redemption reserve £000	Retained earnings £000 Restated Note 11	Total £000 Restated Note 11
COMPANY						
At 1 July 2008		1,047	5,611	120	134,379	**141,157**
Total comprehensive income for the period						
Loss for the period		-	-	-	(1,072)	**(1,072)**
Total comprehensive income for the period		-	-	-	(1,072)	**(1,072)**
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Share issue		5	250	-	-	**255**
Purchase of own shares		-	-	-	(472)	**(472)**
Share-based payments		-	-	-	56	**56**
Transactions with owners, recorded directly in equity		5	250	-	(416)	**(161)**
At 30 June 2009		1,052	5,861	120	132,891	**139,924**
Total comprehensive income for the period						
Loss for the period		-	-	-	(58,384)	**(58,384)**
Total comprehensive income for the period		-	-	-	(58,384)	**(58,384)**
Transactions with owners, recorded directly in equity						
Contributions and distributions to owners						
Share issue		1	108	-	-	**109**
Own shares disposed		-	-	-	18	**18**
Share-based payments		-	-	-	220	**220**
Dividends	9	-	-	-	(7,872)	**(7,872)**
Transactions with owners, recorded directly in equity		1	108	-	(7,634)	**(7,525)**
At 30 June 2010		1,053	5,969	120	66,873	**74,015**

Consolidated Statement of Cashflow
for the year ended 30 June 2010

	Note	Group 2010 £000	Group 2009 £000 Restated Note 11	Company 2010 £000	Company 2009 £000
Operating activities					
Profit/(loss) before tax from continuing operations		**447**	(50,690)	**(58,528)**	(1,078)
Profit before tax from discontinued operations	3	**2,455**	963	**-**	-
		2,902	(49,727)	**(58,528)**	(1,078)
Depreciation of property, plant and equipment	12	**251**	289	**17**	2
Goodwill on acquisition of subsidiaries		**(50)**	-	**-**	-
Impairment of investments in subsidiaries		**-**	-	**-**	5,589
(Restatement)/impairment of loans to joint ventures		**(710)**	5,950	**-**	-
Share-based payments		**220**	56	**220**	56
Profit on sale of investment and owner-occupied properties		**(57)**	(340)	**-**	-
Profit on sale of other property, plant and equipment		**-**	(22)	**-**	(27)
Profit on disposal of investment in subsidiary		**(1,936)**	-	**-**	(605)
Share of profit of joint ventures (net of tax)	13	**(361)**	(498)	**-**	-
New ground rents capitalised		**-**	(3)	**-**	-
Financial income		**(1,086)**	(1,628)	**(1,098)**	(2,602)
Financial expenses		**316**	576	**156**	274
Dividends received		**-**	-	**(3,464)**	(1,380)
Operating cash flows before movements in working capital		**(511)**	(45,347)	**(62,697)**	229
Decrease in inventories		**7,026**	34,127	**-**	-
Decrease/(increase) in receivables		**9,233**	12,645	**(234)**	930
(Decrease)/increase in payables		**(1,569)**	(21,798)	**358**	(437)
Decrease/(increase) in amounts due from subsidiary undertakings		**-**	-	**60,220**	(210)
Cash generated/(utilised) from operating activities		**14,179**	(20,373)	**(2,353)**	512
Tax received		**-**	3,398	**-**	197
Tax paid		**(2)**	-	**-**	-
Interest paid		**(237)**	(490)	**(216)**	(208)
Net cash flows from operating activities		**13,940**	(17,465)	**(2,569)**	501

Consolidated Statement of Cashflow continued

	Note	Group 2010 £000	Group 2009 £000 Restated Note 11	Company 2010 £000	Company 2009 £000
Investing activities					
Proceeds from disposal of subsidiary undertakings, net of cash disposed		**3,816**	-	**-**	1,483
Proceeds from dissolution of investments in joint ventures		**-**	1,659	**-**	-
Proceeds from disposal of investment and owner-occupied properties		**324**	2,492	**-**	-
Proceeds from disposal of other property, plant and equipment		**1**	42	**-**	27
Interest received		**291**	910	**954**	2,661
Dividends received		**-**	-	**3,464**	1,380
Purchase of property, plant and equipment		**(195)**	(84)	**(6)**	(84)
Net (increase)/decrease in loans to joint ventures and other investments		**(2,809)**	1,403	**2,020**	-
Net cash flows from investing activities		**1,428**	6,422	**6,432**	5,467
Financing activities					
Proceeds from issue of shares		**109**	255	**109**	255
Purchase of own shares		**(108)**	(161)	**-**	(472)
Own shares disposed		**-**	-	**18**	-
Dividends paid	9	**(7,872)**	-	**(7,872)**	-
Net cash flows from financing activities		**(7,871)**	94	**(7,745)**	(217)
Net increase/(decrease) in cash and cash equivalents		**7,497**	(10,949)	**(3,882)**	5,751
Cash and cash equivalents at beginning of year		**10,926**	21,875	**24,428**	18,677
Cash and cash equivalents at end of year	26	**18,423**	10,926	**20,546**	24,428

Notes to the Financial Statements
for the year ended 30 June 2010

1. ACCOUNTING POLICIES

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

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

Statement of compliance

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

Basis of preparation

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

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

The Company has taken advantage of section 408 of the Companies Act 2006 and consequently the Income Statement of the parent company is not presented as part of these accounts. The loss of the parent company for the financial year amounted to £57,520,000 (2009: £1,078,000).

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

Changes in accounting policies

1. Overview

As of 1 July 2009, the Group has changed its accounting policies in the following areas:

- Determination and presentation of operating segments
- Presentation of financial statements
- Agreements for the construction of real estate

2. Determination and presentation of operating segments

As of 1 July 2009, the Group determines and presents operating segments based on the information that internally is provided to the Group Chief Executive, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Comparative segment information has been re-presented in conformity with the transitional requirements of the standard. Since the change in accounting policy only impacts presentation and disclosure aspect, there is no impact on earnings per share.

3. Presentation of financial statements

The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective for periods beginning on or after 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects there is no impact on earnings per share.

4. Agreements for the construction of real estate

As of 1 July 2009, the Group has changed the accounting treatment for one of its regeneration sites from complying with IAS 11 "Long Term Contract Accounting" to complying with the sale of goods within the scope of IAS 18 "Revenue". The change in accounting policy is due to the issuance of IFRIC 15 "Agreements for the Construction of Real Estate", which provides guidance on how certain agreements should be accounted for.

Following the change in policy, revenue from the Grove Village project is now recognised when contracts to sell the property are completed and title has passed. Previously, revenue was based upon costs incurred plus sales margin. The change in policy has been implemented in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", with comparative figures being restated. The detail of the changes in accounting policy are set out in note 11.

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.

Notes to the Financial Statements continued

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 values at the date of acquisition. 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 construction services activities represents the value of work carried out during the year, including amounts not invoiced.
- Revenue from property 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 homes sales, other than construction contracts, is recognised when contracts to sell are completed and title has passed.
- Revenue from rental income from investment properties is recognised as the Group becomes entitled to the income.

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 Group's CEO 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 property, 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.

Notes to the Financial Statements continued

Exceptional items

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

Restructuring costs

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

Leasing

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

Finance income and expenses

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

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

Owner-occupied property, plant and equipment

The Group had no owner-occupied property at the year end.

Depreciation is charged so as to write off cost or valuation of assets (other than land, which is not depreciated) over their estimated useful lives, using the straight-line method, on the following bases:

Owner-occupied - leasehold properties	period of the lease
Plant and machinery	between 3 and 6 years
Motor vehicles	3 years

Depreciation of these assets is charged to income.

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.

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

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

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.

Notes to the Financial Statements continued

Inventories

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

Amounts due from construction contract customers

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

Available for sale financial assets

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

Trade receivables

Trade receivables are measured at initial recognition 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.

Cash and cash equivalents

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

Discontinued operations

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

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

Trade and other payables

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

Tax

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

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

Deferred tax is provided on temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the values used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial

Notes to the Financial Statements continued

recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and the Group can control the timing of the reversal. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Employee benefits

Obligations for contributions to defined contribution pension schemes are charged to the income statement in the period to which the contributions relate.

Share options

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

Own shares held by Employee Benefit Trusts

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

Dividends

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

Land and work-in-progress

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

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

Investments and investments in subsidiaries

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

Notes to the Financial Statements continued

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

Amounts recoverable on contracts and trade receivables
Management has reviewed the recoverability of amounts recoverable on contracts and trade receivables and, following significant write downs in the prior year, no further provisions were deemed to be required.

Available for sale financial assets (shared equity)
Management has reviewed the valuation of the available for sale financial assets in 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 2010, the Group has adopted the following standards:

IAS 1 (revised)	'Presentation of Financial Statements' as described earlier in this note, this impacts only on presentation of the financial statements.
IFRS 8	'Operating Segments', as described earlier in this note, this impacts only on the presentation of the financial statements.
IAS 23 (revised)	'Borrowing Costs' requires the capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use) as part of the cost of the asset. The adoption has had no impact on the results of the Group.
IFRS 2 (revised)	'Share-based Payments'. The amendment to IFRS 2 requires non-vesting conditions to be taken into account in the estimate of the fair value of the equity instruments. The adoption has had no impact on the results of the Group.
IFRS 3 (revised)	'Business Combinations' requires transaction costs to be expensed rather than included as costs of the acquisition. The adoption has had no impact on the results of the Group.
IFRIC15	'Agreements for the construction of real estate' provides guidance on whether the construction of real estate should be accounted for under IAS 11 or IAS 18. Details of the restatement due to the change in treatment of the Grove Village regeneration project from long term contract to sale of goods is described in note 11.

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 has not been adopted by the Group in preparing the accounts for the year ended 30 June 2010:

Standard	Due for adoption y/e
IAS 24 'Related Party Disclosure'	30 June 2011

The application of this standard and interpretation 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.

Notes to the Financial Statements continued

2. SEGMENTAL ANALYSIS

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

- Gleeson Regeneration & Homes focuses on estate regeneration and housing development on brownfield land in the North of England.
- Gleeson Strategic Land focuses on the purchase of options over land in the South of England.
- Gleeson Capital Solutions manages the Group's Private Financing Initiative investments in social housing.
- Powerminster Gleeson Services includes the provision of property maintenance, installation and facilities management in the construction industry in the UK. This division was sold on 30 June 2010.
- Gleeson Commercial Property Developments is engaged in commercial property development in the UK.
- Gleeson Construction Services includes constructions services in the UK.

In prior years, the operating divisions Gleeson Regeneration & Homes, and Gleeson Strategic Land were reported as a single division. The revised segments reflect the basis of how the operating results of the business are reviewed by the Group Chief Executive and the Board in accordance with IFRS 8. There have been no further changes in the analysis.

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

	2010 £000	2009 £000 Restated Note 11
Revenue		
Continuing activities:		
Gleeson Regeneration & Homes	**22,741**	39,815
Gleeson Strategic Land	**10,490**	1,066
Gleeson Capital Solutions	**-**	30
Gleeson Commercial Property Developments	**13,231**	2,086
Gleeson Construction Services	**72**	33
	46,534	43,030
Discontinued activities:		
Gleeson Construction Services	**666**	3,828
Powerminster Gleeson Services	**17,419**	18,681
	18,085	22,509
Total revenue	**64,619**	65,539
Profit/(loss) on activities		
Gleeson Regeneration & Homes	**(1,307)**	(33,256)
Gleeson Strategic Land	**2,191**	(5,904)
Gleeson Capital Solutions	**282**	(614)
Gleeson Commercial Property Developments	**480**	(8,028)
Gleeson Construction Services	**(68)**	(142)
	1,578	(47,944)
Group activities	**(1,901)**	(3,614)
Financial income	**1,086**	1,444
Financial expenses	**(316)**	(576)
Profit/(loss) before tax	**447**	(50,690)
Tax	**235**	(2,609)
Profit/(loss) for the year from continuing operations	**682**	(53,299)
Profit for the year from discontinued operations and gain on sale of discontinued operations (net of tax)	**2,455**	1,844
Profit/(loss) for the year attributable to equity holders of the parent company	**3,137**	(51,455)

All rental incomes from investment properties, totalling £18,000 (2009: £84,000), are reported within the Gleeson Commercial Property Developments segment, with the balance of the Gleeson Commercial Property Developments segment revenue being sale of commercial properties. All revenue for the Gleeson Construction Services segment is in relation to long term contracts. The revenue in the Gleeson Regeneration & Homes segment relates to the sale of residential properties and land. Service revenues are reported by Gleeson Capital Solutions.

Notes to the Financial Statements continued

Balance sheet analysis of business segments:

	2010 Assets £000	2010 Liabilities £000	2010 Net assets £000	2009 Assets £000 Restated Note 11	2009 Liabilities £000 Restated Note 11	2009 Net assets £000 Restated Note 11
Gleeson Regeneration & Homes	**59,684**	**(10,274)**	**49,410**	57,944	(11,902)	46,042
Gleeson Strategic Land	**30,951**	**(10,203)**	**20,748**	32,427	(4,069)	28,358
Gleeson Capital Solutions	**8,808**	**(398)**	**8,410**	3,579	(570)	3,009
Powerminster Gleeson Services	**-**	**-**	**-**	5,524	(4,059)	1,465
Gleeson Commercial Property Developments	**119**	**(1,477)**	**(1,358)**	11,550	(2,066)	9,484
Gleeson Construction Services	**6,496**	**(7,602)**	**(1,106)**	12,170	(12,734)	(564)
Group Activities	**6,899**	**(3,583)**	**3,316**	5,949	(2,237)	3,712
Net cash	**18,423**	**-**	**18,423**	10,926	-	10,926
	131,380	**(33,537)**	**97,843**	140,069	(37,637)	102,432

Other information:

	2010 Capital additions £000	2010 Depre-ciation £000	2009 Capital additions £000	2009 Depre-ciation £000
Continuing operations:				
Gleeson Regeneration & Homes	**62**	**76**	3	95
Gleeson Capital Solutions	**-**	**-**	-	43
Powerminster Gleeson Services	**127**	**158**	-	150
Group Activities	**6**	**17**	84	1
	195	**251**	87	289

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

3. DISCONTINUED OPERATIONS

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

On 30 June 2010, the Group disposed of the Powerminster Gleeson Services division to Morgan Sindall Group Plc. The results for the prior year have been restated to reflect the discontinued nature of this division.

	Note	2010 £000	2009 £000 Restated Note 11
Revenue		**18,085**	22,509
Cost of sales		**(15,514)**	(19,585)
Gross profit		**2,571**	2,924
Administrative expenses		**(2,052)**	(2,145)
Operating profit		**519**	779
Gain on disposal of discontinued operations		**1,936**	-
Financial income	7	**-**	184
Profit before tax		**2,455**	963
Tax		**-**	881
Profit for the year from discontinued operations		**2,455**	1,844

Notes to the Financial Statements continued

The post-tax gain on the disposal of discontinued operations was determined as follows:

	2010 £000	2010 £000
Consideration received, satisfied in cash		**6,610**
Property, plant and equipment	**1,443**	
Deferred tax assets	**25**	
Trade and other receivables	**3,339**	
Cash and cash equivalents	**1,785**	
Trade and other payables	**(2,636)**	
Deferred tax liabilities	**(291)**	
		(3,665)
Gain before costs		**2,945**
Costs relating to sale		**(1,009)**
Gain on disposal of discontinued operations		**1,936**

Effect of disposal on the financial position of the Group

	2010 £000
Consideration received, satisfied in cash	**6,610**
Costs relating to sale	**(1,009)**
Cash and cash equivalents disposed of	**(1,785)**
Net cash inflow	**3,816**

Earnings per share: impact of discontinued operations

	Note	2010 p	2009 p Restated Note 11
Basic	10	**4.70**	3.54
Diluted	10	**4.70**	3.54

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

	2010 £000	2009 £000 Restated Note 11
Operating activities	**2,455**	963
	2,455	963

4. EXCEPTIONAL ITEMS

Impairment of inventories and contract provisions

At 30 June 2010, the Group conducted a review of the net realisable value of the land and work-in-progress carrying values of its sites in light of the condition of the UK housing market. In the prior year, where the estimated net present realisable value was less than its carrying value within the balance sheet, the Group impaired the carrying value. In the current year, where the estimated net present realisable value is greater than the carrying value within the balance sheet, the Group has partially reversed the impairment previously made.

Impairment of amounts due from construction contracts

At 30 June 2010, the Group conducted a review of the net realisable value of amounts due from construction contracts in light of the condition of the UK housing market. In the prior year, where the estimated net present realisable value was less than its carrying value within the balance sheet, the Group impaired the carrying value. See note 17.

Notes to the Financial Statements continued

Impairment of loans to joint ventures

At 30 June 2010, the Group conducted a review of the net realisable value of loans to joint ventures in light of the condition of the UK commercial property market. In the prior year, where the estimated net present realisable value was less than its carrying value within the balance sheet, the Group impaired the carrying value. See note 14. Where the estimated net present realisable value of a previously impaired loan is more than its carrying value within the balance sheet, the Group has partially reversed the impairment previously made.

Restructuring costs

During the prior year, the Group incurred significant costs in relation to reorganising and restructuring the business, including redundancy costs, where existing employees could not be retained within the Group.

Exceptional income/(costs) may be summarised as follows:

	2010 £000	2009 £000 Restated Note 11
Re-instatement/(impairment) of inventories and contract provisions	**2,803**	(33,917)
Re-instatement/(impairment) of loans to joint ventures	**710**	(5,950)
Restructuring costs	**-**	(1,391)
	3,513	(41,258)

	2010 £000	2009 £000 Restated Note 11
Gleeson Regeneration & Homes	**2,803**	(27,250)
Gleeson Strategic Land	**-**	(5,452)
Gleeson Capital Solutions	**-**	(469)
Gleeson Commercial Property Developments	**710**	(7,513)
Group Activities	**-**	(574)
	3,513	(41,258)

5. EXPENSES AND AUDITORS' REMUNERATION

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

	Note	2010 £000	2009 £000 Restated Note 11
Staff costs	6	**12,278**	14,181
Depreciation of property, plant and equipment (continuing operations)		**93**	139
Depreciation of property, plant and equipment (discontinued operations)		**158**	150
Profit on sale of other property, plant and equipment		**-**	(22)
Profit on sale of investment and owner occupied properties		**(57)**	(340)
Rental income from investment properties		**(18)**	(84)
Direct expenses for investment properties		**-**	9
Auditors' remuneration for:			
• Audit of these financial statements		**25**	38
• Audit of financial statements of subsidiaries pursuant to legislation		**80**	116
• Taxation services		**62**	-

The 2009 depreciation figures have been restated for the reclassification of the Powerminster Gleeson Services division as discontinued follow the sale of the division on 30 June 2010. See note 11.

Notes to the Financial Statements continued

6. STAFF COSTS

	Note	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Wages and salaries		**9,704**	11,322	**1,162**	1,352
Redundancy		**730**	857	**310**	493
Share-based payments	29	**220**	56	**111**	(47)
Social security costs		**1,064**	1,286	**127**	185
Other pension costs	23	**560**	660	**127**	177
		12,278	14,181	**1,837**	2,160

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

	Group 2010 No.	Group 2009 No.
Gleeson Regeneration & Homes	**56**	80
Gleeson Strategic Land	**6**	6
Gleeson Capital Solutions	**5**	7
Powerminster Gleeson Services	**199**	187
Gleeson Commercial Property Developments	**1**	2
Group Activities	**18**	29
	285	311

The average number of people employed by the Company (including Directors) during the year was 18 (2009: 29).

Directors' remuneration

Full details of the Directors' remuneration is provided in the audited part of the Directors' Remuneration Report on pages 22 to 27.

7. FINANCIAL INCOME AND EXPENSES

	Continuing operations		Discontinued operations		Total	
Group	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Financial income						
Interest on bank deposits	**60**	144	**-**	-	**60**	144
Interest on joint venture loans	**416**	159	**-**	-	**416**	159
Other interest	**172**	459	**-**	184	**172**	643
Unwinding of discount on deferred receipts	**438**	682	**-**	-	**438**	682
	1,086	1,444	**-**	184	**1,086**	1,628
Financial expenses						
Interest on bank overdrafts and loans (restated)	**(2)**	(16)	**-**	-	**(2)**	(16)
Bank charges (restated)	**(164)**	(301)	**-**		**(164)**	(301)
Unwinding of discount on deferred payments	**(150)**	(259)	**-**	-	**(150)**	(259)
	(316)	(576)	**-**	-	**(316)**	(576)
Net financial income	**770**	868	**-**	184	**770**	1,052

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

Financial expenses have been restated to analyse separately interest on bank overdrafts and loans, and bank charges. The restatement has no impact on the income statement or net assets.

Notes to the Financial Statements continued

8. TAX

Group	Note	Continuing operations 2010 £000	Continuing operations 2009 £000 Restated Note 11	Discontinued operations 2010 £000	Discontinued operations 2009 £000 Restated Note 11	Total 2010 £000	Total 2009 £000 Restated Note 11
Current tax:							
Corporation tax		**-**	-	**-**	-	**-**	-
Adjustment in respect of prior years		**(19)**	(338)	**-**	(924)	**(19)**	(1,262)
		(19)	(338)	**-**	(924)	**(19)**	(1,262)
Deferred tax:							
Current year (credit)/expense	24	**(63)**	2,947	**-**	43	**(63)**	2,990
Adjustment in respect of prior years	24	**(153)**	-	**-**	-	**(153)**	-
Corporation tax (credit)/expense for the year		**(235)**	2,609	**-**	(881)	**(235)**	1,728
Joint ventures tax expense for the year		**141**	189	**-**	-	**141**	189
Total tax		**(94)**	2,798	**-**	(881)	**(94)**	1,917

Corporation tax was 28% for 2010 (2009: 28%) 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	2010 £000	2010 %	2009 £000 Restated	2009 % Restated
Profit/(loss) before tax on continuing operations		**447**		(50,690)	
Add joint venture tax for the year	13	**141**		189	
		588		(50,501)	
Profit before tax from discontinued operations	3	**2,455**		963	
Profit/(loss) before tax		**3,043**		(49,538)	
Tax charge at standard rate		**852**	**28.0**	(13,871)	28.0
Tax effect of:					
Non-taxable profits on disposal of discontinued operations		**(700)**	**(23.0)**	-	-
Expenses that are not deductible in determining taxable profits		**97**	**3.2**	(18)	0.0
Tax reliefs not recognised in the income statement		**-**	**-**	(35)	0.1
Losses arising in the year carried forward		**329**	**10.8**	12,629	(25.5)
Utilisation of tax losses not previously recognised		**(500)**	**(16.4)**	(3)	0.0
Losses from prior years no longer recognised		**-**	**-**	2,812	(5.7)
Adjustments in respect of prior years		**(172)**	**(5.7)**	403	(0.8)
Tax (credit)/charge and effective tax rate for the year		**(94)**	**(3.1)**	1,917	(3.9)

The 2009 results have been restated for the reclassification of the Powerminster Gleeson Services division as discontinued following the sale of the division on 30 June 2010. See note 11.

9. DIVIDENDS

	2010 £000	2009 £000
Amounts recognised as distributions to equity holders in the year:		
Special dividend paid on 31 March 2010 of 15p (2009: nil p) per share	**7,872**	-
	7,872	-
There is no final dividend proposed for the year ended 30 June 2010 (2009: nil p per share)	**-**	-

Notes to the Financial Statements continued

10. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

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

Earnings

	2010 £000	2009 £000 Restated Note 11
Earnings for the purposes of basic earnings per share, being net profit or loss attributable to equity holders of the parent company		
Profit/(loss) from continuing operations	**682**	(53,299)
Profit from discontinued operations	**2,455**	1,844
Profit/(loss) for the purposes of basic and diluted earnings per share	**3,137**	(51,455)

Number of shares

	2010 No. 000	2009 No. 000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**52,260**	52,126
Effect of dilutive potential ordinary shares:		
Share options	**-**	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**52,260**	52,126

From continuing operations

	2010 p	2009 p
Basic and diluted	**1.30**	(102.25)

From discontinued operations

	2010 p	2009 p
Basic and diluted	**4.70**	3.54

From continuing and discontinued operations

	2010 p	2009 p
Basic and diluted	**6.00**	(98.71)

11. RESTATEMENT OF COMPARATIVES

IFRIC 15 'Agreements for the construction of real estate'

IFRIC 15 ‘Agreements for the construction of real estate’ was issued on 3 July 2008 and is mandatory for periods beginning on or after 1 January 2010. The Group has taken up the option for the early adoption of IFRIC 15 in these accounts. Following the clarification contained within IFRIC 15, the Group has revised the revenue recognition on the Grove Village regeneration project from that of a long term contract to that of unit sales.

The Group has reported current year results in line with IFRIC 15 and restated both the prior year results and balance sheet.

Notes to the Financial Statements continued

Disposal of Powerminster Gleeson Services and subsidiaries

On 30 June 2010, the Group disposed of Powerminster Gleeson Services Ltd. The Group has reclassified results in the prior year as discontinued resulting in the restatement of the consolidated statement of comprehensive income.

Effect on consolidated statement of comprehensive income year ended 30 June 2010

	2010 IFRIC 15 adjustment £000
Continuing operations	
Revenue	**(352)**
Cost of sales	**(3)**
Gross loss	**(355)**
Administrative expenses	**(232)**
Operating loss	**(587)**

Restatement of consolidated statement of comprehensive income for the year ended 30 June 2009

	Note	2009 Previously reported £000	2009 IFRIC 15 restatement £000	2009 Powerminster disposal £000	2009 Restated £000
Continuing operations					
Revenue		54,999	6,712	(18,681)	**43,030**
Cost of sales		(89,552)	(1,915)	15,790	**(75,677)**
Gross (loss)/profit		(34,553)	4,797	(2,891)	**(32,647)**
Administrative expenses		(21,444)	(229)	1,924	**(19,749)**
Profit on sale of investment and owner-occupied properties		340	-	-	**340**
Share of profit of joint ventures (net of tax)	13	498	-	-	**498**
Operating (loss)/profit		(55,159)	4,568	(967)	**(51,558)**
Financial income	7	1,444	-	-	**1,444**
Financial expenses	7	(576)	-	-	**(576)**
(Loss)/profit before tax		(54,291)	4,568	(967)	**(50,690)**
Tax	8	(2,652)	-	43	**(2,609)**
(Loss)/profit for the year from continuing operations		(56,943)	4,568	(924)	**(53,299)**
Discontinued operations					
Profit for the year from discontinued operations (net of tax) and gain from sale of discontinued operation	3	920	-	924	**1,844**
(Loss)/profit for the year attributable to equity holders of the parent company		(56,023)	4,568	-	**(51,455)**
Earnings per share attributable to equity holders of the parent company					
Basic and diluted	10	(107.48)	8.77	-	**(98.71)**
Earnings per share from continuing operations					
Basic and diluted	10	(109.25)	8.77	(1.77)	**(102.25)**

Notes to the Financial Statements continued

Restatement of consolidated statement of comprehensive income for periods prior to the year ended 30 June 2009

	Cumulative adjustment to 2008 and prior periods £000
Continuing operations	
Revenue	**(31,299)**
Cost of sales	**26,597**
Gross loss	**(4,702)**
Administrative expenses	**(800)**
Operating loss	**(5,502)**

Restatement of consolidated statement of financial position

	2009 Previously reported £000	2009 IFRIC 15 restatement £000	2009 Restated £000	2008 Previously reported £000	2008 IFRIC 15 restatement £000	2008 Restated £000
Non-current assets	22,084	-	22,084	45,626	-	45,626
Current assets						
Inventories	50,080	23,622	73,702	81,667	26,162	107,829
Trade and other receivables	57,911	(24,556)	33,355	67,225	(31,664)	35,561
UK corporation tax	2	-	2	2,130	-	2,130
Cash and cash equivalents	10,926	-	10,926	21,875	-	21,875
	118,919	(934)	117,985	172,897	(5,502)	167,395
Total assets	141,003	(934)	140,069	218,523	(5,502)	213,021
Total liabilities	(37,637)	-	(37,637)	(59,284)	-	(59,284)
Net assets	103,366	(934)	102,432	159,239	(5,502)	153,737
Equity						
Share capital	1,052	-	1,052	1,047	-	1,047
Share premium account	5,861	-	5,861	5,611	-	5,611
Capital redemption reserve	120	-	120	120	-	120
Retained earnings	96,333	(934)	95,399	152,461	(5,502)	146,959
Total equity	103,366	(934)	102,432	159,239	(5,502)	153,737

Notes to the Financial Statements continued

12. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Group	Freehold investment property £000	Owner-occupied property £000	Plant and machinery £000	Total £000
Cost or valuation				
At 1 July 2008	3,278	24	6,195	6,219
Additions	3	-	84	84
Disposals	(2,141)	(24)	(1,956)	(1,980)
At 30 June 2009	1,140	-	4,323	4,323
Additions	**-**	**-**	**195**	**195**
Disposals	**(267)**	**-**	**(1)**	**(1)**
Disposal of subsidiaries	**-**	**-**	**(2,973)**	**(2,973)**
At 30 June 2010	**873**	**-**	**1,544**	**1,544**
Accumulated depreciation				
At 1 July 2008	-	8	4,336	4,344
Charge for the year	-	16	273	289
Disposals	-	(24)	(1,936)	(1,960)
At 30 June 2009	-	-	2,673	2,673
Charge for the year	**-**	**-**	**251**	**251**
Disposal of subsidiaries	**-**	**-**	**(1,530)**	**(1,530)**
At 30 June 2010	**-**	**-**	**1,394**	**1,394**
Net book value				
At 30 June 2010	**873**	**-**	**150**	**150**
At 30 June 2009	1,140	-	1,650	1,650
At 30 June 2008	3,278	16	1,859	1,875

Depreciation expense of £137,000 (2009: £144,000) has been charged in cost of sales and £114,000 (2009: £145,000) in administrative expenses.

Lease rentals relating to the lease of owner-occupied leasehold and investment leasehold properties are included in the income statement and disclosed in note 25.

Investment properties are included at directors' valuation which is not materially different from historical cost.

Notes to the Financial Statements continued

Company	Plant and machinery £000	Total £000
Cost or valuation		
At 1 July 2008	831	831
Additions	84	84
Disposals	(208)	(208)
At 30 June 2009	707	707
Additions	**6**	**6**
At 30 June 2010	**713**	**713**
Depreciation		
At 1 July 2008	831	831
Charge for the year	2	2
Disposals	(208)	(208)
At 30 June 2009	625	625
Charge for the year	**17**	**17**
At 30 June 2010	**642**	**642**
Net book value		
At 30 June 2010	71	71
At 30 June 2009	82	82
At 1 July 2008	-	-

Depreciation expense of £17,000 (2009: £2,000) has been charged in administrative expenses.

13. INTEREST IN JOINT VENTURES

Share of results and investment in joint ventures

	2010 £000	2010 £000	2009 £000	2009 £000
At 1 July		**1,888**		3,050
Share of results for the year	**502**		687	
Share of tax expense	**(141)**		(189)	
Share of profit in joint ventures (net of tax) for the year		**361**		498
Dissolutions		**-**		(1,660)
Transfer of joint ventures to subsidiary		**(50)**		-
Cashflow hedges		**(75)**		-
At 30 June		**2,124**		1,888

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

The transfer of joint ventures to subsidiary, which is reported as part of the Gleeson Commercial Property Developments division, is in respect of the acquisition of the remaining 50% of the ordinary shares in Oakmill Properties Ltd and of the remaining 50% of the ordinary shares of Denbigh Gleeson (Cap Green) Ltd.

Notes to the Financial Statements continued

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

	2010 £000	2009 £000
Current assets	**5,342**	9,616
Non-current assets	**40,258**	19,881
Current liabilities	**(3,890)**	(7,601)
Non-current liabilities	**(39,511)**	(20,008)
	2,199	1,888
Cashflow hedges	**(75)**	-
	2,124	1,888
Revenue	**13,034**	2,507
Expenses	**(12,532)**	(1,820)
Profit before tax	**502**	687
Tax	**(141)**	(189)
Profit for the year	**361**	498

There are no significant contingent liabilities in the joint ventures.

Joint venture	Principal activity	Percentage of equity held	Class of shares	Country of incorporation	Year end date [3]
Avantage (Cheshire) Holdings Limited	Extra care housing	33%	C Ordinary shares	England	31 March
Chrysalis (Stanhope) Holdings Ltd	Social housing regeneration	33%	Ordinary shares	England	31 December
Genesis Estates (Manchester) Limited	Residential property development	50%	Ordinary shares	England	26 March
Gleeson Black and Veatch Joint Venture Partnership	Construction	50%		England	30 June
Graftongate Gleeson Limited	Development and investment in commercial properties	50%	A Ordinary shares	England	31 December
Grove Village Holdings Limited	PFI project company established to design, refurbish, construct and provide facilities management services for a social housing development in Manchester	49%	C Ordinary shares [1]	England	31 March
Leeds Independent Living Accommodation Company Holdings Ltd	Assisted housing	33%	A Ordinary shares	England	31 December
Marlborough Gleeson (Peterborough) Limited	Property development	50%	Ordinary shares	England	30 June
Marlborough Gleeson (Wolverton 2) Limited	Property development	50%	Ordinary shares	England	30 June
Ravensbank Redditch LLP	Property development	50%	Ordinary shares	England	31 May
Stirling Water (2003) Ltd	Management services to Scottish Water Solutions Ltd	41% [1]	B Ordinary shares	Scotland	31 March
The Gleeson Capital Solution Partners Joint Ventures Partnership	Construction - Engineering	35% [2]		England	30 June

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

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

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

Notes to the Financial Statements continued

Class of shares

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

Avantage (Cheshire) Holdings Ltd

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

Graftongate Gleeson Ltd

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

Grove Village Holdings Limited

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

Leeds Independent Living Accommodation Company Holdings Ltd

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

Stirling Water (2003) Ltd

Separate classes of shares rank pari passu except as provided within Articles of Association with respect to appointment and removal of Directors, transfers of shares and voting at general meetings.

14. LOANS AND OTHER INVESTMENTS

Group loans & other investments

	Joint venture loans		Loans & other investments		Total	
	2010 £000	2009 £000	**2010 £000**	2009 £000	**2010 £000**	2009 £000
At 1 July	**9,686**	14,866	**4,896**	6,994	**14,582**	21,860
Additions	**3,022**	1,648	**-**	-	**3,022**	1,648
Disposals	**-**	(530)	**-**	-	**-**	(530)
Repayments	**-**	(348)	**-**	(2,098)	**-**	(2,446)
Reclassified on acquisition of joint venture as subsidiary	**(8,934)**	-	**-**	-	**(8,934)**	-
(Restatement)/impairment of loans to joint ventures	**710**	(5,950)	**-**	-	**710**	(5,950)
At 30 June	**4,484**	9,686	**4,896**	4,896	**9,380**	14,582

At 30 June 2010, the Group conducted a review of the net realisable value of loans to joint ventures in light of the condition of the UK commercial property market. Where the estimated net present realisable value is less than its carrying value within the balance sheet, the Group has impaired the carrying value.

Company loans & other investments

	Loans & other investments		Total	
	2010 £000	2009 £000	**2010 £000**	2009 £000
At 1 July	**4,896**	4,896	**4,896**	4,896
At 30 June	**4,896**	4,896	**4,896**	4,896

Notes to the Financial Statements continued

Joint venture loans

The Group has made the following unsecured loans to:

Group	2010 £000	2009 £000	Interest rate	Terms
Avantage (Cheshire) Limited	**1,764**	-	10.72%	27 years
Chrysalis (Stanhope) Limited	**956**	-	10.50%	27 years
Denbigh Gleeson (Cap Green) Ltd [1]	**-**	3,423	Base +2%	Repayable on disposal of property owned by joint venture.
Graftongate Gleeson Limited	**9**	7	Base +2%	Repayable on disposal of property owned by joint venture.
Grove Village Holdings Limited	**1,755**	1,610	9.07%	25 years
Oakmill Properties Ltd [2]	**-**	4,646	Base +2%	Repayable on disposal of property owned by joint venture.
	4,484	9,686		

1 The loan to the joint venture has been partially impaired in the prior year and no interest was accrued on the loan. The impairment was partially reversed in the year. The company is now a subsidiary.

2 Interest was not accrued in the year as only the carrying value is recoverable. The company is now a subsidiary.

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

Loans and other investments

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000	Interest rate %	Terms
Equity in GB Group Holdings Limited	**4,896**	4,896	**4,896**	4,896	-	N/A
	4,896	4,896	**4,896**	4,896		

GB 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.

15. INVESTMENTS IN SUBSIDIARIES

	Subsidiary under-takings £000	Long-term loan to subsidiary £000	Total £000
Cost			
At 1 July 2008	40,490	400	40,890
Repayments	(457)	(400)	(857)
Impairment	(5,589)	-	(5,589)
Disposal to subsidiary undertaking	(423)	-	(423)
At 30 June 2009	**34,021**	**-**	**34,021**
Additional share capital	**11,000**	**-**	**11,000**
Repayments	**(13,020)**	**-**	**(13,020)**
At 30 June 2010	**32,001**	**-**	**32,001**

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

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

Notes to the Financial Statements continued

Principal subsidiary undertakings

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

Registered in England and Wales and operate in the United Kingdom

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

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

16. ACQUISITIONS OF SUBSIDIARIES

On 16 October 2010, the Group acquired an additional 50% of the ordinary shares in Oakmill Properties Ltd for £1, satisfied in cash. This took the Group's shareholding to 100%. The company is a property development company. In the eight months to 30 June 2010, the subsidiary contributed a net loss of £2,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 July 2009, Group revenue would have been unchanged at £46,534,000 and profit would have been unchanged at £3,137,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 July 2010.

On 1 February 2010, the Group acquired an additional 50% of the ordinary shares in Denbigh Gleeson (Cap Green) Ltd for £1, satisfied in cash. This took the Group's shareholding to 100%. The company is a property development company. In the five months to 30 June 2010, the subsidiary made neither profit nor loss. If the acquisition had occurred on 1 July 2009, Group revenue would have been unchanged at £46,534,000 and profit would have been unchanged at £3,137,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 July 2010.

Effect of acquisitions

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

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

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

Notes to the Financial Statements continued

17. INVENTORIES

	2010 £000	2009 £000 Restated Note 11
Work-in-progress	68,073	65,219
Land options	8,004	8,483
	76,077	73,702

During the year, there was a write up to net realisable value of work-in-progress of £2,803,000 in relation to work-in-progress previously impaired. During the prior year, there was a write down to net realisable value of work-in-progress of £26,299,000 to leave a remaining value of £23,985,000 in respect of this work-in-progress as at 30 June 2009. During the year there was a write down to net-realisable value of land options of £180,000 (2009: £7,618,000) to leave a remaining value of £nil (2009: £86,000) in respect of these land options as at 30 June 2009.

The prior year work-in-progress has been restated upwards by £23,622,000, being the change in treatment of the Grove Village regeneration project from long term contract to sale of goods as a result of a review of the contract in light of IFRIC 15. See note 11. In addition land options have been analysed separately from work-in-progress. The total of inventories remains unchanged.

18. TRADE AND OTHER RECEIVABLES

	Note	Group 2010 £000	Group 2009 £000 Restated Note 11	Company 2010 £000	Company 2009 £000
Current assets					
Trade receivables		**16,729**	21,183	**554**	284
Amounts due from construction contract customers	19	**2,487**	9,400	**-**	-
VAT recoverable		**218**	-	**-**	227
Prepayments and accrued income		**832**	2,772	**508**	172
Amount due from subsidiary undertakings		**-**	-	**47,589**	123,548
		20,266	33,355	**48,651**	124,231
Non-current assets					
Available for sale financial assets		**3,012**	1,962	**-**	-
Other receivables		**-**	-	**-**	-
		23,278	35,317	**48,651**	124,231

Prior year trade receivables has been restated downwards by £12,164,000 and the amounts due from construction contract customers restated downwards by £12,392,000, being the change in treatment of the Grove Village regeneration project from long term contract to sale of goods as a result of a review of the contract in light of IFRIC 15. See note 11.

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 are recorded at fair value, being the amount receivable by the Group discounted to present day values. The difference between the nominal and the initial fair value is credited over the deferred term to finance income, with the financial asset increasing to its full cash settlement value on the anticipated receipt date. Credit risk is accounted for in determining fair values and appropriate discount factors are applied. The Group holds a second charge over property sold under shared equity schemes.

See note 20 for reference to credit risk associated with trade receivables.

The Company recharges subsidiaries for all staff-related costs, insurance, IT and interest on intercompany loans. The total costs recharged for the year totalled £5,977,000 (2009: £10,510,000).

See note 4 for details of exceptional write-down of amounts due from construction contract customers in prior year.

The Company charges interest of Bank of England base rate plus 1% on £59,432,000 of the intercompany loan adjusted for bank balances held within the company. At the 30 June 2010, this figure was £61,738,000 (2009: £67,900,000).

Notes to the Financial Statements continued

19. CONSTRUCTION CONTRACTS

	Note	Group 2010 £000	Group 2009 £000 Restated Note 11
Contracts in progress at the balance sheet date:			
Amounts due from contract customers included in trade and other receivables	18	**2,487**	9,400
Amounts due to contract customers included in trade and other payables	21	**(629)**	(2,374)
		1,858	7,026
Contract costs incurred plus recognised profits less recognised losses to date		**1,047,554**	1,392,179
Less: progress billings		**(1,045,696)**	(1,385,153)
		1,858	7,026

At 30 June 2010, retentions held by customers for contract work amounted to £936,000 (2009: £1,386,000).

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

Prior year amounts due from contract customers included in trade and other receivables has been restated downwards by £12,392,000, contract costs incurred plus recognised profits less recognised losses to date has been restated downwards by £63,313,000 and progress billings have been restated downwards by £50,921,000, being the restatement due to the change in treatment of the Grove Village regeneration project from long term contract to sale of goods as a result of a review of the contract in light of IFRIC 15. See note 11.

20. FINANCIAL INSTRUMENTS

Risk exposure

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

Cash and cash equivalents

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

Credit risk

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 2010, the Group's most significant customer, a housebuilder, accounted for £7,677,000 (2009: £11,405,000) of the trade and other receivables carrying amount. The Group's turnover with this customer is £9,793,000 (2009: £342,000). The Group has no other significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Notes to the Financial Statements continued

Trade receivables ageing

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

	Group 2010 £000	Group 2009 £000 Restated Note 11	Company 2010 £000	Company 2009 £000
Not past due	**11,674**	15,624	**328**	122
Past due 0-30 days	**885**	348	**-**	7
Past due 31-120 days	**121**	982	**50**	11
Past due 121-365 days	**532**	809	**-**	-
Past due more than one year	**3,517**	3,420	**176**	144
	16,729	21,183	**554**	284

The prior year not past due has been restated downwards by £12,164,000, being the treatment of the Grove Village regeneration project from long term contract to sale of goods as a result of a review of the contract in light of IFRIC 15. See note 11.

All trade receivables are from UK customers.

Trade receivables past due more than one year largely represent balances due within the Gleeson Construction Services division and relate to final settlements on contracts. The amounts payable are being finalised and are included at expected realisable value.

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

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

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Balance at 1 July	**28**	104	**24**	100
Impairment loss recognised	**-**	(76)	**-**	(76)
Transferred on disposal of investment in subsidiary	**(4)**	-	**-**	-
Balance at 30 June	**24**	28	**24**	24

Market risk

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

Interest rate risk

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

A 1% increase in interest rates would improve the annual income of the Group and Company by £184,000 (2009: £109,000) based on the cash balance at the year end. A 1% decrease would cause income to fall by the same amount.

Certain of the Group's joint ventures use interest rate swaps to manage their exposure to interest rate movement on their bank borrowings. The Group's share of the interest rate swap contract with notional value of £15,113,000 (2009: £10,407,000) has fixed interest payments at an average rate of 5.14% (2009: 5.18%) for periods up until 2035.

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

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Interest payable:				
Within one year	**1,101**	742	**1,101**	742
Within two to five years	**4,119**	4,152	**4,119**	4,152
After five years	**11,111**	12,074	**11,111**	12,074
	16,331	16,968	**16,331**	16,968

Notes to the Financial Statements continued

Liquidity risk

The Group voluntarily reduced the committed revolving credit facility from £50,000,000 to £15,000,000 in October 2009, as the majority of the facility was not required. The Group then voluntarily terminated the facility in full in March 2010, prior to the contractual termination date of June 2010, as the facility was not required. The Group meets its day-to-day liquidity requirements through cashflow. The Group entered into a £5.0m letter of credit facility in August 2010 with Santander UK Plc.

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

	2010 Effective interest rate %	2010 Due within one year £000	2009 Effective interest rate %	2009 Due within one year £000
Bank balances	**0.00-0.07**	**9,038**	0.00	1,301
Short term deposits	**0.41**	**9,385**	0.30	9,625
Net cash		**18,423**		10,926

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 2010							
Trade and other payables [1]	21,140	(21,197)	(12,412)	(871)	(4,741)	(3,073)	(100)
	21,140	(21,197)	(12,412)	(871)	(4,741)	(3,073)	(100)
As at 30 June 2009							
Trade and other payables [1]	19,397	(19,397)	(11,782)	(1,133)	(1,520)	(4,962)	-
	19,397	(19,397)	(11,782)	(1,133)	(1,520)	(4,962)	-

1 Excludes amounts due to construction contract customers

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

Exposure to currency risk

The Group has no exposure to foreign currency risk.

Fair values

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

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 Company regards its capital as being the issued share capital.

Note 28 to the Financial Statements provides details regarding the Company's share capital movements in the period and there were no breaches of any requirements with regard to any relevant conditions imposed by either the UK Listing Authority or the Company's Articles of Association during the period under review.

Notes to the Financial Statements continued

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

The Group manages its capital structure and makes adjustments to it, in 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.

21. TRADE AND OTHER PAYABLES

	Note	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Current liabilities					
Amounts due to construction contract customers	19	**629**	2,374	**-**	-
Trade payables		**18,692**	16,575	**723**	856
Other taxation and social security		**367**	370	**313**	325
VAT payable		**548**	339	**492**	-
Accruals and deferred income		**8,662**	12,256	**735**	995
Amount due to subsidiary undertakings		**-**	-	**30,019**	45,755
		28,898	31,914	**32,282**	47,931

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

There is no interest charge to the Company for amounts due to subsidiaries.

22. PROVISIONS

	Group Restruc-turing costs £000	Group Onerous leases £000	Group Total £000
At 1 July 2009	605	4,822	5,427
Provisions made during the year	444	223	667
Provisions used during the year	(529)	(764)	(1,293)
Provisions released during the year	-	(267)	(267)
Unwinding of discounts	-	100	100
At 30 June 2010	**520**	**4,114**	**4,634**
Non-current	-	3,063	3,063
Current	520	1,051	1,571
	520	**4,114**	**4,634**

Restructuring

During the year ended 30 June 2010, there was a further £444,000 provided for restructuring cost (2009: £789,000) 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 7 years. Market conditions have a significant impact on the assumptions for future cash flows.

During the year ended 30 June 2010, there was a further provision of £223,000 (2009: £302,000) for onerous property leases and to cover lease guarantees that are expected to be claimed on a vacant investment property.

Notes to the Financial Statements continued

	Company Restruc-turing costs £000	Company Total £000
At 1 July 2009	273	273
Provisions made during the year	310	310
Provisions used during the year	(100)	(100)
At 30 June 2010	483	483
Non-current	-	-
Current	483	483
	483	483

Restructuring

In the year, the Company provided for £310,000 in relation to the sale of Powerminster Gleeson Services (2009: £nil) to cover the cost of the redundancies where existing employees could not be retained within the Company.

23. EMPLOYEE BENEFITS

Defined contribution pension plan

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

Group

The total pension cost charged to the income statement of £559,000 (2009: £660,000) represents contributions payable to the defined contribution pension plan by the Group at rates specified in the plan rules. At 30 June 2010, contributions of £57,000 (2009: £48,000) 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 £127,000 (2009: £177,000) represents contributions payable to the defined contribution pension plan by the Company at rates specified in the plan rules.

24. DEFERRED TAX

Group

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

	Property, plant and machinery £000	Losses £000	Short-term timing differences £000	Total £000
At 1 July 2008	623	2,812	126	3,561
Charge to income	(141)	(2,812)	(37)	(2,990)
At 30 June 2009	482	-	89	571
Credit to income	203	-	13	216
Capital allowances transferred on sale of subsidiary	266	-	-	266
At 30 June 2010	951	-	102	1,053

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

	Group 2010 £000	Group 2009 £000
Deferred tax asset	1,053	862
Deferred tax liabilities	-	(291)
	1,053	571

Notes to the Financial Statements continued

On 28 July 2010 a change in corporate tax rates was substantively enacted, with corporation tax reduced from 28% to 27% with effect from 1 April 2011. As this change was after the balance sheet date, deferred tax balances have not been calculated based on the new rate. Further reductions in the corporate tax rate have also been proposed along with reduced rates of capital allowances. An accurate calculation of the impact of the proposed changes is not possible, however the reduction in the corporate tax rate is not considered likely to have a material impact.

The deferred tax liability for the prior year of £291,000 is included within Property, plant and machinery in the previous table. This liability reduced from £291,000 to £Nil in the current year.

At the balance sheet date, the Group has unused tax losses of £89,934,000 (2009: £89,004,000 (restated)) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses (2009: £Nil). 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:

	Property, plant and machinery £000	Short-term timing differences £000	Total £000
At 1 July 2008	469	-	469
Credit to income	6	-	6
At 30 June 2009	475	-	475
Credit to income	131	13	144
At 30 June 2010	606	13	619

At the balance sheet date, the Company had unused tax losses of £6,277,000 (2009: £6,093,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses. Losses may be carried forward indefinitely.

25. OPERATING LEASE ARRANGEMENTS

Operating leases: lessee

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Minimum lease payments under non-cancellable operating leases recognised as an expense for the year				
Minimum lease payments	1,527	1,955	47	57
	1,527	1,955	47	57

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

	Land and buildings		Plant and equipment		Plant and equipment	
	Group 2010 £000	Group 2009 £000	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Within one year	1,370	1,478	29	338	29	62
Within two to five years	2,081	3,042	14	312	14	32
After five years	409	588	-	-	-	-
	3,860	5,108	43	650	43	94

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.

During the year, £223,000 (2009: £302,000) was provided for onerous leases. Note 22 provides details of this provision.

Notes to the Financial Statements continued

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

Operating leases: lessor

The Group's total future minimum sub-lease receipts expected under non-cancellable sub-leases as at 30 June 2010 is £1,271,000 (2009: £1,992,000). These receipts are included within the minimum rent receivables table below.

The Company has no (2009: £nil) future minimum sub-lease receipts.

	Group 2010 £000	Group 2009 £000
Minimum rental income under operating leases recognised as revenue for the year	**689**	923

Included in the figures above is £671,000 (2009: £839,000) which relates to properties which the Group had previously occupied as operating lease lessees and have now sublet. The balance of £18,000 (2009: £84,000) relates to investment properties.

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

	Land and buildings	
	Group 2010 £000	Group 2009 £000
Within one year	**550**	822
Within two to five years	**721**	1,170
After five years	**-**	-
	1,271	1,992

26. ANALYSIS OF CASH AND OVERDRAFTS

	Group Cash and cash equivalents £000	Group Total £000	Company Cash and cash equivalents £000	Company Total £000
At 1 July 2008	21,875	21,875	18,677	18,677
Cashflow	(10,949)	(10,949)	5,751	5,751
At 30 June 2009	**10,926**	**10,926**	**24,428**	**24,428**
Cashflow	**7,497**	**7,497**	**(3,882)**	**(3,882)**
At 30 June 2010	**18,423**	**18,423**	**20,546**	**20,546**

27. BONDS AND SURETIES

Group and Company

As at 30 June 2010, the Group had bonds and sureties of £6,704,000 (2009: £14,151,000) provided by financial institutions in support of ongoing contracts.

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

Notes to the Financial Statements continued

28. SHARE CAPITAL

	2010 No. 000	2010 £000	2009 No. 000	2009 £000
Issued and fully paid Ordinary shares:				
At the beginning of the year	**52,594**	**1,052**	52,344	1,047
Shares issued	**50**	**1**	250	5
At the end of the year	**52,644**	**1,053**	52,594	1,052

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 2010 was 52,643,985 (2009: 52,593,985).

At 30 June 2010, the Employee Benefit Trusts ("EBT") held 1,367,000 (2009: 1,345,000) shares at a cost of £1,670,000 (2009: £1,100,000). The shares are held in the EBT for the purpose of satisfying options that have been granted under the executive and employee share ownership plans. Of these ordinary shares, the right to dividend has been waived on 67,898 shares.

Details of share options are given in note 29.

29. SHARE-BASED PAYMENTS

During the year to 30 June 2010, the Group had seven share-based payment arrangements.

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

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

Arrangement	Contractual life	Vesting conditions	Settlement basis
Long term incentive plan (LTIP)	3 years	For executive directors, 50% of any bonus payable under the annual bonus plan is invested in shares of the Company and must be held for 3 years. The Company will match these shares on a 1:1 basis if an EPS target of RPI plus 5% is achieved over the 3 year holding period.	Equity
Share save scheme (SAYE)	3 years 6 months	Options granted at a discount to market value at the date staff are invited to join the scheme.	Equity
1997 Executive scheme	7 and 10 years	EPS growth of RPI plus 2% pa or net assets growth of RPI plus 3% over a 3 year period. For the options granted during the year ended 30 June 2006 the base EPS has been set at 30p. These options will lapse if the above conditions are not met by the third anniversary of the grant.	Equity
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.	Equity
1991 Executive scheme	10 years	EPS growth in excess of the growth in the RPI.	Equity
Special Arrangement	3 years	For senior executives shares will vest if executive remains in employment for 3 years following grant of options.	Equity
Performance Share Plan (PSP)	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 2007 to 30 June 2010.	Equity

Notes to the Financial Statements continued

Share options granted after 7 November 2002

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

SAYE

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

Date of grant	SAYE 01/02/06	SAYE 01/02/07	SAYE 01/02/08
The model inputs were:			
Share price at grant date	£3.74	£4.05	£3.17
Exercise price	£2.88	£2.87	£2.76
Expected volatility	24%	25%	25%
Expected dividends	2.96%	2.10%	2.90%
Expected life	3 years	3 years	3 years
Risk-free interest rate	4.35%	5.40%	4.28%
Fair value of one option	£1.06	£1.47	£0.73

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

Share purchase plan

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

Special Arrangement

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

Performance Share Plan

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

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

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

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

Notes to the Financial Statements continued

Further details of the option plans are as follows:

	LTIP		Share save scheme (SAYE)		1997 Executive scheme		Share purchase plan	Special Arrange-ment	Perfor-mance Share Plan
Date of grant	01/11/05 No. of shares	01/02/06 No. of shares	01/02/07 No. of shares	01/02/08 No. of shares	03/01/06 No. of shares	03/04/06 No. of shares	Monthly No. of shares	01/05/07 No. of shares	14/12/07 No. of shares
Outstanding at 1 July 2008	7,796	41,456	77,644	96,075	100,000	350,000	272,601	22,000	1,159,406
Granted in the year	-	-	-	-	-	-	145,332	-	(516,576)
Forfeited	-	-	-	-	-	-	(5,242)	-	-
Lapsed	-	(16,414)	(47,798)	(50,879)	(100,000)	(350,000)	-	-	-
Exercised	(7,796)	-	-	-	-	-	(123,689)	-	-
Outstanding at 30 June 2009	**-**	**25,042**	**29,846**	**45,196**	**-**	**-**	**289,002**	**22,000**	**642,830**
Granted in the year	**-**	**-**	**-**	**-**	**-**	**-**	**26,682**	**-**	**-**
Forfeited	**-**	**-**	**-**	**-**	**-**	**-**	**(273)**	**-**	**-**
Lapsed	**-**	**(25,042)**	**(5,293)**	**(11,681)**	**-**	**-**	**-**	**(22,000)**	**(168,023)**
Exercised	**-**	**-**	**-**	**-**	**-**	**-**	**(56,308)**	**-**	**-**
Outstanding at 30 June 2010	**-**	**-**	**24,553**	**33,515**	**-**	**-**	**259,103**	**-**	**474,807**
Remaining contractual life	nil	nil	nil	0.67 years	nil	nil	Rolling scheme	nil	0.5 years
Weighted average exercise price	-	£2.88	£2.87	£2.76	£3.18	£3.69	-	£4.20	£3.25
Weighted average share price at date of exercise - current year	-	-	-	-	-	-	£1.10	-	-
Weighted average share price at date of exercise - prior year	£0.75	-	-	-	-	-	£1.02	-	-

Share options granted prior to 7 November 2002

	1991 Executive scheme 27/11/00 No. of shares	Share purchase plan Monthly No. of shares
Outstanding at 1 July 2008	16,000	15,187
Exercised	-	(4,920)
Outstanding at 30 June 2009	16,000	10,267
Lapsed	(10,000)	(1,140)
Outstanding at 30 June 2010	6,000	9,127
Remaining contractual life	0.41 years	Rolling scheme
Weighted average exercise price	£1.55	-
Weighted average share price at date of exercise - current year	-	£1.10
Weighted average share price at date of exercise - prior year	-	£1.02

Notes to the Financial Statements continued

30. CAPITAL COMMITMENTS

There are no capital commitments at 30 June 2010 (2009: £nil).

31. RELATED PARTY TRANSACTIONS

Identity of related parties

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

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

Transactions with key management personnel

The Group's key management personnel are the executive and non-executive Directors, as identified in the Directors' Remuneration Report on pages 22 to 27.

The Group has entered into a contract with a company, JD Plastics & Rooflines Ltd, in which Jolyon Harrison is a director for the supply and fitting of cladding materials. During the year, the Group purchased £17,000 (2009:£nil) of goods and services from the company, leaving a balance payable by the Group of £1,000 in relation to contract retentions. The terms were at normal market rates and payment terms. There were no guarantees provided.

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

Provision of goods and services to joint ventures

	2010 £000	2009 £000
Gleeson Capital Solutions	**800**	527
	800	527

Sales to related parties were made at market rates.

Purchase of goods and services from joint ventures

There have been no purchases of goods from joint ventures.

Amounts owed by and owed to joint ventures

The amounts owed by joint ventures are shown below:

	Note	2010 £000	2009 £000 Restated
Loans and other investments	14	**4,484**	9,686
Prepayments and accrued income		**61**	46
		4,545	9,732

The comparatives have been restated due to the change in treatment of the Grove Village regeneration project from long term contract to sale of goods as a result of a review of the contract in light of IFRIC 15.

The amounts owed to joint ventures at 30 June 2010 totalled £13,000 (2009 £Nil). These are shown as trade payables.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. In the prior year, £5,950,000 was provided for doubtful debts in respect of amounts owed by related parties. In the current year, £710,000 of this provision has been released.

Notes to the Financial Statements continued

Group pension scheme

Details of cost and the amounts due to the Group pension scheme are included in note 23.

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	
	2010 £000	2009 £000
Subsidiaries	**5,977**	10,510
	5,977	10,510

	Receivables outstanding		Payables outstanding	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Subsidiaries	**47,589**	123,548	**30,019**	45,755
	47,589	123,548	**30,019**	45,755

Five Year Review

	IFRS 2010 £000	IFRS 2009* £000 Restated	IFRS 2008* £000 Restated	IFRS 2007* £000 Restated	IFRS 2006* £000 Restated
Revenue	**46,534**	43,030	71,125	165,497	165,279
Operating (loss)/profit	**(323)**	(51,558)	(23,897)	2,487	(10,022)
Finance income/(costs)	**770**	868	3,559	2,662	(3,901)
Profit/(loss) before tax	**447**	(50,690)	(20,338)	5,149	(13,923)
Tax	**235**	(2,609)	(5)	(791)	369
Profit/(loss) after tax	**682**	(53,299)	(20,343)	4,358	(13,554)
Discontinued operations	**2,455**	1,844	2,003	23,140	22,318
Profit/(loss) for year attributable to equity holders of parent company	**3,137**	(51,455)	(18,340)	27,498	8,764
Total assets	**131,380**	140,069	213,021	253,394	274,896
Total liabilities	**(33,537)**	(37,637)	(59,284)	(76,732)	(123,233)
Net assets	**97,843**	102,432	153,737	176,662	151,663
	p	p	p	p	p
Total dividend per share	15.00	-	2.00	9.20	8.50
Earnings/(loss) per share from continuing operations	**1.30**	(102.25)	(38.97)	8.40	(26.49)
Net assets per share	**186**	195	294	339	294

* The 2006 to 2009 results have been restated for the reclassification of the Powerminster Gleeson Services division as discontinued follow the sale of the division on 30 June 2010. In addition, the results have been restated due to the change in treatment of the Grove Village regeneration project from long term contract to sale of goods as a result of a review of the contract in light of IFRIC 15.

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