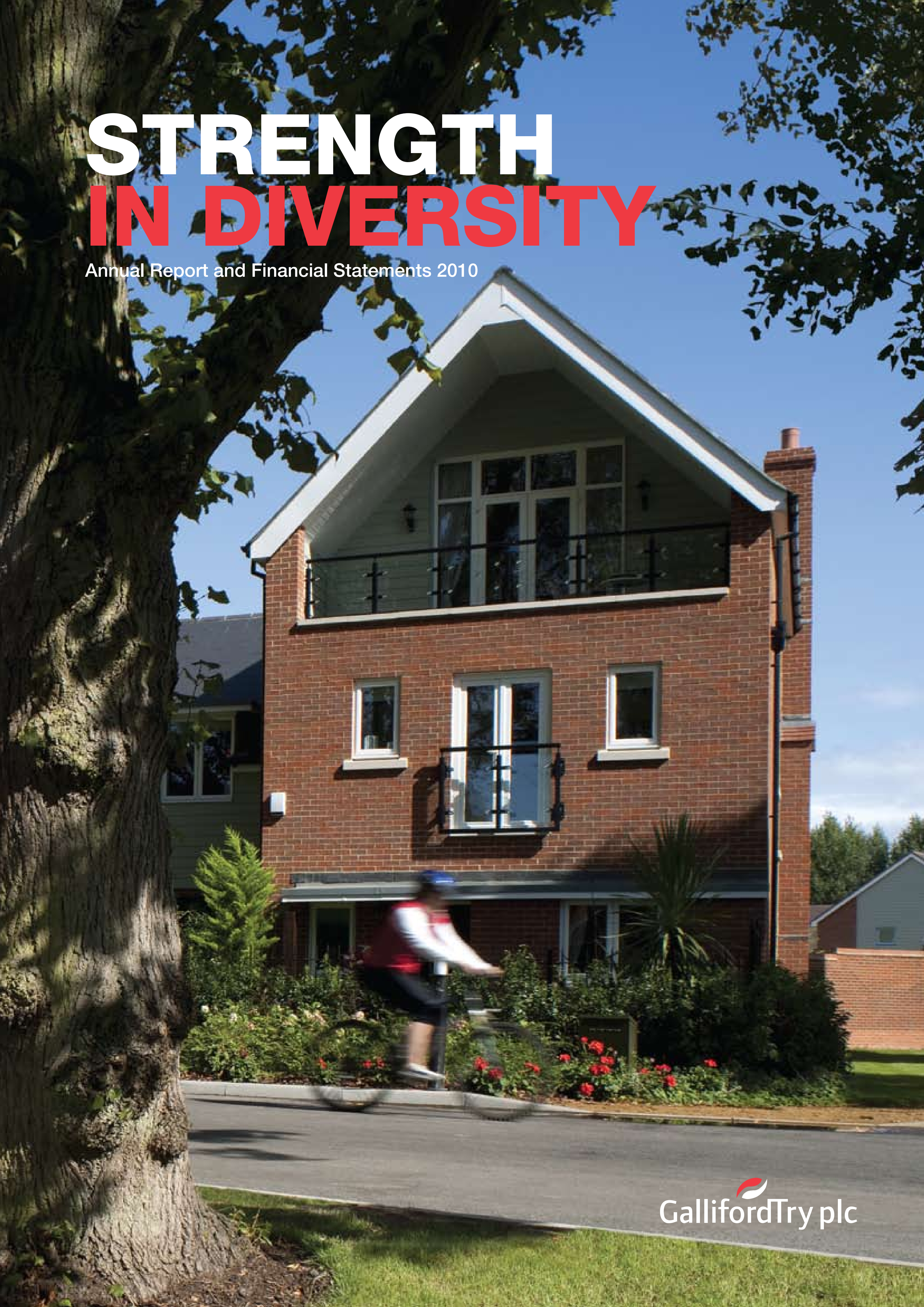
STRENGTH IN DIVERSITY

Annual Report and Financial Statements 2010



Galliford Try plc

Galliford Try is a housebuilder and affordable housing developer across the South of England and the Eastern counties, and a provider of construction services throughout the UK.

PERFORMANCE

DIRECTORS AND GOVERNANCE

FINANCIALS

£1,222m
Group revenue

£26.1m
Profit before tax*

£76.5m
Net cash

24.6p
Earnings per share*

12.5p
Dividend per share

* Pre exceptional.

PERFORMANCE PROGRESSING TO PLAN

Financial highlights		2010 £m	2009 £m
Group revenue[1]		**1,222**	1,461
Profit before tax	– pre exceptional	**26.1**	24.5
	– post exceptional/(loss)[2]	**19.2**	(26.9)
Net cash at year end		**76.5**	34.1
		pence	pence
Earnings per share	– pre exceptional	**24.6**	[3]35.8
	– post exceptional/(loss)[2]	**14.7**	(34.4)
Dividend per share		**12.5**	[3]10.9

Operational highlights

- Execution of housebuilding expansion plan on track.
- 58% of current 9,700 plot landbank acquired at current market values.
- 100% of plots for planned production in 2011 now secured, with 93% for 2012.
- 30% increase in sales currently reserved, contracted or completed at £263 million (2009: £202 million).
- 2.4% construction margin (2009: 2.4%) and year end cash balance of £207 million (2009: £237 million).
- 6% increase in contracting order book to £1.8 billion. All five year water frameworks renewed.

[1] Group revenue excludes joint ventures. 'Revenue' where stated throughout the business review includes share of joint ventures.
[2] Stated after net exceptional charges of £6.9 million (2009: £51.4 million) comprising a fine imposed by the Office of Fair Trading of £8.3 million and a net credit on reassessment of the carrying value of housing related assets of £1.4 million.
[3] 2009 restated following the 1 for 10 share consolidation and subsequent 7 for 6 rights issue in October 2009.

Galliford Try's strength is the diversity of its operations, spanning markets in both the housebuilding and construction industries. We provide whole life solutions to projects for the built environment, vital for delivering housing and complex regeneration schemes and giving us the ability to carry out a sustainable, quality workload for major construction projects.

HOUSEBUILDING

£316m	£17.6m	1,705
Revenue	Profit from operations*	Home completions

Our credentials
Galliford Try's award winning housebuilding companies have a long track record of building individually designed developments, concentrating on brownfield developments and based on an imaginative use of local architecture without using standard house types.

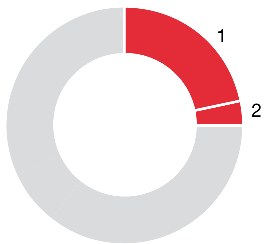
Market position
We are the seventh largest housebuilder in the UK, with strong regional brands. Across the South and Eastern counties of England we operate as Linden Homes, Midas Homes, Stamford Homes, Gerald Wood Homes and Rosemullion Homes. We are also one of only six developers working on all of the Homes and Communities Agency's developer partner panels together with housing associations to deliver affordable homes throughout our areas of operation.

Our strategy
Our strategy is to build significant growth in the business over the next two financial years as the housing market moves out of recession. We are making good progress in growing our landbank, using the resources raised by the Group's rights issue in 2009, and are putting the infrastructure in place to increase the number of homes sold to around 3,500 in 2012.

Sustainability
We build sustainable communities through innovation and transformation. During the year we built almost 500 homes to Level 3 of the Sustainable Code for Homes and just under 600 to Level 4. 80% of all development sites are registered with the Considerate Constructors Scheme.

Revenue

1 PRIVATE HOUSING	£274m
2 AFFORDABLE HOUSING	£42m



UK coverage

For more information about Housebuilding see pages 14-21.

For more detailed information go to: www.gallifordtry.co.uk

CONSTRUCTION

£937m	£22.8m	£1.8bn
Revenue	Profit from operations*	Order book

Our credentials
Galliford Try's record has been built on collaborative working with clients to deliver best value construction projects. A significant proportion of our work is in long term frameworks, particularly on programmes for improving the country's infrastructure. We also have long term relationships with clients across the public and private sectors for whom we carry out series of projects, benefiting from an in depth understanding of clients' objectives to get the best out of the construction process.

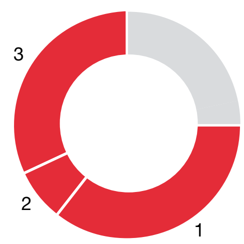
Market position
We are a contractor in the UK top twelve. Our activities cover the building markets which range from commercial buildings, leisure facilities, education, health and affordable housing through to major infrastructure projects encompassing water, rail and general civil engineering, alongside renewable energy and land remediation.

Our strategy
Our strategy is to maintain a spread of workload across the regulated industries and both private and public sectors. This ensures that in a period where expenditure on capital projects is under pressure, we focus on those markets where investment is continuing, concentrating on projects with an acceptable return and risk profile.

Sustainability
We develop long term relationships with clients and our supply chain, aiming for early involvement on projects to understand our clients' sustainability drivers and innovate to help them achieve their goals. We are currently working on 37 projects that are BRE Environmental Assessment Method rated 'Excellent' or 'Very Good'.

Revenue

1	BUILDING	**£445m**
2	PARTNERSHIPS	**£94m**
3	INFRASTRUCTURE	**£398m**



UK coverage

For more information about Construction see pages 22-28.

For more detailed information go to: www.gallifordtry.co.uk

* Profit from operations is stated before finance costs, amortisation, share of joint ventures' tax, exceptional items and tax.

A STRATEGY FOR VALUE

We have a clear strategy to grow our housebuilding business in more sustainable markets and manage our construction activities through more challenging times.

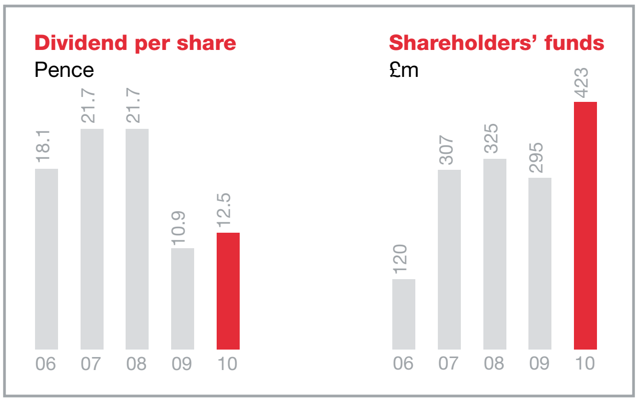
Introduction

We laid the foundations during the year for significant growth in our housebuilding business and set our strategy for managing construction through more challenging times. I am delighted to have this opportunity to explain the thinking behind our strategy and to report on the decisive actions taken by our management to seize the opportunities presented as we emerged from the most severe downturn the housing market has seen for a generation and entered a period in which economic constraints continued to tighten on construction markets.

Overview

As we entered the new financial year in the summer of 2009, it became clear that the housing market was showing early signs of recovery from the levels to which it had fallen during 2008/09. With many housebuilders' ability to acquire new land constrained, our management saw the early signs of a revived land market. The board took the decision to secure additional funding through a rights issue, completed in October last year and raising £119.3 million, to invest in the land opportunities that were becoming available. The aim was to approximately double the size of the housebuilding business over a three year period with the objective of delivering a significant enhancement to earnings per share from 2012. To date, excellent progress has been made in implementing the plan.

As the UK emerged from the depths of the financial crisis it was clear that there would be increasing pressure on finance, both in the public and private sectors, which would impact the demand for construction projects. Accordingly, we took action to maintain the size of our order book as market conditions became more challenging, and were particularly successful in maintaining our industry leading position in the five year infrastructure frameworks for the water utilities, which last until 2015. With a diverse workload, and with good opportunities in growth markets such as renewable energy and waste, we are in a good position to work through a period during which the effect of public sector spending cuts will be felt, with a business that can take advantage of the opportunities for growth that will undoubtedly return thereafter.



Highlights

Group revenue was £1,222 million (2009: £1,461 million). The pre exceptional profit before tax was £26.1 million (2009 profit: £24.5 million) and the post exceptional profit before tax was £19.2 million (2009 loss: £26.9 million).

Basic pre exceptional earnings per share are 24.6 pence (2009 restated: 35.8 pence) with post exceptional earnings per share of 14.7 pence (2009 loss: 34.4 pence). Shareholders' funds at 30 June 2010 stood at £423.2 million compared to £294.6 million at the end of the previous year.

Dividend

On announcing the rights issue in September 2009, the directors stated they would take into account the effect of the rights issue in implementing a progressive dividend policy over the medium term. Having carefully considered the Group's performance during the past year and the progress it has made towards delivering the objectives outlined at the time of the rights issue, the directors are recommending a final dividend of 9.2 pence per share which, subject to approval at the AGM, will be payable on 12 November to shareholders on the register on 8 October 2010. With the interim dividend of 3.3 pence per ordinary share paid in April, this will result in a total dividend of 12.5 pence per 50 pence ordinary share. This is a 15% increase on the total dividend of 10.9 pence declared last year, which has been restated to take account of the share consolidation and rights issue.

People

The working lives of our employees have not been easy during the past year and they have faced many challenges, wherever in our businesses they work. The board is immensely grateful for the way in which they have responded and continued to demonstrate the excellence of our teamwork. Thank you to all of them.

Looking forward

The board has set out a clear strategy. We have recognised changes in our markets and implemented a plan to deliver growth in shareholder value. Despite current economic uncertainties, we remain on target with our transformational housebuilding expansion plan, and are maintaining an industry leading construction business, able to grow again when markets improve.

David Calverley, Chairman

IMPLEMENTATION OF STRATEGY ON TARGET

We have made excellent progress in implementing our housebuilding expansion strategy and secured a strong order book to underpin construction.

Results

Group revenue was £1,222 million (2009: £1,461 million). The Group achieved a profit from operations (stated before finance costs, share of joint ventures interest and tax, exceptional items and tax) of £35.2 million (2009: £43.4 million). The pre exceptional profit before tax was £26.1 million (2009: £24.5 million).

Housebuilding profit from operations was up 56% to £17.6 million on revenue, including joint ventures, of £316 million, representing a margin of 5.6% (2009: £11.3 million on £306.7 million, representing 3.7%).

As the downturn in the construction market started to affect the business, total construction revenue fell to £936.5 million, including joint ventures, compared to £1,175.7 million the previous year. The profit from operations of £22.8 million represented a maintained margin of 2.4% (2009: £27.9 million).

Strategy

The Group's strategy is to grow profits by delivering a transformational housebuilding expansion plan while maintaining a profitable market position in construction. At the beginning of the financial year the housing market was starting to stabilise. With housing sales and prices showing an element of recovery and mortgage lending increasing from a very low base, we also saw the early signs of a reviving land market with a number of attractive land acquisition opportunities developing.

Accordingly, we took the decision to secure additional funding through a rights issue, which was completed in October last year and raised a net £119.3 million, to invest in a plan to approximately double the size of the housebuilding business over a three year period, with the objective of delivering a significant enhancement to earnings per share from 2012.

Progress to date has been excellent, with our strong market position across the South of England in particular, and our industry leading expertise in affordable housing and on regeneration schemes,

2009 rights issue – key facts

- Housing market showed early signs of stabilising
- Limited competition for land, giving good buying opportunities
- Strategy decided to double size of housebuilding business over three years
- Rights issue to finance land buying launched September 2009
- Every ten 5p shares consolidated into one 50p share
- 7 new shares then offered at £2.85 each for every 6 held
- 91.5% of shareholders accepted offer
- £119.3 million raised (net) in October 2009
- Increase in landbank on target

generating the land opportunities. This has resulted in our landbank increasing from 7,850 a year ago to a current total of 9,700, 58% of which has been acquired at current market, as compared to higher historic, values. We are opening new offices on schedule and our management team is up to full strength. We are therefore on track with the delivery of our plan.

As the UK emerged from the financial crisis of 2008/09, it was clear that there would be increasing pressure on capital investment, both initially by private clients and then in the public sector, which would impact the demand for construction projects. We determined that our strategy would be to maintain the quality of our order book in more challenging markets by taking advantage of our long term client relationships and framework agreements, which give visibility of future work, and controlling the level of work secured by straightforward competitive tender.

This strategy will lead to a reduction in overall construction revenues in the short term; however by securing work in those market sectors that continue to have an acceptable profit and risk profile during this period, we will maintain a level of business that will enable us to take advantage of the opportunities that will ultimately arise when markets improve. During the year we succeeded in increasing our order book by 6% to £1.8 billion and have maintained this position, with a diverse spread encompassing 40% in the regulated sector, 51% in the public and 9% in the private sector.

Sustainability

We are a business that understands the challenges of sustainability and are working hard to improve our performance. In housebuilding, an increasing number of our homes are built to the higher codes for sustainable homes. In construction we have improved our performance to meet our clients' increasing requirements. We participate in the carbon disclosure project, have significantly improved our position in the housebuilding Next Generation rankings and are implementing a range of key performance indicators across the Group covering key areas of corporate responsibility, detailed in the CR section of this report.

People

I see the dedication of our people to their work wherever I go in our business. They produce the spectacular projects, and whether on site or in one of our support roles, produce first class work. They are the ones who deliver the services and the homes to our clients and customers, which is the essential ingredient to a successful business. I thank them all.

Outlook

We are on track to deliver the housebuilding expansion plan we set out at the time of the rights issue in September 2009. Our results have been achieved against a backdrop of an improving market in the early months of 2010, and we have been encouraged by the level of sales and prices achieved since the start of our new financial year, when set against the backdrop of the effect on consumer confidence of the current economic uncertainty. We adopt an appropriate level of prudence in our land buying and continue to manage closely the increased investment in housebuilding required to deliver our plan. Our presence across the more resilient markets in the South, and the opportunities we continue to generate from our leading position in affordable housing and on regeneration schemes underpin our progress.

We have maintained a quality construction order book in increasingly challenging market conditions and anticipated reductions in public sector work, although uncertainty over the extent and focus remains as we await the outcome of the Government's autumn spending review. Construction continues to generate profits and cash balances, albeit we have anticipated absolute levels will reduce due to the effect of a more competitive market.

The strength of the Group's finances and the spread of its activities leaves us, subject to economic uncertainties, well positioned to deliver our planned progress.

Greg Fitzgerald, Chief Executive

A DIVERSE SPREAD OF ACTIVITIES

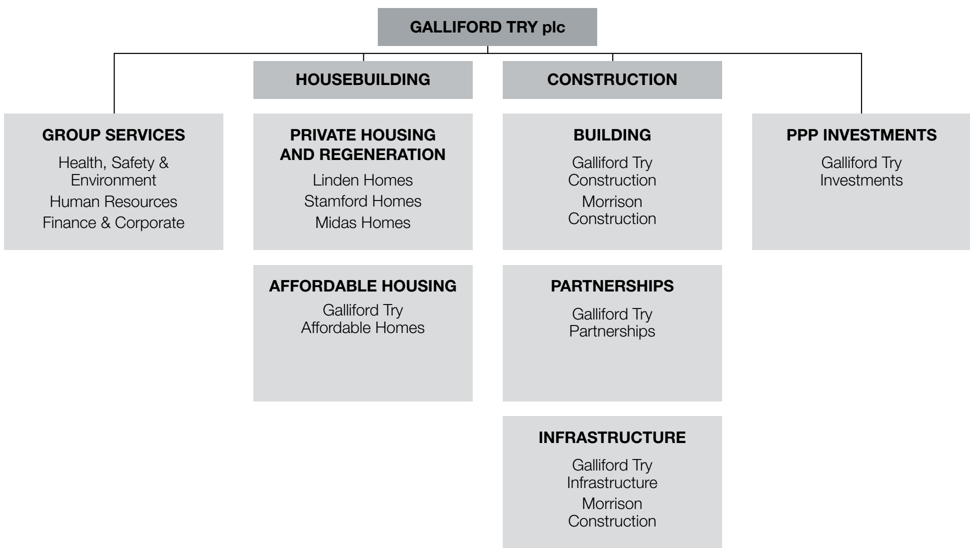
In this business review, we aim to explain our activities and the markets that we serve, our strategy, and our performance during the financial year. Further detail is then provided on our two main areas of operation, housebuilding and construction, together with an analysis of our financial results and the elements of sustainability and governance that underpin how we do business.

The Galliford Try Group

Galliford Try is a housebuilder and contractor in construction markets. It is a UK based business, with construction activities carried out across the whole of the country, and housebuilding focused across the South and the Eastern counties. The number of homes completed in the year makes us the UK's seventh largest housebuilder, and our construction revenues put us in the country's top twelve contractors.

Our business model

The diversity of our businesses puts us in the almost unique position of being able to offer whole life solutions to major projects. Construction schemes may require design, infrastructure, finance, building and maintenance service while large and complex regeneration projects will need all of these skills as well as our ability to develop properties for sale or supply to the affordable housing market. This spread of diverse activities, combined with our reputation for quality in everything we do and our strong partnership ethos, gives us a competitive advantage. This is why we can carry out building works ranging from under £0.5 million up to well over £100 million, undertake multi-project long term frameworks totalling several hundred million pounds, and carry out housing developments from a few homes to the country's first major net zero carbon development of over 800 homes over a 10 year period. Our



Outline structure and major operating businesses

Key Performance Indicators

Key performance indicators, together with a number of other measures, are used by the board to measure the progress of the Group against its objectives.

Objective	Measure	2010 Performance	Comment
Health and safety To ensure our operations are carried out safely and without causing injury.	Total number of reportable injuries in the year divided by the average number of direct employees and sub contractors expressed as incidents per 1,000 people.	7% improvement. **5.3** (2009: 5.7)	We implemented the second phase of our behavioural safety programme as well as one off cross Group events to keep safety at the forefront of our business.
Profit before tax To achieve consistent increases in profit before tax each year.	Profit on ordinary activities, excluding exceptional items, stated before tax.	Up 7%. **£26.1m** (2009: £24.5m)	Housebuilding profits rose as performance improved following the low point of the market in the previous year. Construction profits fell with lower revenue as the recession took effect, although the profit margin was maintained.
Earnings per share To provide long term growth in earnings per share, accepting a dilution post the 2009 results issue, prior to a material enhancement in 2012.	Earnings per share based upon profit attributable to ordinary shareholders before exceptional items, divided by the average number of shares in issue during the year.	Reduced by 31%. **24.6p** (2009: 35.8p*)	The reduction is in line with the strategy outlined at the time of the rights issue, with the housebuilding expansion plan dilutive for two years and on track to deliver a material enhancement in 2012.
Dividend per share To pay a progressive dividend each year.	The sum of the interim dividend and the final proposed dividend per share.	Increased by 15%. **12.5p** (2009: 10.9p*)	The directors have decided that the progress made in delivering the housebuilding expansion plan justifies a dividend at the recommended level.
Cash and capital management For our construction activities to generate optimum levels of cash and for our housebuilding businesses to maximise their return on capital employed.	Net cash/debt and capital turn (the number of times in the year we turn our capital, calculated as housebuilding revenue divided by average capital employed).	Increased by 124%. **£76.5m** (2009: £34.1m) We turned our capital 0.7 times in the year compared to 0.6 times in 2009.	We received £119.3 million from the rights issue in October 2009, and started to invest the proceeds in housing land. We have achieved excellent cash balances in construction.
Staff churn To attract and retain the highest calibre of employees by being an employer of choice.	The number of employees within the Group who voluntarily leave during the year divided by the average number of employees expressed as a percentage.	A 40% reduction. **7.4%** (2009: 12.3%)	The general economic situation and employment prospects in the UK have curtailed employee movement to a level that is now below an optimum level.

* Restated following the share consolidation and rights issue.

housebuilding activities require cash for investment with the objective of earning attractive profit margins, together with a return on capital of over 20% whilst contracting margins will be low, dependent on the stage of the market cycle, but should provide significant cash balances which can be used for investment in housebuilding. The business therefore minimises its requirement for debt finance.

The operational benefit of tracking in two sectors that are in different economic cycles was illustrated during the recession. Construction continued to generate profits and cash during the early part of the downturn when the housing market collapsed. The housing market has become more sustainable in the latter stages, whereas the construction market has become more challenging.

Housebuilding activities – Housebuilding is a regional activity and we operate with local brands across our areas of operation. We have a long track record in developing brownfield sites, often incorporating refurbishments and conversions and building a mix of houses and apartments, geared to local market demand. Developments today require a mix of private and affordable housing, we work in partnership with the Homes and Communities Agency and many of the country's housing associations undertaking developments and regeneration schemes to provide them with homes for rent or mixed tenure.

Construction activities – We operate in the infrastructure and building markets. We serve the national civil engineering markets in water, land remediation, highways, rail and environmental protection, ranging from local pumping stations for the water utilities to the major land remediation and infrastructure works carried out at Olympic Park in East London.

Our building business works across the private and public sectors, providing buildings for the commercial property, leisure, retail, health, education and custodial sectors in particular. Partnerships provides affordable housing contracting. Our projects tend to be of a size where selection is based upon both non financial as well as price criteria, with the proportion of work acquired solely on competitive price tendering across our construction businesses representing only 20% of our order book.

The housebuilding market

From the depths of the housing market collapse in late 2008 there has been a limited recovery in consumer confidence which, together with a gradual improvement in the availability of mortgage finance from that time, has led to a market that continued to stabilise

UK market data, 2009

The extent of the changes to the markets in which the Group operates, compared to the previous year, were as follows:

Housebuilding

	Market size		Completions		New home starts	
Sector	£bn	% change	000's	% change	000's	% change
Private Housing	10.8	*-34%*	110	*-22%*	75	*-23%*
Public Housing	3.8	*-4%*	32	*+3%*	26	*-13%*
Total	**14.6**	***-28%***	**142**	***-21%***	**101**	***-20%***

From the highpoint of 185,000 private homes completed in 2007, new homes started in 2009 were 60% down. During the same period public sector housing was significantly less affected. From the market low point in late 2008 and early 2009, UK housing starts have increased steadily to 30,600 in the quarter to June 2010.

Monthly sales for the first four months of 2010 averaged 44,100 per month compared to 32,000 per month for the same period in 2009, showing the extent of the recovery since the low point. Mortgage lending in 2009 was £142.6 billion, down from £362.6 billion at the 2007 peak. In 2010 gross lending was £62.7 billion in the six months to June; up 17% compared to the previous year.

Construction

	Market size		New orders	
Sector	£bn	% change	£bn	% change
Infrastructure	8.1	*+5.4%*	11.1	*+44%*
Public	13.9	*+13.2%*	14.2	*+9%*
Industrial & Commercial	18.9	*-31%*	15.6	*-41%*
Total	**40.9**	***-14%***	**40.9**	***-1.5%***

Source: ONS, Land Registry, CML

The statistics show the extent of the downturn in private industrial and commercial work carried out during 2009 as well as the fall in the volume of new orders.

Infrastructure spend was maintained during the year, with the increase in new orders placed encompassing the renewal of most of the five year water frameworks in the UK. The statistics all cover the period prior to the Government's June 2010 budget and autumn spending review which will also have a direct impact on public sector capital works budgets going forward.

Award winning acquisition

As one of a number of housebuilding acquisitions made during the year, Galliford Try acquired Rosemullion Homes, winner of a 'What House' housebuilder of the year award in 2008, to boost its market coverage in Cornwall.

> Nine sites under development
> 132 plots in landbank

The Trinity Watch development of 15 character homes in St Ives, 11 for private sale and four affordable, was completed during the year.

> Building for Life – Silver Standard Award
> Best Regional Housing Development – Building Excellence Awards
> NHBC 'Pride in the Job' regional award winner for the site manager

throughout the financial year. Although overall UK mortgage lending and housing transactions remain substantially down on pre financial crisis levels, the return of both individual purchasers and a limited number of investors to the market enabled sales volumes to improve and prices to firm again, particularly in the South East of England.

As the housing associations reorganised their finances following the market downturn activity levels increased and, supported by Government initiatives such as the availability of Kickstart funding and HomeBuy Direct mortgages, opportunities started to grow again. However, overall UK housing completions are running at around half of the pre market collapse levels and there remains a substantial deficit between the anticipated demand for homes in the UK and the projected supply.

Key market influences are therefore:

> Availability of development land
> Planning constraints
> Demographic demand
> Access to mortgage finance
> Increased longevity
> Fewer multi person households
> Social housing policy
> Local and national regeneration need

Markets in the short term will be driven by consumer confidence, the availability of mortgage finance and the ability of affordable housing providers to finance projects. However, all of the above factors underpin the long term value of land and property, particularly in those areas of the country in which Galliford Try operates, that are least exposed to economic downturn. Galliford Try's financial strength, its ability to deal with every aspect of a development and its reputation for quality and delivery generates opportunities to acquire land, to work with housing associations on their plans, to generate value for all involved and contribute to improvement in sustainable development.

The construction market

In construction our markets are driven by the investment programmes for the regulated utilities to meet the requirements of their respective regulators, by the public expenditure plans of both local and national Government and by the confidence of private sector organisations to invest in capital projects for future growth. Having a spread of work across these three categories enables Galliford Try to devote resources to sectors with the best opportunities for work and to mitigate over-reliance on any one source.

The regulated utilities will continue to invest and provide opportunities both through frameworks and individual projects. While Government expenditure in recent years increased significantly from the early 2000's we anticipated and have planned for a reduction in the work we carry out for the public sector. The volume of private sector work available depends both on the confidence of organisations to invest, and the price and availability of finance. This has been severely constrained since the financial crisis of late 2008, although in recent months we have seen signs of some improvements in projects being brought back to the planning stage and of the ability and willingness, particularly by the blue chip clients for whom we carry out much of our work, to recommence some development activity. This has been more pronounced in London and the South East, areas in which Galliford Try is strong, than in other parts of the country.

Key influences on the market are therefore:

> Continuing expenditure by the regulated utilities
> Maintenance and improvement of existing public facilities
> Upgrading the transport infrastructure
> Remediation and development of brownfield land
> Replacement or refurbishment of public assets in education, health and custodial
> Increased demand for leisure facilities, both private and in local authorities
> The availability of finance for our clients

Long term relationships – tennis at Wimbledon

Galliford Try has carried out the All England Lawn Tennis Club's construction work at Wimbledon for over 35 years, since 1994 delivering the Club's master plan for tennis in the 21st century.

> New No.1 court and Aorangi Park
> The Broadcast centre
> The Millennium building
> Tennis museum and Club offices
> Centre court redevelopment with retractable roof
> New courts 2 and 3

Galliford Try is currently carrying our further works for completion prior to the 2012 Olympics.

Strategic objectives

The Group's strategic objectives are:

To grow profits – and thereby materially increase earnings per share in 2012 and deliver an attractive return on capital employed. The Group's plan is for growth to come from the expansion of the housebuilding business:

To double the size of housebuilding – To deliver significant increases in profits and return on capital employed:

> Increasing investment in land
> Strengthening resources across our existing business
> Opening new regional offices
> Continuing to deliver our quality product and industry leading customer satisfaction

To maintain construction as cash positive and profitable – Acknowledging that in the short term revenues and margins will be impacted by the current harder market conditions, ensuring the structure and resources are in place to benefit the business when markets improve:

> Focus on profit, not revenue
> Capitalising on existing long term client relationships
> Focus on emerging private commercial market opportunities
> Leveraging cross Group capability
> Tighter management of risk

The key elements for delivery of the Group's strategy are as follows:

Financial strength – Improved by the rights issue in 2009, the Group's financial strength gives it the ability to invest in land and work in progress to expand the housing business, and gives clients in the construction business the security of covenant that qualifies Galliford Try for quality projects.

A strong client focus – We build long term relationships with clients across our markets – from local authorities and housing associations through to infrastructure utilities and blue chip private sector clients. These are organisations that look for best value services and appreciate the role we play working with them to deliver the best outcomes for their projects, which are rarely delivered through lowest cost competitive tendering alone.

Effective supply chain management – As a project based business the relationships we have with consultants, sub contractors and suppliers are crucial to delivering a spectrum of quality services to our clients. Many of our supply chain relationships are long term and diverse.

Innovation and sustainability – We aim to bring an extra dimension to solving clients' construction challenges and delivering innovative elements to our homes for sale. This increasingly involves delivering sustainable solutions that help our clients and customers meet their own objectives.

Our divisional management teams implement Group strategy by applying the principles to their own sector specific strategies. Construction and housebuilding boards direct their activities, which are implemented through sector boards in our construction businesses and regional boards in housebuilding.

Performance

Group performance in the year reflected the return of a more sustainable housing market from the downturn of the previous year, and started to show the effect of the expected harder market conditions in construction.

Profit before tax and exceptional items after taking account of joint venture interests, tax and amortisation, was up 7% to £26.1 million.

The Group's profit from operations of £35.2 million showed a reduction from £43.4 million last year. The net effect of a reduction in construction, resulting from the reduced revenue levels, was offset by a smaller increase in housebuilding as the market improved. The construction profit margin was maintained at 2.4%, reflecting work carried out that had been acquired prior to the market downturn. Construction margins will reduce as a greater proportion of work is carried out that has been secured under the recent more competitive market conditions. We anticipate housebuilding profits to increase going forward as the business grows and a greater proportion of profits arise from developing new land which has been acquired at current market values, as we work through more historic land that was bought prior to the market downturn.

Group revenue fell by 16%. In construction there was a decline in short term private sector commercial projects following the significant cutting back of capital investment by clients following the financial crisis the year before, and we were also in the transition period for most of the year between the end of the water sector's five year AMP4 frameworks, where projects awarded during the last five years were coming to an end, and the commencement of AMP5. This will last until 2015, and with contractors now having gone through the selection process, planning and specific project programmes will start to build up. Housebuilding revenue, including joint ventures, was marginally up.

With the increase in share capital following the rights issue in 2009, earnings per share has fallen in line with the expectations outlined at that time, with the investment in land made using the proceeds of the rights issue targeted to generate significantly increased profits and therefore a material increase to earnings per share from 2012. Notwithstanding this, the board has decided to pay an increased dividend this year, recognising the Group's trading position, prospects and progress in delivering the expansion plan.

In September 2009 the Company announced that it, along with 102 other companies in the industry, had been found by the Office of Fair Trading to be in breach of the 1998 Competition Act through three instances of "cover pricing" that had taken place between the years 2001 and 2004, and that it was being fined £8.3 million. The Group does not condone any form of anti competitive activity and, after it was first made aware of the allegations in 2007, it reviewed and updated its competition law policies and procedures and instigated an employee training programme and compliance regime. The Group has submitted an appeal to the Competition Appeal Tribunal in respect of the size of the penalty imposed; however the outcome is not expected until late in 2010.

The Group's cash performance has exceeded expectations with construction holding significant cash balances; these are expected to reduce as the effect of the more competitive market conditions impact the construction business and the investment in housebuilding land and work in progress grows in line with the expansion plan.

More detail on the health, safety and environmental performance can be found in the corporate responsibility section of this report.

Forward looking statements

The annual report has been prepared to assist shareholders to assess the board's strategies and their potential to succeed. It should not be relied on by any other party for other purposes. Forward looking statements have been made by the directors in good faith using information up until the date on which they approved this report. Forward looking statements should be regarded with caution due to the uncertainties in economic trends and business risks.

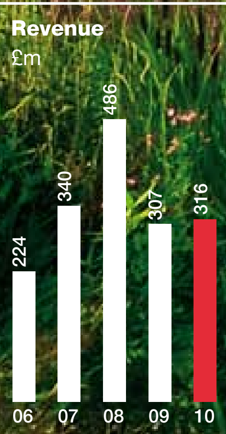
The Group's businesses are generally not affected by seasonality.

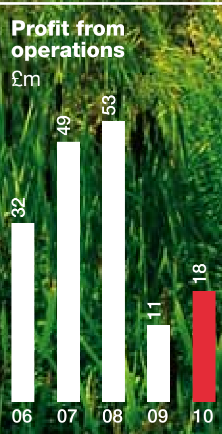
HOUSEBUILDING EXPANSION PLAN ON TRACK

We embarked on an expansion plan in late 2009 to approximately double the size of our housebuilding business over a three year time span. We are well on track, with our landbank now standing at 9,700 plots, up 24% from a year ago, of which 58% has been secured at current market values.

Ian Baker
Group Managing Director, Housebuilding

Galliford Try's growth will continue to be based on its reputation as an award winning housebuilder, using local architecture, designing our homes to meet the differing lifestyles of our purchasers, avoiding the use of standard house types and delivering industry leading customer satisfaction.





Individually designed homes on award winning developments

Twilight is the latest phase of our long term development in Redhill, Surrey which will ultimately provide 500 homes. We restored the old gravel pits on the site into a 25 acre nature reserve, being managed by Surrey Wildlife Trust, and there are a further 7.5 acres of open space with canals, reed beds and communal gardens set around the homes.

73%
Percentage of landbank held across the South of England

£190,000
The average price of one of our homes. Private housing averaged £207,000 and affordable housing £124,000

HOUSEBUILDING

Housebuilding	2010	2009
Revenue	**£316.0 million**	£306.7 million
Profit from operations	**£17.6 million**	£11.3 million
Operating profit margin	**5.6%**	3.7%
Landbank plots	**9,600**	7,850
Completions*	**1,705**	1,825
Average selling price	**£190,000**	£172,000

*Including 100% of joint ventures (1,624 and 1,769 with proportionate share)

Private Housing	2010	2009
Revenue	**£273.8 million**	£250.2 million
Profit from operations	**£14.3 million**	£7.7 million
Operating profit margin	**5.2%**	3.1%
Completions	**1,287**	1,285
Average selling price	**£207,000**	£193,000

Affordable Housing	2010	2009
Revenue	**£42.2 million**	£56.5 million
Profit from operations	**£3.3 million**	£3.6 million
Operating profit margin	**7.8%**	6.4%
Completions	**337**	484
Average selling price	**£124,000**	£115,000

Housebuilding overview

Galliford Try develops homes across the South and East of the UK. Our development activities encompass private housing for direct sale to the public as well as for affordable housing providers, who require homes for sale, to rent or for intermediate forms of ownership. We also carry out large scale regeneration projects, many in partnership with the Homes and Communities Agency and other statutory authorities.

Housebuilding is a local business, and Galliford Try operates through regionally based businesses with local management teams that have an in depth knowledge of their markets and the factors that drive the requirement for homes within them. We therefore have the advantages of a regionally based developer with the resources and skill base spread throughout our areas of operation and, in a central affordable housing and regeneration team, the specialist national expertise on affordable housing requirements and the multitude of skills required to undertake complex regeneration projects wherever in our area of operation they are required.

Market

The market for private housing is primarily driven by the right home in the right location, priced correctly, general consumer confidence and the availability of mortgage finance. The market varies regionally, with the South East generally proving stronger due to the level of economic activity whilst specific sectors of the market will also vary. Examples are increased mortgage deposits that have particularly affected first time buyers, or the willingness of discretionary existing home owners to move house. Our incentive packages, that could include part exchange or limited shared equity are geared to helping sales where required.

Our work for housing associations will depend on their development plans and their access to finance to deliver their social objectives. We work with a significant range of affordable housing providers, from the large national organisations to regional associations that enable us to develop homes appropriate to their specific requirements.

Key Performance Indicators

Objective	Measure	2010 Performance	Comment
Completions To increase the number of completions to around 3,500 in 2012.	Total number of homes that have been legally completed, including the equivalent number of completions from joint ventures represented by our share of ownership.	Total reduced by 7%. **1,705** (2009: 1,825) 1,624 net of our joint venture partners' shares.	Completions fell significantly in the first half of the year due to the low number of homes available for sale resulting from the action taken in the previous year to minimise work in progress following the financial crisis. As production rose during the year, completions increased.
Profit from operations To significantly increase profit from operations under the three year expansion plan to 2012.	Profit on ordinary activities stated before finance costs, exceptional items, amortisation and share of joint ventures' interest and tax.	Up by 56%. **£17.6m** (2009: £11.3m)	As the market started to recover, profitability improved, both from prices and stronger sales in the South East in particular.
Operating margin To deliver upper quartile operating margin for our sector.	Profit from operations divided by revenue, expressed as a percentage.	Up 51%. **5.6%** (2009: 3.7%)	Profitability rose as a greater proportion of sites acquired at current market values were developed.
Net debt To control the capital invested in the business.	The Group sets specific monthly debt targets for each region, and targets an appropriate return on capital employed for each site.	Up 7.8%. **£468m** (2009: £434m)	As the business started to invest the proceeds of the rights issue in land, the capital invested grew. This process will continue.
Landbank To acquire the increased landbank required to meet the expansion plan.	The total number of owned and controlled plots in the landbank.	Up 24%. **9,700 plots** (2009: 7,850 plots)	From 7,850 in September 2009 the landbank was 9,600 at 30 June 2010 and 9,700 at the date of this Report. The chart on page 20 shows estimated future growth.
Customer satisfaction To maintain and improve customer satisfaction scores.	The percentage of our house buyers who would recommend the Company to their best friend, calculated using responses to research carried out by an independent external research company that contacts every customer after they have purchased one of our homes.	Up 8%. **>97%** (2009: 90%)	We continue to achieve top industry ratings, also winning the top 'five star' accreditation from the Home Builders Federation annual customer satisfaction survey.

The affordable housing market improved during the year as Government investment continued to be made available through the Homes and Communities Agency to affordable housing providers. As housing associations' confidence in the market recovered, and their financial programmes were reassessed, development programmes recommenced. There is a historic supply side deficit for affordable homes and, although the amount and form of subsidy into the market through Government has and will continue to change, the political imperative to continue to provide homes will remain.

Strategy

As the market showed early signs of recovery in the late summer of 2009, we set out a strategic plan for our housebuilding activities, backed by the receipt of the rights issue proceeds, to double the size of the business. We are planning to increase the number of home completions from the current level of around 1,700 to around 3,500 in 2012. We aim to maintain an overwhelmingly southern bias, taking advantage of our existing strong market position in this area, where we continue to see the economy being at its most resilient. Our plan is to achieve growth and thereby increase our profitability both from maximising returns from our existing landbank and, by using the proceeds of the rights issue, from new land bought at current market values that will enable us to increase both our profit margin and the absolute level of profit.

We will focus on the middle market of traditional family housing, which will remain a mixture of houses as well as apartments in appropriate urban areas, particularly in the South East of England. We have an enviable reputation for developing non-standard house types to maximise the attractiveness of our developments for both purchasers and the planning authorities and we aim to maintain this market leading position. Our industry leading expertise in brownfield sites as well as in refurbishments will also continue to assist in generating opportunities. We will concentrate on prime sites in prime

Extra London plots secured

> Four sites at good locations in and around London
> Galliford Try's original 50% joint venture comprised 370 plots
> Acquired Bank of Scotland's 50% share of the equity, and all the debt, for £42.5m
> Acquisition risk minimal as known sites
> Result was 742 plots in landbank at cost to development value of 18%

Galliford Try boosted its landbank in the resilient South East market with 742 plots at an attractive cost, including the Northfields site pictured below, winner of the 2009 Evening Standard 'Best Starter Home' award.

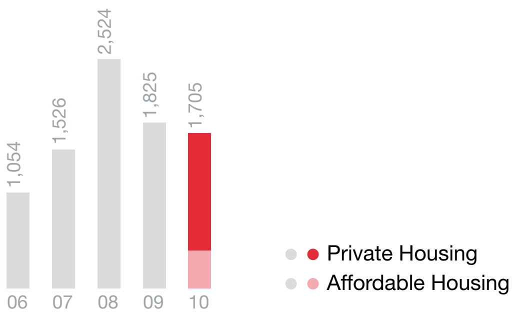
locations, keeping to a minimum our involvement in multi developer consortium sites where similar homes are offered in adjacent locations by a number of housebuilders.

We will develop our leading position in affordable housing and regeneration, where we see a key factor being our appointment on the Homes and Communities Agency's delivery partner panel across all three regions of the country, for public land releases. We aim to carry out more joint ventures with housing associations, and use our access to development opportunities to carry out more mixed developments through the long term frameworks we have with 42 of the RSL's (registered social landlords). We are already developing on seven Homes and Communities Agency sites and, with the delivery partner panel opportunities we are now seeing, our plan is to increase our market share of these opportunities.

Performance

Profit from operations was up 56% to £17.6 million on revenue, including joint ventures, of £316 million, representing a margin of 5.6% (2009: £11.3 million on £306.7 million, representing 3.7%).

Completions Unit numbers



As the market stabilised during the year, prices firmed and we achieved better than anticipated sales. As we anticipated, completions were higher in the second half of the year bringing the total to 1,705, 1,624 net of the proportionate share of our partners in joint venture developments (2009: 1,825 and 1,769). Average sales prices were up 10% on last year at £190,000 (2009: £172,000) reflecting both prices achieved and a change in sales mix.

Private housing completions, including those on regeneration projects, accounted for 1,287 of the total, generating a profit from operations of £14.3 million, representing a margin of 5.2% on revenue of £273.8 million. The average selling price was £207,000 (2009: £193,000). Affordable housing completions were 337 generating a profit from operations of £3.3 million, representing a margin of 7.8% on revenue of £42.2 million. The average selling price was £124,000 (2009: £115,000).

We entered our new financial year with £201 million of sales carried forward, 25% up on last year. We have been encouraged by both the level and value of sales achieved since the start of the year, with sales reserved, contracted or completed now standing at £263 million, up 30% compared to last year, with £168 million for the current financial year. During the second half of the year sales rates averaged 27 a week, although consumer confidence has been affected following the political and economic uncertainty surrounding both the general election in May and the Government's autumn spending review, and there has been the expected slowdown in visitor levels and reservations. Since the start of the year sales have averaged 21 per week and the cancellation rate has increased from historically low levels to around the long term average at 16%.

Our industry leading position in affordable housing and regeneration was significantly strengthened during the year by our selection as one of only six delivery partners on all three Homes and Communities Agency's development partner panels. Established to develop new affordable and private housing on public sector sites across England we are seeing a number of significant opportunities, both through the HCA and other public sector bodies that are using the panel. We

Established track record in brownfield development

We remediate land, refurbish and convert redundant buildings to residential use, changing derelict sites into attractive locations. Two Coves at Duporth was built on the site of a redundant holiday camp – part of the development involved creating a new safe access to the adjacent beach for use by the entire community.

80%

80% of plots in landbank on brownfield sites

64 homes

The average size of one of our developments

have participated in Government housing stimulus packages, with contracted awards totalling £39 million. We anticipated reduced public investment in the sector at an early stage and, although the extent of future support will remain uncertain until after the Government's autumn spending review, our site acquisition strategy and planning negotiations have taken this into account.

Land acquisition

Key to achieving our strategic objective of doubling the size of the business by 2012 is building up our landbank. We are acquiring land:

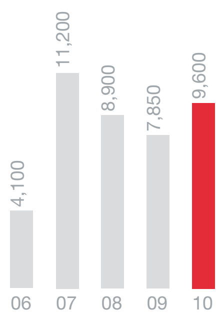
> At good margins
> In prime locations
> Predominantly for houses
> Mainly southern based
> Avoiding large consortium sites
> That will deliver a return on capital employed of over 20%

Significant progress has been made towards delivery of our three year expansion plan. The first stage was to expand our southern biased landbank, based on strict criteria on margin, return on capital and achievable selling prices. Our landbank currently stands at 9,700 plots (2009: 7,850 plots) with 58% of our landbank now having been secured at current market values, in line with our plan forecast. During the year we acquired 147 plots by purchasing the residential assets of Wrights of Hull, 156 plots with the acquisition of award winning Cornish housebuilder, Rosemullion Homes and 146 plots for buying out our partners share in the joint venture at the SS Great Britain site on Bristol docks. In addition, we acquired the Bank of Scotland's share in our London based joint ventures. With our original share comprising 370 plots, we concluded the transaction with 742 plots in our landbank at an attractive land cost to gross development value ratio of 18% at minimal acquisition risk due to our in-depth knowledge of the sites. We have also acquired land in joint venture with housing associations such as the two sites in Kent and Sussex for 111 and 185 plots respectively, purchased in partnership with leading affordable housing provider, Affinity Sutton. We have also now opened a new regional office in Oxford.

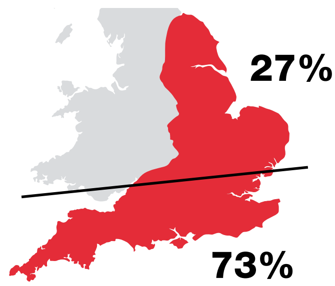
The availability of opportunities to acquire land continues to improve, and there has been an increase in disposals by administrative receivers. However the new Government's localist policies have caused confusion in planning authorities, with the results already of additional delays in obtaining consents for development and uncertainty over the long term effect on the number of homes that will be built. In this context, our access to public land for regeneration projects and our market position will mitigate the effect. We have over 1,300 acres of strategic land holdings which could generate up to 8,000 plots.

Landbank

Plots



% by location



% at current market value

Plots	Actual June 2010	Estimated June 2011	June 2012
Acquired at current market value	5,400	7,000	9,400
Historic land	4,200	3,000	1,600
Total	**9,600**	**10,000**	**11,000**
% at current market value	56%	70%	85%

The UK's largest net zero carbon development

> 800 homes and creation of mixed use neighbourhood at Graylingwell, Chichester
> Being carried out in joint venture with leading affordable housing provider, the Affinity Sutton Group, under a Homes and Communities Agency development agreement
> Development includes offices, community buildings, a care home, restaurant and pub
> It is the largest net zero carbon scheme being developed in the UK, using a combination of green features including a district heating biomass boiler system to deliver leading sustainability credentials

Galliford Try is carrying out the development of the site, construction, maintenance and, through a 25 year energy services company contract, provides renewable energy for the buildings.

40%
of the homes will be affordable housing

Customer satisfaction

During the year 97% of our customers said that, as part of our regular independently conducted survey, they would recommend us to their family and friends when asked.

In the Home Builders Federation annual Customer Satisfaction Survey 2010 over 90% of our buyers gave us the highest score for the quality of their new homes. This customer feedback has awarded us a top score of 5 stars, up from the 4 star position we have held for the past two years.

We also won 12 of the industry's top awards for the quality of our developments and homes in the year, including silver for best large housebuilder and gold for best exterior design in the 'What House?' awards, best design in the Housebuilding Innovation awards and a Civic Trust award for sustainable housing.

Outlook

We have £168 million of our projected sales for the 2010/11 financial year secured and are well on target to secure the plots we need for the next two years. The mortgage market has also eased, although remains a constraint on purchasers. With build costs anticipated to remain stable we are well positioned to maintain our strategy through a market that may fluctuate in the short term but, with overall housing supply expected to remain significantly below the underlying demand, we anticipate an ultimate return to long term market stability.

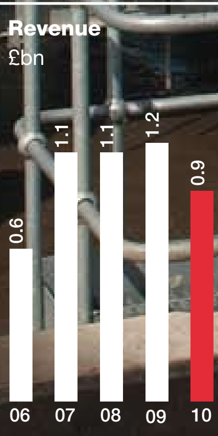
Also visit our website at www.gallifordtry.co.uk

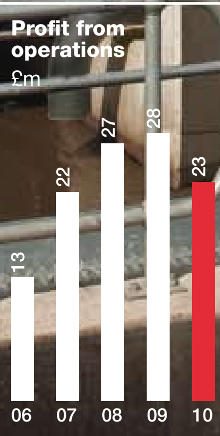
CONSTRUCTION PERFORMING ACROSS DIVERSE MARKETS

Our strengths encompass the full range of construction services for major and long term projects across the regulated, private commercial and public sectors. Our order book rose 6% to £1.8 billion in the year, and we delivered a strong financial result.

Ken Gillespie
Group Managing Director, Construction

We have successfully renewed frameworks for all of our water industry clients until 2015, underlining our position as the leading contractor to the sector. We anticipated early the reductions in publicly financed projects going forward, and have secured a balanced order book across our markets to deliver during more challenging times.





National coverage with specific sector expertise

We deliver major infrastructure projects on a national basis across the UK, backed up by a regional civil engineering business. The Spen Valley waste water treatment plant is an example of the work carried out for Yorkshire Water, one of our seven major water utility clients.

42%
Construction revenue from infrastructure projects

£471 million
Water projects in the order book

CONSTRUCTION

Construction	2010	2009
Revenue	**£936.5 million**	£1,176 million
Profit from operations	**£22.8 million**	£27.9 million
Operating profit margin	**2.4%**	2.4%
Order book	**£1.8 billion**	£1.7 billion

Building	2010	2009
Revenue	**£445.3 million**	£528.7 million
Profit from operations	**£10.8 million**	£11.9 million
Operating profit margin	**2.4%**	2.3%
Order book	**£638 million**	£730 million

Partnerships	2010	2009
Revenue	**£93.8 million**	£130.4 million
Profit from operations	**£1.3 million**	£2.1 million
Operating profit margin	**1.4%**	1.6%
Order book	**£198 million**	£137 million

Infrastructure	2010	2009
Revenue	**£397.4 million**	£516.6 million
Profit from operations	**£10.7 million**	£13.9 million
Operating profit margin	**2.7%**	2.7%
Order book	**£922 million**	£844 million

Construction overview

Galliford Try's Construction activities cover the full spectrum of the building and infrastructure markets with the Group able to deliver whole life solutions to projects for the built environment. The business is organised into building, partnerships and infrastructure divisions. The Building division carries out building projects across the UK, with its main bases being in London and the South East, the Midlands, the North of England and Scotland. It is therefore able to deliver a national service to clients across the market sectors in which it operates. Partnerships, our specialist affordable housing contractor, has strong businesses in the South East and North East, with a growing presence across the rest of the country. The Infrastructure division carries out civil engineering projects primarily in the water, highways, rail, remediation and renewable energy markets through sector focused businesses operating across the UK. The division also has a small international business operating in the South Atlantic territories, and has established an embryonic business in Qatar.

Market

The business works for the public, regulated and private commercial sectors. In the public sector, building projects are carried out primarily in the health, education and custodial sectors with the infrastructure division working on highways for both central and local government, as well as agencies such as the Olympic Delivery Authority and Network Rail. Partnerships has long term frameworks with affordable housing providers. The Infrastructure division's work with the regulated sector encompasses its industry leading position for the water industry and frameworks for the Environment Agency and the National Grid together with one-off projects across these sectors. Private sector work primarily comprises building projects in the commercial property, leisure, retail and hospitality sectors, with long term relationships in place with many clients for whom the Group can deliver value added services. Galliford Try has significant experience in collaborative contracting, with much of its work secured through forms of relationship contracting under which meeting a client's quality parameters and key performance indicators across a range of measures, in addition to demonstrating price competitiveness, secures our workload.

Key Performance Indicators

Objective	Measure	2010 Performance	Comment
Profit from operations To achieve optimum profit levels at each stage of an economic cycle.	Profit stated before finance costs, exceptional items, amortisation and share of joint ventures' interest and tax.	Reduced by 18%. **£22.8m** (2009: £27.9m)	Revenue has reduced as we adjusted to the market downturn, resulting in a lower absolute level of profit.
Operating profit margin To deliver a sustainable operating margin for the relevant stage of the economic cycle.	Profit from operations divided by revenue, expressed as a percentage.	Maintained. **2.4%** (2009: 2.4%)	Profits generated are primarily from contracts secured prior to the market downturn, and we anticipate that as the more competitive work more recently secured is carried out the margin will reduce.
Cash To maintain optimum positive cash balances throughout the year.	Specific monthly cash targets are set for each construction business.	**£206.8m** Net cash at 30 June. (2009: £237.1m)	The business delivered substantial cash balances throughout the year. The ratio of cash held to revenue is expected to reduce to reflect market conditions going forward.
Order book To secure a balanced visible stream of future profitable workload.	The size of the order book which is the total revenue expected to be generated from orders received.	Increased by 6%. **£1.8bn** (2009: £1.7bn)	We reviewed our long term water frameworks until 2015 during the year, and maintained a diverse spread of work across our market sectors, with 51% in the public sector, 40% in the regulated sector and 9% in private commercial work.

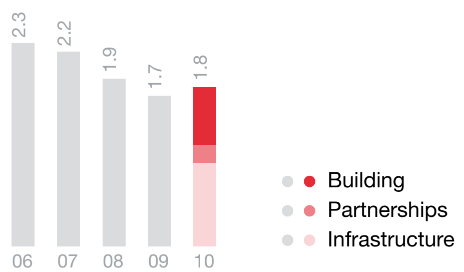
Strategy

The long term strategic objective for construction is to grow the business when the economic and market conditions improve. Following the financial crisis in late 2008, the private sector market fell significantly, reducing opportunities and increasing competiveness across all sectors for the work available. During this period, the Group's spread of work across the public and regulated sectors, as well as quality clients in the private sector, mitigated the effect on the business. With the anticipated reductions in public sector expenditure expected to affect the industry in the shorter term, the business reset its strategy during the year to play to its strengths during the downturn.

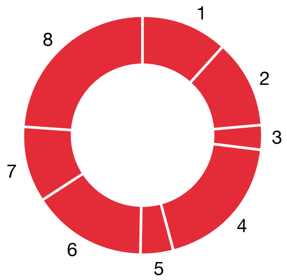
The strong reputation built upon our foundation in long term framework contracting and repeat business client relationships is continuing to demonstrate its worth as the market in one-off projects has fallen. We have worked hard at maintaining the size and increasing the strength of our order book. The £1.8 billion of future work secured is spread across our key sectors with 40% in the regulated sector, 51% in the public sector and 9% in the private sector, a defensive split that ensures the effect of the downturn is mitigated. We will not pursue work at any cost, and will focus on the ability to return a profit, not on maintaining past revenue levels. We therefore expect the business to continue at lower levels of revenue than before, with the objective to maintain our expertise and resources in all our key sectors so that we are able to respond again when market opportunities allow.

With increased competiveness across our markets we have taken additional steps to manage our risk profile, with revised processes to ensure our project selection remains vigorous, reviewing our tender submissions at a higher level, carrying out intergroup peer reviews and systems checking. We are also concentrating on cost and overhead reduction where appropriate, and have a number of projects in place to optimise procurement processes and the management of our supply chain. The eventual recovery from the economic downturn is expected to be led by the private sector, and we are already seeing some signs of emerging private commercial market opportunities as we commence the new financial year, and we aim to maintain our profile with all our client base. The range of services that the Galliford Try Group is able to deliver to clients is extensive, and we are also seeing more opportunities from using cross division and cross Group capability.

Order book
£bn

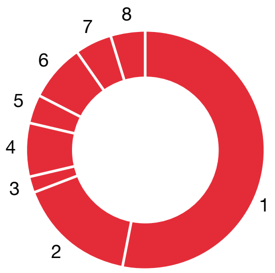


Construction order book



Building and Partnerships
£836 million

1	Health	98
2	Education	100
3	Custodial	27
4	Commercial	160
5	Interiors	38
6	Facilities management	128
7	Other public sector	87
8	Partnerships	198



Infrastructure
£922 million

1	Water	491
2	Highways	149
3	Remediation	19
4	Flood alleviation	67
5	Renewable energy	36
6	Rail	71
7	Communications	48
8	Others	41

Performance

Total construction revenue was £936.5 million, including joint ventures, compared to £1,175.7 million the previous year, and the division achieved a strong trading performance with excellent cash balances that stood at £206.8 million at 30 June (2009: £237.1 million). The profit from operations of £22.8 million represented a margin of 2.4% (2009: £27.9 million representing 2.4%).

Our order book rose 6% in the year to £1.8 billion which we have maintained during the first two months of the year. The spread of work, with 40% in the regulated, 51% in the public and 9% in the private sectors represents a defensive and diverse portfolio. Our strong track record in collaborative frameworks, significantly boosted in the period with the renewal of our five year frameworks with all our water industry clients, underlines the resilience of our market position in the regulated sector. Public sector work is more uncertain and dependent on the Government's autumn spending review; however we are seeing some limited signs of increased activity amongst our blue-chip private sector clients. We have 88% of our projected revenue for the new financial year secured.

Building

The division delivered a consistently good profit and cash performance during the year. Profit from operations was £10.8 million on revenue of £445.3 million, representing a margin of 2.4% (2009: £11.9 million on £528.7 million, 2.3%).

We continued to secure a steady flow of projects from the public sector, particularly in our health frameworks, for the Ministry of Justice and for the education market. We recently completed agreements to undertake a 10 year framework for £300 million of community facilities for the Scottish South East Hub territory partnering board which includes the Scottish Futures Trust, local Councils, NHS Health Boards and the emergency services. We are also on the shortlist for the North East hub. In education we have a significant presence in the market through direct contracting for primary, secondary and tertiary facilities with limited involvement in Building Schools for the Future. Projects awarded during the period included work for Lancaster University and the Cambridge Education Authority.

We have a strong presence in the resilient London commercial market and are making good progress towards completion of our major project at St Pancras Chambers where we are converting the listed Victorian building into 68 apartments and a 244 bedroom luxury hotel under a £103 million contract. In leisure, we completed the contract to rebuild the Leicester Tigers Rugby Stadium, were appointed to substantially redevelop the Edgbaston International Cricket Stadium in Warwickshire and negotiated further work for the All England Lawn Tennis Club at Wimbledon to follow on from the construction of new courts 2 and 3. With an order book currently standing at £638 million the building division has secured 97% of the new financial year's planned workload.

Partnerships

A profit from operations of £1.3 million on revenue of £93.8 million represented a margin of 1.4% (2009: £2.1 million on £130.4 million representing 1.6%).

We launched an expansion plan for our affordable housing contracting business as our major housing association clients restarted their redevelopment programmes during the year. With a strong presence and track record in the South East and North East of England, our objective is to extend our services in this sector across other areas of the country in which the Group has a presence.

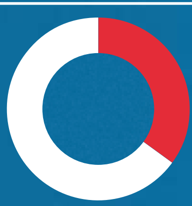
Partnerships works in framework agreements for many of its housing association clients including Swan, Family Mosaic and Circle Anglia and has an order book of £198 million with 61% of the new financial year's planned workload secured.

Infrastructure

The division maintained its operating margin, delivering a strong profit and cash performance. The profit from operations of £10.7 million on revenues of £397.4 million represented a margin of 2.7% (2009: £13.9 million on £516.6 million representing 2.7%).

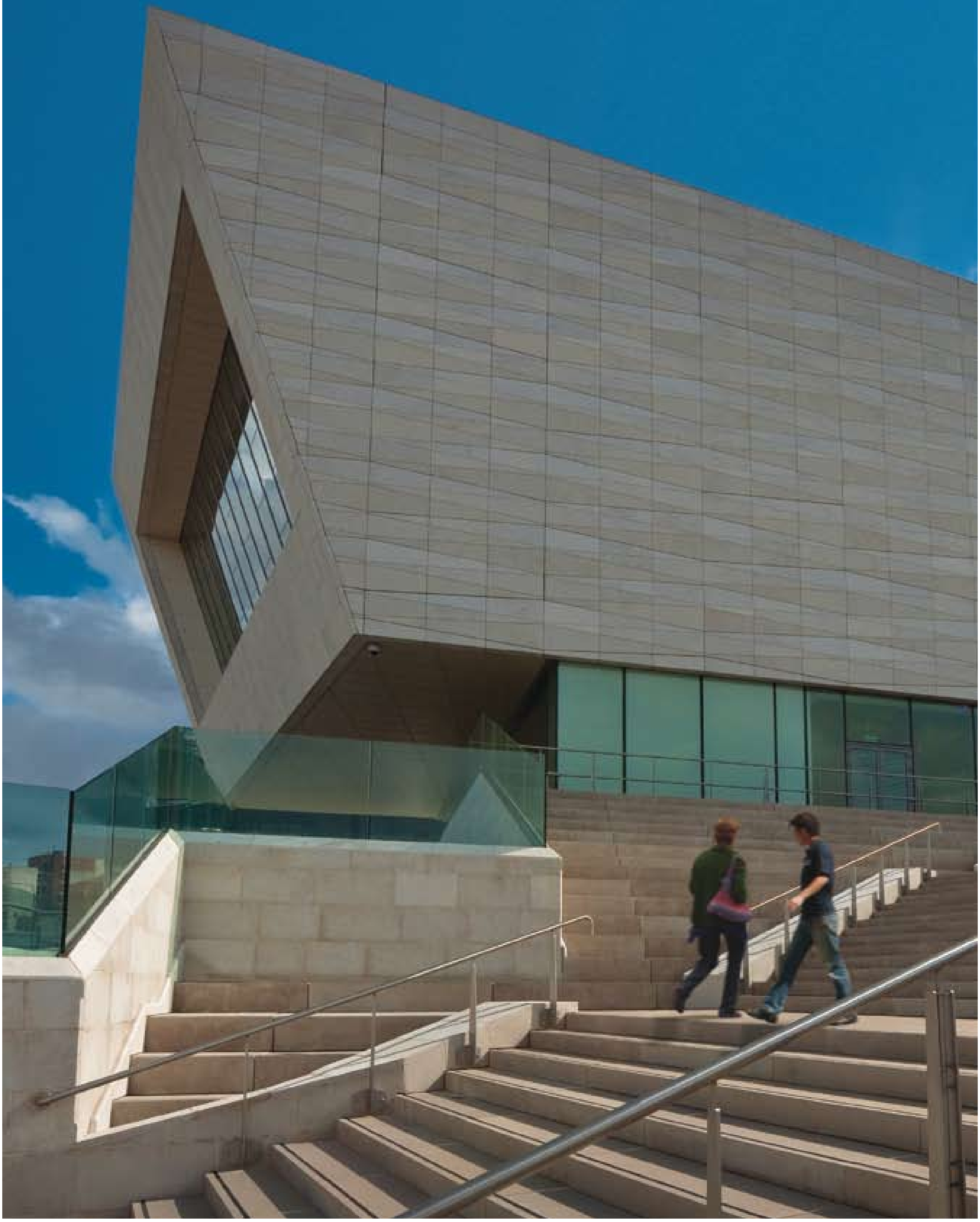
Proven expertise in complex projects

The National Museum of Liverpool, a £41 million building contract completed during 2010, is an iconic design set adjacent to the classical Liver building on the Mersey river front. Galliford Try has the expertise to deliver substantial refurbishment and conversion projects, such as the £103 million apartment and hotel project at St Pancras Chambers in London, through to this stunning modern design.



35%
Building projects in order book

£1.2 billion
The total of long term framework agreements in a £1.8 billion order book



Partnerships expansion launched

During the year the Group embarked on an expansion of its affordable housing contracting business to establish a nationwide division. Galliford Try Partnerships provides partnership housing solutions that fill the gap that neither pure contractors nor traditional developers can bridge, bringing solutions to affordable housing providers that encompass contracting, speculative mixed tenure development and property support services.

The Gardens, in Clapton, London, is a £5.2 million project for 26 homes, and is one of a number of contracts carried out for the Agudas Israel Housing Association.

The Group has long term frameworks with over 40 housing associations and works with more than 60 across its current operating areas.

63%
Total construction order book in frameworks

The benefit of our strong presence in the regulated sector stood us in good stead in a more competitive market. Predominant amongst these is water, where we have maintained our position as the sector's leading contractor, having renewed framework agreements until 2015 with all of our clients. We also carry out one off projects outside the asset management frameworks, such as a £28 million project for Thames Water at Longreach won during the year. We completed the £58 million clean water plant for Anglian Water at Wing during the year.

Major contracts performed well during the year. Our projects for the Olympic Delivery Authority, comprising infrastructure works at Olympic Park, the white water canoeing centre at Broxbourne and the rowing lake at Eton Dorney are nearing completion. The M74 highways project in Glasgow, a £450 million contract being undertaken in four party consortium, is progressing well as is the £31.5 million A96 highways contract in Fochabers, Scotland. We secured a number of contracts under our Environment Agency framework, including the second phase of flood alleviation works in Wigan and improvements to the Thames Barrier in London. Based on our track record in water, we are developing civil engineering services for the waste industry and are carrying out our first energy from waste project, a £20 million contract in Cannock. We are on Network Rail's multi asset framework, in addition to which we undertook the redevelopment of Rotherham Station for the South Yorkshire PTE and, for Network Rail and are completing a £13 million regeneration project at Newport Station in South Wales in preparation for the 2010 Ryder Cup.

We have a growing business in renewable energy, with a 25 year energy services contract secured in the last month to provide energy to the 800 home net carbon neutral Affinity Sutton and Linden Homes joint venture at Graylingwell Park near Chichester.

With a total infrastructure order book of £922 million, of which 62% is in the regulated sector, 79% of the current year's planned workload has been secured.

Outlook

The construction market remains both price and contract condition competitive. However, the latter part of the financial year saw a good volume of opportunities available across all sectors with distinct early signs of a recovery in work for the private sector. We have 88% of our projected workload for the new financial year secured. The outcome of the Government's autumn spending review will determine absolute levels of public investment over the foreseeable future, but with our significant workload in the more resilient regulated sector, and a spread of work across all our markets, we anticipate we can mitigate the effects of the downturn without comprising our ability to grow again when conditions improve.

Also visit our website at www.gallifordtry.co.uk

PPP INVESTMENTS

PPP Investments	2010	2009
Revenue	**£3.5 million**	£27.4 million
Profit from operations	**£2.4 million**	£10.2 million
Directors' valuation	**£6.9 million**	£19.2 million

Our Investments division delivers major building and infrastructure projects through Public Private Partnerships (PPP's). We arrange project finance, take direct equity investment and manage construction through to operations.

Market

Public Private Partnerships cover all forms of public sector and private sector partnering relationships. The private finance initiative funds and delivers public sector assets and services. During the financial year, public sector support for continuing to procure public assets and services by using private finance routes was maintained, albeit with changes in focus to meet different Government priorities.

Strategy

Galliford Try's strategy is to bid for PPP projects that create both investment opportunities and the ability to secure construction and operating contracts for the Group. Due to the significant timescales and costs of bidding for projects, we are focused on those sectors where there is an acceptable balance between risk and reward, and where the resources of the Group can be deployed most effectively with the highest opportunities for success. Affordable housing, waste and renewable energy are key sectors with opportunities in highways and other infrastructure projects under consideration.

We aim to take significant equity investments in projects, managing the risk during the bidding phase, and making disposals when they can realise best value, including where we remain equity holders in the operational phase.

Performance

Total revenue, including joint ventures, was £3.5 million (2009: £27.4 million). The profit from operations was £2.4 million (2009: £10.2 million). The profit from joint ventures was £1.1 million on revenue of £2.1 million. In 2009 joint venture profit was £7.9 million on £25.8 million of revenue, which included a profit of £7.1 million from the Highland Schools joint venture, the investment in which was sold in July 2009. The directors' valuation of the Group's PFI/PPP portfolio as at 30 June 2010 was carried out, as in previous years, on a discounted cash flow basis. The result showed a valuation of £6.9 million, which compares to the value invested of £2.8 million (2009: valuation of £19.2 million and value invested of £10.2 million).

At the start of the financial year the Group sold its remaining investment in the Highland Schools project to an investment company managed by HSBC Infrastructure Fund. We achieved financial close on the £60 million Worcester Library and History Centre project, in which we own 100% of the equity. We are the largest equity holder in Space Consortium which was selected as preferred private sector partner for the development of £300 million of community facilities across South East Scotland over the next 10 years for the South East hub initiative, and are on a shortlist for the North Hub which has a potential capital expenditure of around £400 million. We are on a shortlist of two for Kent's affordable housing project and, in partnership with United Utilities, have reached the final two bidders for the South Tyne & Wear Waste Management scheme.

Outlook

Looking forward, there are a number of affordable housing schemes being promoted by the Homes and Communities Agency which, albeit dependent on some Government commitment, could deliver projects each with a capital value of around £100 million. There are also a series of waste schemes which are expected to come to the market in the relatively short term, with a number of highways projects, particularly in Scotland, that are being closely followed.

Changing Government policy will affect the range of projects and sectors in which private partnerships will continue to be promoted by Government. However, we expect that private finance will continue to be fundamental to delivering Government investment in the country's infrastructure. We remain in a good position to take advantage of the opportunities in the sectors where the Group has the track record and resources to deliver.

INCREASED FINANCIAL STRENGTH

The Group has maintained its rigorous focus on cash management throughout the year. We have a strong balance sheet, with shareholders' funds of £423 million.

Group results

Group revenue for the year to 30 June 2010 was £1,222 million (2009: £1,461 million) down 16%. The pre exceptional profit before tax was up 6.5% to £26.1 million (2009: £24.5 million), and the post exceptional profit before tax was £19.2 million (2009: loss of £26.9 million). The Group has recorded a net exceptional cost of £6.9 million (2009: £51.4 million), as explained on page 31.

Housebuilding profit from operations (stated before finance costs, amortisation, share of joint ventures interest and tax, exceptional items and taxation) was up by 56% to £17.6 million representing a margin of 5.6%. Construction profit from operations of £22.8 million represented a margin of 2.4% (2009: £27.9 million, representing a margin of 2.4%). Within this the profit from operations of our building division was £10.8 million, representing a margin of 2.4%, of our partnerships division was £1.3 million representing a margin of 1.4% and of our infrastructure division was £10.7 million, representing a margin of 2.7%. PPP Investments made a profit from operations of £2.4 million (2009: £10.2 million). This included profit from joint ventures of £1.1 million on revenues of £2.1 million. In 2009 joint venture profit was £7.9 million on £25.8 million of revenue which included a profit of £7.1 million from the Highland Schools joint venture, the investment in which was sold in July 2009.

Rights issue

On 10 September 2009 the Group announced a share consolidation of one new ordinary share of 50p for every 10 ordinary shares of 5p previously held, and a rights issue of 7 new ordinary shares for each 6 held (taking into account the share consolidation) at a subscription price of £2.85 per new ordinary share. On 22 October 2009, £119.3 million (net of expenses) was raised, enabling the Group to commence its housebuilding expansion plan. Ordinarily the excess of the net proceeds over the nominal value of the share capital would be credited to a non-distributable share premium account. However, the rights issue was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital being recognised within retained earnings as distributable reserves.

Acquisitions

On 14 October 2009, the Group acquired the remaining 50% shareholding in its joint venture, Linden Properties Western Limited, which is undertaking a development in Bristol, taking the Group's ownership to 100%. With effect from this date, Linden Properties Western Limited is treated as a subsidiary undertaking. The total consideration payable was £1. At completion, the development loans provided to the joint venture by Bank of Scotland were settled for a cash payment of £8.5 million. In addition loan notes with a nominal value of £1.2 million were acquired for £0.5 million.

On 1 December 2009, the Group acquired the entire share capital of Rosemullion Property Company Limited and its subsidiary companies (Rosemullion), a housing developer based in the South West of England. The acquisition added nine sites to the Group's existing business in the South West, comprising 24 units under development and a landbank of 132 units. The total consideration payable was £0.1 million which was settled in cash.

On 12 February 2010, the Group acquired the remaining 50% shareholding held by Bank of Scotland in its joint ventures undertaking residential development in the South East area, taking Group's ownership to 100%. The joint ventures were Sentient Ventures LLP, Linden London LLP, Linden London (Hammersmith) Limited, Linden Homes Eastern Newhall Limited and Linden St Albans LLP. With effect from this date, these companies are treated as subsidiary undertakings. The companies are developing residential sites in Colchester, Harlow, Hammersmith and St Albans. They have a total estimated gross future development value of £154 million, comprising 742 plots with the present value of work in progress on site of £15 million. The effect of the transaction on the Group was to provide a significant additional boost to its landbank of plots for development, at current market values, in line with the Company's strategy of expanding its housebuilding business following its rights issue. The consideration, which was settled in cash from the Group's existing resources, totals a nominal £4. The development loans provided to the joint ventures by Bank of Scotland were settled by a cash payment of £42.5 million, financed from the Group's existing facilities.

Exceptional items

A net exceptional cost of £6.9 million (2009: £51.4 million) has been accounted for in the income statement for the year. On 22 September 2009 the Company announced that it, along with 102 other companies in the industry, had been found by the Office of Fair Trading to be in breach of the 1998 Competition Act through three instances of "cover pricing" that had taken place between the years 2001 and 2004, and that it was being fined £8.3 million. The Group does not condone any form of anti competitive activity and, after it was first made aware of the allegations in 2007, it reviewed and updated its competition law policies and procedures and instigated an employee training programme and compliance regime. The Group has submitted an appeal to the Competition Appeal Tribunal in respect of the size of the penalty imposed; however the outcome is not expected until after the end of the current financial year. Accordingly, an exceptional provision for the full amount has been made in the financial statements.

We have reviewed the carrying value of housing related assets in light of the limited recovery in the housing market since the downturn in our previous financial year. This has resulted in adjustments to the carrying value of a number of our development sites in circumstances where the original estimates have been changed, resulting in a net exceptional credit in respect of market movements of £1.4 million at 30 June 2010.

Taxation

The total tax charge of £8 million on the pre-exceptional profit of £26.1 million represents an effective rate of 30.7%. This is higher than the standard rate of taxation of 28%. The tax charge associated with the exceptional items of £0.4 million arises because the exceptional loss relating to the OFT fine is not tax deductible.

Financing

The Group has maintained its strong focus on cash management throughout the year. Our construction businesses continue to hold significant cash balances which, although reduced from previous highs, exceeded our forecast and stood at £206.8 million (2009: £237.1 million). The increase in investment in land and work in progress during the year from implementing the first stage of our housebuilding expansion was £81.3 million. At the year end net cash was £76.5 million compared to £34.1 million at the previous year end.

Net finance costs in the year amounted to £3.3 million (2009: £7.4 million). The credit associated with the re-measurement of the fair value of financial derivatives was £0.7 million (2009: cost £3.5 million). The net interest payable, excluding the financing cost of financial derivatives, was covered seven times (2009: eight times) by the pre-exceptional profit before interest and tax.

The Group entered into a five year bank facility for an aggregate total amount of £450 million in February 2007 with HSBC Bank plc, Royal Bank of Scotland and Bank of Scotland. The facility provides working capital, development finance and bonding. £150 million was on an amortising basis with bi-annual repayments of £6 million until maturity of the facility on 12 February 2012. During the year the amortisation until the end of the facility was repaid early reducing the total available facility to £390 million at 30 June 2010 and will remain at this level until the end of the facility. The facility is subject to covenants on interest cover, minimum net assets, gearing and security over housebuilding development sites. Overall debt levels do fluctuate throughout the year, but the Group has substantial headroom within its banking facilities and continues to operate within the covenants of those facilities. The facilities bear interest at floating rates, subject to the interest rate swap arrangements referred to below.

Treasury management

The Group operates within polices and procedures approved by the board. The Group's financial instruments principally comprise bank borrowings, cash and liquid resources that arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group finances its operations through a mixture of retained profits and bank borrowings. The contracting operations of the Group generally generate cash and are budgeted to be cash positive. The housebuilding operations, however, require cash to invest in land and work in progress. In light of current market conditions rigorous controls are in place to ensure borrowings are maintained at an acceptable level. On a daily basis throughout the year, the bank balances or borrowings in all the Group's operating companies are aggregated into a total cash or borrowing figure in order that the Group can obtain the most advantageous interest rate.

All material activities of the Group take place within the United Kingdom and consequently there is little direct exchange risk other than payments to overseas suppliers who require settlement in their currency. If there is any material foreign exchange exposure, the Group's policy is to enter into forward foreign currency contracts.

The Group has no material currency exposure at 30 June 2010. The main risk arising from the Group's financial instruments is interest rate risk and this is reviewed by the Board on a regular basis. The Group policy is to accept a degree of interest rate risk as long as the effect of various changes in rates remains within prescribed ranges. The Group has entered into a swap agreement which has the effect that £45 million (2009: £57 million) of borrowings are fixed at 5.7% for the period of the existing bank facility. The difference between the swap rate and the existing borrowing rate has been fully expensed in the income statement.

Pension costs

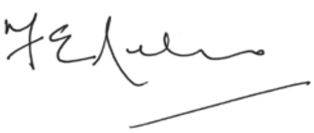
The total cost of pensions charged to the profit and loss account in the financial year amounted to £12.8 million (2009: £7.7 million). The level of contribution has increased as, since 1 April 2009, the Group has operated a pension salary sacrifice scheme which means that all employee contributions are now paid as employer contributions on their behalf.

Under IAS19 "Employee Benefits" the defined benefit deficit of the Group's final salary pension schemes was calculated as at 30 June 2010 by an independent qualified actuary and the gross deficit recognised on the balance sheet as £17.3 million (2009: deficit £27.5 million). This has an overall impact net of deferred tax, of £12.4 million (2009: £19.8 million). Further detail on pensions is given in note 31 on page 90.

A new actuarial valuation of the main Galliford Try Final Salary pension scheme is currently being carried out by Mercer, the scheme actuary, with an effective date of 1 July 2009. The valuation is due to be completed by October 2010. It is expected that deficit funding of the scheme will continue at similar levels to previous years amounting to employer contributions of £7 million.

Goodwill and intangibles

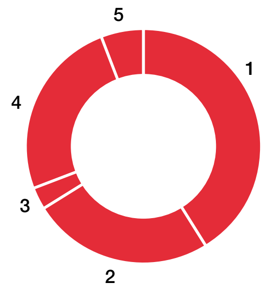
The carrying value of goodwill and intangibles is £115 million and £6.9 million respectively. The Group carries out annual impairment tests in relation to these amounts. These calculations use pre tax cash flow projections based on three year financial budgets approved by management based on past performance and its expectation of market developments. The key assumptions within these budgets relate to revenue growth and the future profit margins achievable. Further details of the impairment tests performed are set out in note 10. The calculations were carried out following the year end on 30 June 2010 and do not indicate that there is an impairment of these assets.



Frank Nelson, Finance Director

Profit from operations

£35.2m*



1	HOUSEBUILDING	**17.6**
2	BUILDING	**10.8**
3	PARTNERSHIPS	**1.3**
4	INFRASTRUCTURE	**10.7**
5	PPP INVESTMENTS	**2.4**

* Stated after Group costs of £7.6 million

PROACTIVE RISK MANAGEMENT

Identifying, evaluating and managing the principal risks and uncertainties facing the Group is an integral part of the way we do business. We have policies and procedures in place throughout our operations that enable us to do so, embedded within our management structure and part of our normal operating processes.

The Group keeps a register detailing the identified risks, relating them to the Group's objectives and rating them based on their likelihood and their potential impact should they materialise. This is then linked to how the risk is managed, the responsibility for its management and the way in which this is monitored through the checks and balances in place.

As well as regular updating as risks change, the Group carries out an annual review where management stands back and looks at general market developments, Group strategy and projects being secured in the context of its risk management processes to ensure they are adapted to meet changing requirements and new measures can be put in place if required. Carrying out this exercise in co-ordination with the Board's annual review of internal controls and their effectiveness helps to ensure the management of risk remains up to date and relevant. Details of the work undertaken in this area during the year are given in the Corporate Governance report on page 48.

Type of risk	Possible impact	Mitigation
Health, safety and environmental	Incidents that occur in construction operations can affect our employees, all others who work on our sites and members of the public. Secondarily, they affect our reputation and have a direct cost on the business and management resources.	We recognise the need to provide a safe working environment and promote health, safety and environmental issues with a comprehensive policy and framework in place to manage the risks.
Changes to the UK housing market and the economic cycle	Consumer confidence and the state of the housing market impacts the ultimate price that our purchasers are prepared to pay for their homes and, by deducting the building and all other costs of development, the price and terms under which the Group purchases land for development.	We monitor Government and industry data on housing prices, sales volumes and construction commencement data, enabling us to anticipate market changes and adjust our land acquisition plans, build programmes, sales releases and purchaser incentives accordingly.
Availability of mortgage finance	The availability, cost and terms under which our purchasers can secure mortgage finance impacts both their ability to purchase and the price they are able to pay.	We monitor published statistics on mortgage approvals and lending statistics, analysing the impact on potential customers across the different market sectors and the prices of the properties we sell. We then adjust our development plans and our purchaser incentives, such as part exchange facilities and shared equity.

This table is continued on page 34 ▶

Type of risk	Possible impact	Mitigation
Availability of developable land	A healthy land market provides us with the raw material on which to build. A general market downturn, reducing the value of land, affects land owners' willingness to sell. Delays and uncertainty in the planning system reduces our ability to obtain the required supply of developable land.	We aim to maintain a landbank comprising a balance of plots with full planning consent, with outline consent and zoned for residential development. We also have strategic land holdings held primarily under options to purchase in the future. Public sector planning strategies are monitored both nationally and locally in the regions where we operate and our plans for future development adjusted accordingly.
Land acquisition	Acquiring land at the wrong price, or underestimating development costs, could affect the Group's return on development projects.	We have a rigorous pre acquisition site appraisal process with tight authority levels covering purchase, construction and sales, enabling us to alter plans and adapt to changes where necessary.
Availability of financing	Funding not available to finance the Group's strategy to expand its housebuilding activities.	Funding is provided by shareholders' equity and bank borrowings. We constantly monitor levels of available funding and compliance with our bank covenants. We have established longstanding relationships with all our bankers and will commence discussions to renew our facilities well ahead of their expiry in February 2012.
The level of public sector spending	Public sector spending in the investment programmes of the regulated infrastructure sectors affects the amount of work available and the degree of competition for that work, potentially affecting both the absolute level of revenues and profit margins achievable.	We gather published and informal intelligence on our markets, monitoring closely our order book and pipeline of potential opportunities. Our business planning process forecasts future market trends, enabling us to match resources to projected workloads.
Confidence and the availability of project finance	Confidence in the economy, combined with our private sector clients' ability to secure development finance, affects their level of spend on construction projects.	Our business planning and annual budgeting process analyses data on forthcoming projects and we monitor the spending programmes of our major clients, adapting our marketing and allocation of resources to those clients and markets where we see the best opportunities.
Contract acquisition	Securing construction contracts at a price and under terms that deliver an acceptable return for the risk undertaken.	As a project based business, we take commercial risk on each construction contract which includes credit and counterparty risk, pricing and the technical ability to deliver. We have a rigorous approach to contract selection covering our capabilities and resources, the terms under which we carry out the work, and that the responsibility for delivery and approval to enter into the contract is given by the right level of management.
Project delivery	Failure to deliver projects to time, quality or budget, or contractual disputes that can arise over the scope and/or valuation of contracts, make the ultimate outcome of contracts uncertain.	We have business information systems providing profit margin and cash forecasting by contract. We monitor construction progress against programme in order to re-plan and reassess resources where applicable.
People	Attracting, developing and retaining talented individuals in the business at all levels is crucial to our success.	Our human resources policies are based on the Investors in People principles under which all of our businesses are accredited. We carry out annual succession planning, and have a training and development programme designed to ensure that individuals receive the support they require to contribute to the needs of the business.

CONSISTENT FOCUS ON A SUSTAINABLE FUTURE

Galliford Try's approach to corporate responsibility (CR) and sustainability has remained focused and consistent. We aim to ensure the long term success of our business by contributing economically, environmentally and socially to the communities in which we operate. This is our response to the sustainable development agenda.

Vision and values

Our vision is 'to be leaders in the construction of a sustainable future'. We define CR as 'the management of our economic, environmental and social responsibilities to benefit our stakeholders and future generations'. To deliver this we need to continually improve our performance in all CR related areas, maintain a strong position at the forefront of our industry, and develop and train our employees to make their contribution. Our values therefore remain:

Excellence	– Striving to deliver the best
Passion	– Committed and enthusiastic in all we do
Integrity	– Demonstrating strong ethical standards with openness and honesty
Collaboration	– Dedicated to working together to achieve results

Our 2010 corporate responsibility report concentrates on how the business has responded to the CR challenge over the financial year. It focuses on the Government's Strategy for Sustainable Construction and illustrates through case studies how we practically apply these principles to our everyday work. It also puts Galliford Try's plans for the future in the context of the sustainability challenges facing the housebuilding and construction industries.

We have revised and extended the detail of our CR reporting on the Group's website which can be found at www.gallifordtry.co.uk/corporate-responsibility, from where the 2010 CR report can also be accessed.

Managing CR

The Chief Executive is ultimately responsible for CR and signs the policy statement, which is reviewed annually and includes a set of strategic objectives. The Company Secretary is the executive board member designated with responsibility for CR. The CR manager is responsible for day-to-day affairs and the coordination of initiatives across the Group, reporting progress to the executive board monthly. A Group CR steering committee, consisting of director level representatives, meets quarterly to discuss relevant issues and advise on the direction of CR within the business. Its achievements over the last 12 months include developing a brief for CR Champions and addressing Group-wide issues such as the Considerate Constructors Scheme and the findings of the Constructing Excellence report 'Never Waste a Good Crisis'.

Key Performance Indicators

No	Area	KPI
1	Health and safety	Accident frequency rate
2	Environment	Percentage of waste diverted from landfill
3	Environment	Operational carbon emissions (fleet, offices and sites)
4	Our people	Percentage churn (staff turnover)
5	Our people	Training days per employee
6	Procurement and supply chain	Percentage of wood supplied with chain of custody certification
7	Economic sustainability	Sales in hand (Housebuilding) Forward order book (Construction)
8	Community engagement	Average score % Considerate Constructors Scheme
9	Customer satisfaction	Average score %

Progress

Last year we identified six strategic objectives for CR during the period 2009/11. Progress on those objectives is detailed below:

No	Objective	Progress to date
1	**Enhance the profile of CR across the Group**	Board report on achievements and future plans by division prepared monthly, twice yearly executive and divisional board presentations, regular email news alerts and news features.
2	**Record and evaluate current CR practices**	Each division has identified the key CR drivers for their business and is collecting relevant data to set benchmarks accordingly.
3	**Identify a suite of CR key performance indicators**	A set of Group-wide KPI's covering the key CR issues have been established and are being reported on for the first time as at June 2010. These are being supplemented by divisional KPI's appropriate to their specific businesses.
4	**Develop a road map to support CR contribution across the business**	Each of the Group's operating divisions has a policy statement, objectives and action plan now in place against which progress will be monitored going forward.
5	**Develop our capacity to offer sustainable choices**	Ongoing programmes in place, including: Housing – sustainability training for sales executives, sustainability data capture on all live projects Infrastructure – working group on KPI's and project information capture and sharing Building – working group on KPI's, Considerate Constructors Scheme and BREAAM
6	**Form partnerships with sector and governmental organisations**	Ongoing participation in: Constructing Excellence, Next Generation, Homes and Communities Agency Forums

For 2010/11, we have a three point CR action plan:

1. Encourage the divisional ownership of CR – priorities have been identified which are relevant to our specific divisional businesses.
2. Improve information capture and storage:
   a. For internal use to identify trends and share best practice
   b. To evidence our approach to CR and sustainability externally.
3. Communicate our approach towards CR in a regular, understandable and relevant way to employees.

Nine KPI's, as listed on page 35, were approved by the executive board earlier in the year and will be reported on a six monthly basis on our website, www.gallifordtry.co.uk/corporate-responsibility. Over the next 12 months we are looking to embed the KPI reporting across the Group and review our approach to climate change and carbon.

People

The cornerstone of our human resource management strategy is the measures we have developed to manage employee relations and generate high performance teams. By focussing on such areas as the organisation of work, employee development, performance management and management development, we add value to the business by creating a flexible and highly skilled workforce.

Our commitment to equal opportunities is designed to ensure that all our employees, regardless of race, gender, nationality, age, disability, sexual orientation, religion or background, have the opportunity to develop their full potential within the Group. We recognise the value of a diverse workforce and have policies and practices in place that provide a fair opportunity for everyone in respect of employment, entry to employment, benefits, training, placements and promotion.

We are Investors in People accredited across the Group, a discipline that underpins our philosophy and ensures we are externally measured and benchmarked to strive for best performance at all times. Our inclusive organisational culture encourages our employees to act with integrity at all times and to treat each other and all our stakeholders with respect.

> We have 3,516 employees. 80% are male and 20% are female.
> Staff churn (voluntary leavers) has fallen by 7.4%.
> Our annual staff survey showed 83.9% of our employess were 'satisfied or very satisfied' with their job (2009: 83.2%).

In July 2009, six months after the implementation of a four day week across our housebuilding businesses, we were able to announce a return to full time working. Since July the numbers employed across our housing businesses has continued to rise steadily from 490 in 2009 to 640. Numbers employed in construction have fallen as turnover has reduced.

The Group continues to recognise long service through its long service awards. Currently there are 765 employees who have ten years' or more service with the Group. We have 2,100 employees in the Group's pension scheme and all our operatives have access to the Building and Civil Engineering Benefits Scheme.

The Galliford Try Academy

The GallifordTry Academy continues to flourish. In 2009, 22 trainees and graduates were inducted. The Academy currently has a total of 64 trainees and graduates registered under approved structured training frameworks. A new Institute of Leadership & Management Endorsed Graduate Development programme has been introduced for 2010.

Career development

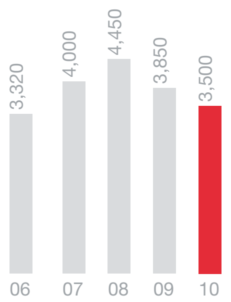
We continue to invest significantly in training and development across the Group, specifically in respect of Management Development programmes. We recognise the value of our own internal labour market and make every effort to promote career development opportunities for our employees.

> Total training days – 4,076 man days
> Management development training days – 1,814 man days

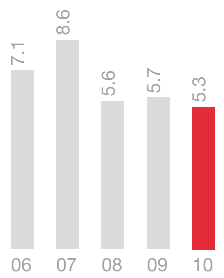
Health and safety

Health and safety remains of paramount importance to Galliford Try and the Company is committed to a policy of effectively managing all aspects of health, safety and welfare. We maintain that nothing we do is so important that we cannot take the time and effort to do it safely.

Number of employees
As at 30 June



Accident incidence rate
Per 1,000 people



Ken Gillespie is the executive board director responsible for health and safety, whilst David White, Group Health, Safety & Environment Director heads up the internal health and safety team and is also a member of the corporate responsibility steering committee.

Performance

Our total number of reportable accidents, which reduced by 8.5% in the preceding 12 months to June 2009, has decreased again by a further 18% over the last 12 months to 62. Our accident frequency rate also decreased from 0.24 to 0.22 and was within the Group target set at the beginning of the year.

We have also reduced our accident incidence rate for the third consecutive year, down to 5.3.

Key statistics	2010	2009
Reportable accidents	**62**	76
Accident frequency rate	**0.22**	0.24
Accident incidence rate	**5.3**	5.7
RoSPA Health and Safety Awards	**18**	21

Most regrettably there was one fatal accident this year, when a subcontractor's machine operator lost his life during work on one of our projects. Such tragic events serve to acutely remind us as a Company that what we do under the banner of health and safety is attempt to prevent such incidents, ensuring that no-one comes to harm or has ill-health as a result of working on our projects. Since 2008 the Group has been working hard to reduce the number of times utility services are struck, and set challenging targets of 20% reductions year on year. We are pleased to report that for the second year running we have over-performed against these targets and the number of these potentially highly dangerous incidents continues to fall significantly.

Leadership

The Group continues to promote the ethos that health and safety, to be an integral part of business success, has to be led from the top of the organisation. We maintain that the leaders of the business must look to themselves as to how they demonstrate strong leadership to ensure that our people truly believe that their safety is important to us as a Group. It is up to our leaders to lead, not manage, in this aspect; and to exhibit and demonstrate those values each and every day – for it is our leaders that set the standard of health and safety expectation.

A key element is our leadership Health and Safety tours on site, with all business leaders, up to and including the Chief Executive committing to tour our sites regularly, focussing purely on health, safety and environmental issues. 2009/10 has seen over 480 of such visits taking place. This is much increased on the 349 visits of 2008/09 and shows clear demonstration of the Group's senior management's commitment to health and safety and also the positive influence of our emerging behavioural programme. We also ran a number of one-off initiatives, such as a 'Stop the Job' day when all sites across the Group stopped work at the same time to focus solely on health and safety issues.

Behavioural programme – The past year saw significant progress in relation to our behavioural programme. Based around the concept of 'challenging beliefs, affecting behaviour', our aim is to create and maintain an environment where care for our people, and those that work with us, is our top priority; and the belief that all accidents are preventable prevails.

The past year saw 350 leaders, including executive board directors, participate in Phase One of the Safety Leadership Programme. An additional 207 operational managers have now completed a similar programme. We aim to have 1,000 employees through the programme by the end of 2010.

The future

The focus for 2010/11 remains on our ongoing Safety Leadership Programme 'Challenging Beliefs/Affecting Behaviour'.

Environment

Galliford Try's environment policy aims to ensure that the Group will conduct its activities, so far as is reasonably practicable, in an environmentally responsible manner that does not expose the natural environment or our neighbours to unacceptable environmental risks. Consequently we aim to:

> Assess the risks to the environment and to our neighbours from our work activities.
> Have effective arrangements in place for the planning, organising, controlling, monitoring and reviewing our preventative and protective measures.
> Appoint competent persons to help and undertake in the measures needed to comply with environmental law.
> Provide employees with comprehensive and relevant information on environmental risks and the preventative and protective measures necessary to control those risks.

In addition to the regular assessments of the environmental impact of our operations during the planning, design and implementation phases of all our projects and the compliance with all relevant environmental legislation and approved codes of practice, we aim to:

> Develop and implement objectives and targets to ensure a continual improvement in our environmental performance.
> Incorporate sustainable environmental considerations into our designs standards and construction practices, having particular regard to energy and water consumption, the use of low environmental impact materials, and designing our waste and reusing materials.
> Play our part in halving the amount of construction demolition and excavation waste going to landfill by 2012.

Progress in the year – Galliford Try continues to monitor the quantities of construction, demolition and excavation waste that we generate and dispose of during our construction activities. Our percentage diversion from landfill performance was 56%, which is an improvement upon our 53% that was achieved the previous year.

Despite a challenging economic climate for the construction industry, our environmental performance remains strong. However we had one environmental prosecution for the discharge of sewage effluent into a dyke in Lincolnshire that exceeded discharge consent conditions. The site was a shared development with two other housebuilders. We were fined £8,000. Following this incident, we thoroughly reviewed our internal processes and our environmental staffing levels. Furthermore, we increased resources to the provision of environmental training for our Health, Safety and Environmental Advisors and our construction staff by increasing the levels of attendance on our 'Managing Environmental Responsibilities within Galliford Try'.

One of our key initiatives during the year was our formal commitment to the Government's Halving Waste to Landfill Commitment (½W2L) that aims to reduce the amount of construction, demolition and excavation waste being sent to landfill by 50% by 2012. To achieve this Galliford Try is committed to measuring the quantity of waste diverted from landfill and implementing plans to further reduce the quantity of construction, demolition and excavation waste being sent to landfill. As part of our commitment to the ½W2L commitment, we have implemented a project across all our divisions to identify targets for waste reduction, establishing waste performance indicators as well as identify opportunities to reduce the amount of waste we send to UK landfill sites.

We continued to deliver our bespoke four day IOSH Managing Environmental Responsibilities training course to further raise environmental awareness across the Company. As of November 2009, this course has been successfully delivered to 52 employees.

We have continued with our project to get all our business units certified to ISO 14001:2004, and 29 business units (out of a possible 39) have now achieved third party certification to ISO 14001:2004.

Early in 2010, following extensive investigation, we registered with the Environment Agency that we fell outside the scope of the Carbon Reduction Commitment. We will follow the scheme closely and continue to develop our data collection systems, envisaging the scheme may extend in future years.

Carbon footprint

Our own internal sustainability efforts during the year have focused on:

> Establishing the benchmark for the carbon footprint of our own offices.
> Working on systems to establish the usage of energy across all our construction operations; this focuses on power consumption, fuel oil and vehicle usage.
> Working with supply chain partners to quantify their emissions.

In July 2010 we submitted our second annual response to the Carbon Disclosure Project. This is the most respected global carbon management project, collecting information on how corporate organisations approach climate change.

We have reported on:
> Our strategy – how it ties in with corporate responsibility.
> Allocation of responsibility – reinforcing the link between board, steering committee and CR manager.
> How we communicate our position and plans internally and externally.
> Identification of risks and opportunities, both now and into the future.
> Data on direct and indirect greenhouse gas emissions.
> A 30% reduction in carbon dioxide emissions since 2008 to 38,000 tonnes in 2009, partially due to turnover reduction.

Influence on design – Where we have an input into the design process we aim to take sustainability issues into consideration wherever practical. We are benefiting from the input of our renewable energy business, particularly in designing ways of reducing the carbon footprint of other regeneration schemes being carried out by our housebuilding businesses.

The future

Galliford Try plans to focus on increasing the percentage of our construction, demolition and excavation wastes that we divert from UK landfill sites, as well as reducing the costs incurred in the disposal of construction related waste streams. We plan to further increase the number of our business units to successfully achieve third party certification to ISO 14001:2004.

Procurement and supply chain

We believe that developing long term relationships with all who provide services to our business is crucial to our ability to provide our clients and customers with projects that deliver to the highest standard. Through early engagement and working in partnership with these providers, we can address key performance requirements for health, safety, environmental and other CR matters.

We have a monthly Group procurement forum with representation from each division and a newly appointed Group Procurement Manager. These will provide real focus to drive CR related supply chain issues.

We have started to promote CR through our procurement teams by identifying how much timber we buy from sustainable sources and generating an annual report to understand how we can improve. We have piloted this approach in our Housebuilding division during the year and can report that 93% of our timber orders placed were chain of custody certified.

Community

Our policy is based on four key principles of engagement:

> Contributing to the community through our core activities such as providing schools, healthcare facilities, affordable housing and transport infrastructure.
> Engaging with the communities and individuals in the areas in which we operate.
> Delivering wider community benefits such as local employment.
> Charitable investment.

Our policy is to ensure that our operations are integrated into the local community as effectively as possible. Practically, this means:

1. Promoting safety on building sites through local campaigns, particularly targeted at schools.
2. Keeping local residents and organisations informed about construction plans and progress.
3. Involvement in education programmes and school visits.
4. Participating in community work.
5. Supporting local charities and events in which our employees are involved.

Our website gives further information on our activities and examples of best practice in the Group.

Economic sustainability

We recognise that to be sustainable in the long term we need to be a profitable business. However, we realise this should not be at the expense of environmental and social issues and our plans and action across the areas above aims to ensure this. Our full financial position is set out within this annual report.

Corporate Governance

Galliford Try is firmly committed to attaining high standards of corporate governance and conducting the Group's operations in accordance with the best principles of corporate governance and the Turnbull Guidance. Throughout the year the Company complied with the provisions set out in Section 1 of the Combined Code of Corporate Governance as revised in 2008 (the "Code") and maintained by the Financial Reporting Council. Further detail is given in the Corporate Governance review on page 45.

Significant relationships

Relationships are important to Galliford Try: the business has been built on a collaborative culture.

Clients and customers

Our Building and Infrastructure businesses have a number of key clients, particularly those that operate through five year framework agreements. Although no one client has accounted for more than 6% of revenue during the year, major clients currently include:

> The seven regulated water utilities for whom we are working under five year framework contracts for their asset management programmes.
> The private finance initiative project companies through which we contract to construct PFI projects and in which our Investments division holds equity stakes.
> The All England Club at Wimbledon, for whom we have carried out all their construction projects for over 35 years.
> The Olympic Delivery Authority for whom we are contracted to carry out land remediation, civil engineering and accommodation building works for the Olympic Games in 2012.
> Manhattan Loft Limited, for whom we are carrying out a £103 million contract to redevelop St Pancras Chambers in London.

Business partners

We carry out some of our projects in joint ventures. Our partners are engineers, other contractors and consultants on our frameworks for the water utilities and our larger highways projects. In housebuilding we develop some of our sites under joint venture agreements with housing associations and other housebuilders. A number of our regeneration projects are undertaken under agreements with the Homes and Communities Agency. Significant relationships are with Affinity Sutton and the Devon and Cornwall Housing Associations together with developers Wates and Crest Nicholson.

Supply chain and service providers

Throughout its businesses the Group has relationships with architects, engineers and other consultants as well as with sub contractors and materials providers. By working closely with them, we improve a quality of service to our clients, increase efficiency and address key performance requirements in areas such as health, safety and the environment. The Group also has significant relationships with its providers of corporate services such as surety bonding, insurance and finance.

Corporate Responsibility report

Further information on our CR activities are can be found in our separately published CR report, which focuses on how our businesses contribute to the CR agenda and on our website, www.gallifordtry.co.uk/corporate-responsibility, where more data is provided.

Also visit our website at
www.gallifordtry.co.uk/corporate-responsibility

DIRECTORS

David Calverley FCA
Non-Executive Chairman
David Calverley was appointed to the board in September 2000 as chief executive, a position he held until 30 June 2005. He is also Non-Executive Chairman of Tricone Development Limited. Chief Executive of Try Group from 1995, he was formerly a director of Trafalgar House, Chairman of Ideal Homes and Managing Director of Trafalgar House Property. Age 68.

Greg Fitzgerald
Chief Executive
Greg Fitzgerald was appointed to the board in July 2003 and was Managing Director of the Housebuilding division before being appointed chief executive on 1 July 2005. He was a founder of Midas Homes in 1992 and its Managing Director when it was acquired in 1997, subsequently chairing Midas and Gerald Wood Homes. He is a Non-Executive Director of the National House-Building Council. Age 46.

Frank Nelson FCMA
Finance Director
Frank Nelson was appointed to the board in September 2000. Finance Director of Try Group since 1988, he was formerly a divisional finance director with Wiltshier and a management consultant with Coopers & Lybrand. Age 59.

Amanda Burton † ‡
Non-Executive Director and Senior Independent Director
Amanda Burton was appointed to the board in July 2005. She is Chief Operating Officer of Clifford Chance LLP. She was previously a non executive director of Fresca Group Limited, and a director of Meyer International plc and Chairman of its timber group. Amanda is also a Trustee of the Battersea Dogs and Cats Home. Age 51.

Peter Rogers † ‡
Non-Executive Director
Peter Rogers was appointed to the board in July 2008. He is Chief Executive of Babcock International Group plc. Prior to joining Babcock in 2002, he was a director of Courtaulds plc and Acordis BV, having earlier held senior executive positions in the Ford Motor Company. Age 62.

Andrew Jenner ACA † ‡
Non-Executive Director
Andrew Jenner was appointed to the board in January 2009. He is currently Finance Director of Serco Group plc. Prior to joining Serco in 1996 he worked for Unilever and Deloitte & Touche LLP. Age 41.

KEY TO PHOTOGRAPHS
Top row, left to right: David Calverley, Greg Fitzgerald and Frank Nelson
Middle row, left to right: Andrew Jenner, Amanda Burton and Peter Rogers
Bottom row, left to right: Ken Gillespie, Richard Barraclough and Ian Baker

EXECUTIVE BOARD

Ken Gillespie BSc *
Group Managing Director, Construction
Ken Gillespie joined the Group in March 2006 on the acquisition of Morrison Construction, having been its Managing Director since 2005. He joined Morrison in 1996 having spent the previous 13 years holding senior positions in construction with George Wimpey. Age 45.

Richard Barraclough FCIS *
Company Secretary and Legal Director
Richard Barraclough has been company secretary since September 2000. He joined Try Group as a director and company secretary in 1991 and was formerly deputy company secretary of George Wimpey PLC. Age 55.

Ian Baker *
Group Managing Director, Housebuilding
Ian Baker was appointed to the executive board in March 2007. He joined the Group in 1995, initially with Midas Homes, subsequently becoming Managing Director of all the Group's housebuilding activities in 2009. Age 40.

* The executive board comprises the chief executive, finance director and the executives listed.

† Member of the audit committee

‡ Member of the remuneration and nomination committees

DIRECTORS' REPORT

The directors have pleasure in presenting their Annual Report and the audited financial statements of the Group for the year ended 30 June 2010.

Principal activities

Galliford Try is a housebuilding and construction group. Further details of the Group's activities during the year under review and of its prospects are contained in pages 4 to 39. The principal subsidiary companies operating within the Group are shown on page 110.

Business review and future developments

Company law requires the directors to produce a business review that sets out a fair review of the business of the Group during the year ended 30 June 2010 including a description of the principal risks and uncertainties facing the Group, a review of financial and non-financial key performance indicators and a fair analysis of the development and performance of the Group's business during the financial year.

The directors consider that this requirement is fulfilled by the inclusion in this Annual Report and Financial Statements of a Chief Executive's Review, Business Review, Corporate Governance Report and Remuneration Report. Information on the Group's employment practices, including its policies on equal opportunities for disabled employees and employee involvement, and its approach to environmental matters is set out in the corporate responsibility section of the business review on pages 35 to 39.

Results and dividends

The post-exceptional profit for the year after tax of £10.8 million is shown in the consolidated income statement on page 56. The directors recommend a final dividend of 9.2 pence per share be paid, which together with the interim dividend of 3.3 pence results in a total dividend for the year of 12.5 pence, which will absorb a total of £10.2 million of shareholders' funds. The final dividend will be payable on 12 November 2010, to shareholders on the register at 8 October 2010.

Share capital

The Company has a single class of share capital. On 6 October 2009 the Company undertook a share consolidation on the basis of one new ordinary share of 50 pence for every 10 then existing ordinary shares of 5 pence. The 377,766,773 ordinary shares of 5 pence each then in issue were therefore consolidated into 37,776,677 ordinary shares of 50 pence each. 44,072,789 new ordinary shares of 50 pence each were issued by way of rights on 22 October 2009 on the basis of 7 new ordinary shares for every 6 existing in accordance with the approval given by shareholders at an Extraordinary General Meeting held on 6 October 2009. Immediately following the rights issue there were therefore 81,849,466 ordinary shares of 50 pence in issue, which remained unchanged at 30 June 2010. Except in relation to some of the Group's employee share plans that include restrictions on the transfer of shares whilst the shares are subject to the plan, there are no restrictions on the transfer or voting rights of the Company's share capital.

Resolutions to be proposed at the 2010 Annual General Meeting will renew the limited authority of the directors to allot the unissued share capital of the Company and to issue shares for cash other than to existing shareholders.

A resolution will also be proposed to renew the directors' authority to make market purchases of its shares within prescribed limits. No such purchases were made in the year to 30 June 2010.

Further explanation of the resolutions is included with the Notice of Meeting circulated to shareholders with this report.

As at the date of this report 81,849,466 ordinary shares of 50 pence each have been issued and are fully paid up and are quoted on the London Stock Exchange. During the year ended 30 June 2010, no options were exercised pursuant to the Company's share option schemes.

No new ordinary shares have been allotted under these schemes since the end of the financial year to the date of this report. 310,189 shares (0.4%) of the issued share capital of the Company is currently held within the Galliford Try Employee Share Trust for satisfying employee share options or share awards.

Change of control provisions

The Group has entered into certain agreements that may alter on a change of control of the Group. The significant agreements are the Group's banking and surety agreements, details of which are included under financing in the Business Review and under contingent liabilities in note 34 on page 95.

All of the Group's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest on a proportionate basis and become exercisable on a change of control, subject to the satisfaction of any performance conditions at the time.

No compensation would be paid for loss of office of directors on a change of control of the Company.

Articles of association

The Articles of Association set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment or removal of directors and the conduct of the Board and general meetings. In accordance with the Articles of Association, directors can be appointed or removed by the board or shareholders in general meeting. The Articles of Association may only be amended by special resolution at a general meeting of shareholders. Copies are available by writing to the Company Secretary.

Directors and their interests

The board of directors at the date of this report, and their biographies, are shown on pages 40 to 41. Greg Fitzgerald will retire by rotation at the forthcoming Annual General Meeting and will offer himself for re-election. Under the Articles of Association each director is subject to re-election at intervals of not more than three years. All other directors were either appointed or re-appointed in the last two years.

The interests of the directors in the share capital of the Company and details of their service contracts are set out in the Directors' Remuneration Report on pages 50 to 54.

The step-daughter of Greg Fitzgerald, a director of the Company, proposes to purchase a property for her own residential use that is on a site in Devon being developed in joint venture between Westco Limited and a subsidiary of the Company, Midas Homes Limited. A resolution to approve the proposed transaction will be proposed at the forthcoming Annual General Meeting. Further explanation of the resolution is included with the Notice of Meeting.

The Company takes out directors and officers' insurance cover in respect of legal actions brought against its directors. The Company's practice is to indemnify its directors in accordance with the Articles of Association and to the maximum extent permitted by law. Neither insurance nor indemnities cover fraud or dishonesty.

Substantial shareholdings

As at 15 September 2010, being the date of this report, the following beneficial interests in 3% or more of the Company's ordinary share capital had been notified to the Company.

	No. of shares	%
Standard Life Investments Ltd	11,497,801	14.05%
Aberforth Partners LLP	4,110,223	5.02%
Legal & General Group	2,912,212	3.55%
Aviva plc & subsidiaries	2,816,312	3.44%

Directors' duty to avoid conflict of interest

The Company operates a formal ongoing procedure for the disclosure, review and authorisation of directors' actual and potential conflicts of interest in accordance with the provisions of the Companies Act 2006. In addition, conflicts of interest are reviewed on an annual basis by the board.

Charitable and political contributions

Contributions for charitable purposes during the year amounted to £91,000 (2009: £81,000). Charities that benefited included those carrying out potential projects to assist homeless people, those providing benefit to workers in our industry who are in need and a significant number of small local charities in the areas within which we operate.

It is not the Company's policy to make political donations and none were made during the year.

Creditors' payment policy

The Group's policy concerning creditors is to agree payment terms with its suppliers, ensure the relevant terms of payment are included in contracts and to abide by those terms when it is satisfied that goods or services have been provided in accordance with the contracts. Galliford Try plc, as a holding company, did not have any amounts owing to trade creditors as at 30 June 2010 (2009: nil). Trade creditors for the Group represented 29 days (2009: 26 days) of average daily purchases.

Annual General Meeting

The Annual General Meeting will be held at the offices of Royal Bank of Scotland, 3rd Floor Conference Centre, 250 Bishopsgate, London EC2M 4AA on Friday 5 November 2010 at 11 a.m.

Auditors

PricewaterhouseCoopers LLP have confirmed their willingness to continue in office as auditors of the Company and a resolution for their re-appointment and for the audit committee to determine their remuneration will be proposed at the Annual General Meeting.

Audit information

So far as each of the directors in office at the date of the signing of the report are aware, there is no relevant audit information of which the Company's auditors are unaware and each such director has taken all steps that he or she ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Important events since the year end

There have been no important events affecting the Company or any of its subsidiaries since 30 June 2010.

Going concern

The directors are required under the Combined Code on Corporate Governance to have satisfied themselves as to the Group's ability to continue in existence for the foreseeable future. This has been carried out and the directors have concluded that the Group has adequate resources and is justified in using the going concern basis in preparing the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

> select suitable accounting policies and then apply them consistently;
> make judgements and estimates that are reasonable and prudent;
> state that the Group financial statements comply with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with regard to the parent company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group's and parent company financial statements.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

Each of the directors (whose names and functions are set out on pages 40 and 41) confirms that to the best of his and her knowledge:

> the Group financial statements, set out on pages 56 to 96, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group as taken as a whole; and
> the Business Review contained in pages 8 to 39 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 it faces.

The directors are responsible for keeping adequate accounting records that sufficiently show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the International Accountancy Standards Regulation and the parent company financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board

Richard Barraclough, Company Secretary

15 September 2010

COMMITTED TO THE HIGHEST STANDARDS OF GOVERNANCE

Compliance statement

Galliford Try is firmly committed to attaining high standards of corporate governance and conducting the Group's operations in accordance with the best principles of corporate governance. Throughout the year the Company complied with the provisions set out in section 1 of the 2008 Combined Code of Corporate Governance (the "Code") as maintained by the Financial Reporting Council.

This statement, together with the Remuneration Report on page 50, describes how the Company has complied with the code provisions and has applied the main and supporting principles set out in the Code throughout the year.

The board has carried out a review of the new UK Corporate Governance Code that applies to the financial year commencing on 1 July 2010. As well as complying with all of the overall provisions as currently applicable to the Company, the Company is also considering the adoption of certain provisions that apply to companies in the FTSE 350, in the interests of maintaining the highest standards of corporate governance.

The board and its directors

The Company is led by a board which consists of a non-executive chairman, two executive directors and three other non-executive directors (including a senior independent director). Biographical details of all of the directors, together with details of board committee memberships, are set out on page 40. There were no changes to the board during the year.

Balance of non-executive and executive directors

- Non-executive chairman 1
- Independent non-executive directors 3
- Executive directors 2

Each of the non-executive directors is considered by the board to be independent, with the exception of the chairman, David Calverley, who did not meet the independence criteria set out in the Code on his appointment in 2005, having previously been the chief executive of the Company. There have been no changes to his external commitments since then which may affect his responsibilities to the Company. Amanda Burton is the senior independent director who is an additional point of contact for shareholders. The board's structure during the year, with half of the Company's directors being independent non-executives, met the requirements of the Code.

Any director appointed during the year is required, under the provisions of the Company's Articles of Association to retire and seek re-appointment by shareholders at the next Annual General Meeting. The Code requires each director be subject to re-election at intervals of not more than three years. Greg Fitzgerald will retire and seek re-election at the forthcoming Annual General Meeting.

A detailed description of the role and responsibilities of a non-executive director is set out in the letter of appointment, and all new non-executive directors confirm before they take up their appointment that they can allocate sufficient time to meet the expectations of the role. The service contracts of the non-executive directors are available for inspection at the Company's registered office during normal office hours and at the Annual General Meeting.

The roles of the chairman and chief executive are separate. The chairman is responsible for the leadership and management of the board and ensuring that it operates effectively, and the chief executive is responsible to the board for the executive management of the Group. The chairman and the chief executive meet regularly to discuss the business and issues for the board.

The board meets regularly during the year. Further details of the attendance of directors at board and committee meetings are provided in the tables included in this report. The chairman has held meetings with non-executive directors, and the Company Secretary also attended part of these meetings by invitation. There is a formal schedule of matters reserved for decision by the board. The board agrees the Group's business plan, determines overall Group strategy, acquisitions, investment, human resources, environmental and health and safety policies, and is responsible for the approval of major items of capital expenditure, significant financial matters, and reviewing the Group's system of internal control. All directors receive appropriate and timely information and briefing papers in advance of the board meetings. All directors have access to the advice and services of the Company Secretary. There is an agreed procedure for directors to take independent professional advice, if necessary, at the Company's expense in furtherance of their duties. The Company has a directors and officers liability insurance policy in place.

Board of directors

Number of meetings held during the year	10
Members	**Meetings attended**
Chair: David Calverley	10
Greg Fitzgerald	10
Frank Nelson	10
Amanda Burton	10
Peter Rogers	10
Andrew Jenner	10

Each member of the board brings different experience and skills to the operation of the board and its committees. The board composition is kept under review and when a new appointment is to be made, appropriate consideration is given to the specific skills and experience which a potential new member could add. Newly appointed directors receive formal induction and appropriate training on the role and responsibilities of being a director of a public listed company as soon as practicable after appointment. The induction for non-executive directors includes meetings with senior management of the business and visits to the Company's operations.

Every director participated in an evaluation of their individual performance during the year using a self-assessment questionnaire with rating scales followed by an appraisal interview. The process also enables appropriate training and development needs to be planned. The senior independent director carried out the performance evaluation of the chairman.

The board may, provided the quorum and voting requirements are satisfied, authorise any matter that would otherwise involve a director breaching his duty under the Act to avoid conflicts of interest. Any director may propose that the director concerned be authorised in relation to any matter which is the subject of such conflict and such a proposal shall be put to the board in the same way as any other matter, except that the director who is subject to the conflict (or any other director with a similar interest) shall not count towards the quorum or vote on the resolution authorising the conflict. This forms a central part of the procedures that the Company has to deal with conflicts of interest and these procedures have operated effectively throughout the year.

A process of monitoring and evaluating the performance of the board and its committees has been undertaken during the year. Members of the board completed a confidential questionnaire covering business and strategy, board effectiveness and management together with governance issues. The evaluation content was:

Board
> Business and strategy
> Board effectiveness
> Board management
> Governance

Committees
> Responsibility and effectiveness
> Policy and structure
> Meetings
> Communication to stakeholders
> Training and resources
> Financial reporting
> Internal controls and internal audit
> External audit

The questions were substantially revised this year to ensure they reflected current best practice, avoided repetitious, boiler plate issues and more effectively brought out suggestions for improvement. The Company Secretary collated the results from the questionnaires and prepared a report on the findings for an initial discussion with the chairman. The findings were then discussed by the board, and a number of actions were agreed. These included changes to the frequency and content of specific longer term strategy discussions together with a review of the support and advice provided to the nomination and remuneration committees.

Executive management is the responsibility of the chief executive who chairs the Group's executive board. This also comprises the finance director, the Group managing directors of construction and housebuilding and the Company Secretary, and is responsible for the operational management of the Group under terms of reference delegated by the board. It meets on a monthly basis and more regularly when required.

Executive board

Members

Chair: Greg Fitzgerald
Frank Nelson
Ken Gillespie
Richard Barraclough
Ian Baker

Objectives

The executive board is responsible for the operational management of the Group.

Specific responsibilities of the board have been delegated to audit, remuneration and nomination committees; all of which have defined terms of reference, procedures, responsibilities and powers. Other directors may attend some of the committee meetings by invitation. The committees' terms of reference, which are closely modelled on the provisions of the Code, are available on the Group's website www.gallifordtry.co.uk.

The committees, their members and a report on their activities are given below:

Audit committee

The members are Amanda Burton, Peter Rogers and Andrew Jenner, who chairs the committee. Each of these non-executive directors is considered independent and served throughout the year. As a chartered accountant and finance director of Serco Group plc, Andrew Jenner has a strong finance background which fulfills the requirement to possess recent and relevant financial experience. The audit committee meets at least three times a year.

The audit committee maintains a formal calendar of items that are to be considered at each committee meeting and within the annual audit cycle to ensure that its work is in line with the requirements of the Code.

The main responsibilities of the audit committee are to:

> Monitor the integrity of the annual and interim financial statements and any formal announcements relating to the Company's financial performance, paying particular attention to significant reporting judgements contained therein, including critical accounting policies and practices;
> Review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
> Make recommendations to the board, for submission to shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors;
> Monitor and review the effectiveness of the internal audit function;
> Maintain a policy on the engagement of the external auditors to supply non-audit services; and
> Review arrangements by which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other matters.

Audit committee

Number of meetings held during the year	3
Members	Meetings attended
Chair: Andrew Jenner	3
Amanda Burton	3
Peter Rogers	3

Objectives

The audit committee monitors the integrity of the Company's financial statements and reporting judgements, also reviewing and monitoring the effectiveness of both external and internal audit.

During the year, the audit committee discharged its responsibilities as set out in its terms of reference by undertaking the following work:

> Meeting prior to the board meeting at which the Annual Report and Financial Statements, and the Interim Report, were approved. In doing so, the audit committee reviewed significant accounting policies, financial reporting issues and judgements together with reports from the external auditors;
> Reviewing the effectiveness of the external audit process, the external auditors strategy and plan for the audit, and the qualifications, expertise, resources and independence of the external auditors;
> Agreeing the terms of engagement and fee of the external auditors for the audit;
> Reviewing the policy on auditor independence and the provision of non-audit services by the external auditors;
> Receiving and considering regular reports on the findings and the follow up actions from management on internal audit reviews. It also conducted a review, with external support on the annual plan, remit, organisation, coordination and resources of the internal audit function and how it interfaces with executive management and the external auditors. A number of recommendations were agreed and are now being implemented;
> Reviewing the Annual Report disclosure items relevant to the audit committee including the revisions made by the Company to the Group's statement of accounting policies;
> Reviewing the potential impact on the Group's financial statements of significant corporate governance and accounting matters;
> Reviewing the findings of the external auditors, their management letters on accounting procedures and internal financial controls and audit representation letters;
> Reviewing the accounting and financing arrangements with respect to the Group's joint venture arrangements;
> Reviewing the Company's arrangements for testing the financial and non-financial covenants of the Group's banking facilities;
> Reviewing the appropriateness of the Company's methodology used to assess the carrying value of the Company's land and work-in-progress;
> Meeting separately with the external auditors in the absence of any executives and the internal audit team;
> Reviewing the procedures under which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other matters.

The audit committee operates a policy to safeguard the objectivity and independence of the external auditors. This policy sets out certain disclosure requirements by the external auditors to the audit committee, restrictions on the employment of the external auditors' former employees, partner rotation and procedures for the approval of non-audit services by the external audit firm.

The committee's policy is to review the necessity to consider whether to invite other firms to compete for the role with the incumbent firm at least as frequently as audit partner rotation is required. The Company's current auditors were originally appointed in 2001 following a formal tender process. The audit partner is required to rotate after five years and a new partner of PricewaterhouseCoopers (PwC) was responsible for the interim review and the year end statutory audit in 2010. Having considered the performance of PwC, and the new partner, the Committee recommended to the Board that a resolution to reappoint PwC be proposed at the forthcoming AGM. There are no contractual obligations that restrain the Committee's choice, and the committee remains satisfied on the independence of PwC.

All significant non-audit services require approval of the audit committee before the external auditors can be appointed or, in respect of non-audit services that are ordinarily carried out by the external auditors, through subsequent ratification. The committee will not approve the use of the external auditors if a conflict of interest could arise that might impact their objectivity or independence.

With respect to the significant non-audit related services provided during the year, the committee was satisfied that:

> Services were provided in connection with the Company's rights issue, which are ordinarily provided by the external auditors.
> Taxation advice was most efficiently given by the external auditors.

A report is made to the audit committee setting out all the non-audit services provided by the external auditors during the year and the fees charged. Details of the amount paid to the external auditors are given in note 5 to the Group financial statements on page 69.

Remuneration committee
The members are Amanda Burton, who chairs the committee, Peter Rogers and Andrew Jenner, all independent non-executive directors who served throughout the year.

The committee is responsible for deciding on all elements of executive directors' and members of the Group's executive board's remuneration. It also monitors the remuneration levels of the Company's senior management and remuneration policy throughout the Group. The Directors' Remuneration Report is on page 50.

Remuneration committee

Number of meetings held during the year	8
Members	Meetings attended
Chair: Amanda Burton	8
Peter Rogers	6
Andrew Jenner	8

Objectives

The committee is responsible for deciding on all elements of executive directors' and members of the Group's executive board's remuneration. It also monitors the remuneration levels of the Company's senior management and remuneration policy throughout the Group.

Nomination committee
The members are Peter Rogers, who chairs the committee, Amanda Burton and Andrew Jenner, all independent non-executive directors, who served throughout the year. The committee's role is to consider the structure and composition of the board, and to make recommendations for filling vacancies, considering the nature of the role and the capabilities required, taking external advice where appropriate. It ensures that appointments to the board are made on merit and against objective criteria.

Nomination committee

Number of meetings held during the year	2
Members	Meetings attended
Chair: Peter Rogers	2
Amanda Burton	2
Andrew Jenner	2

Objectives

The committee's role is to consider the structure and composition of the board, and to make recommendations for filling vacancies, considering the nature of the role and the capabilities required, taking external advice where appropriate.

The nomination committee also satisfies itself that, in terms of succession planning, the necessary processes are in place in respect of board and senior management positions. During the year under review the committee carried out a specific exercise on non-executive director succession planning, taking into account the need for a regular refreshing of the board while ensuring the advantages of continuity are retained. It also reviewed reports on both the short term candidates and the longer term development pool from which future key executive appointments may be made. Individual development plans, and the progress made by potential internal candidates, were also reviewed to ensure effective contingency and succession resourcing is in place.

Shareholder communications
The Company places a high priority on maintaining good relationships with all its shareholders. The chief executive and the finance director regularly meet with all major shareholders. Any new non-executive appointments are referred to at such meetings. Feedback on such meetings and shareholder views generally are communicated to the board as a whole, and brokers' reports are routinely circulated to all members of the board. The non-executive directors met with the Company's brokers for direct discussions on the views and objectives of its major shareholders. This ensures that the non-executive directors are aware of and are able to develop an understanding of the views held by major shareholders about the Company. The chairman is available to discuss governance and strategy with major shareholders. Non-executive directors will also attend meetings if requested to do so, as will the senior independent directors who discussed relevant issues during the year with major shareholders. While the focus of dialogue is with the major institutional shareholders, care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time within the constraints of the UK Listing Authority guidelines. The Company Secretary oversees communications with private shareholders. The Company has also appointed specific investor relations advisors for both institutional and private shareholders to improve the efficiency of its communications programme.

Every effort is made to ensure that annual general meetings are informative and meaningful occasions, and the full board, including the chairmen of the audit, remuneration and nomination committees, are available to answer questions following a presentation on the business which is given by the executive management. At the Annual General Meeting all proxy votes are reported. The Company has a comprehensive investor relations section within its website www.gallifordtry.co.uk to provide shareholders with all relevant information, including institutional presentation documents and webcasts, annual and interim reports and financial statements and frequently asked shareholder questions, in an effort to ensure that they are well informed about the Company. The investor relations section of the website has also been reviewed and redesigned in order to make it easier to navigate and to improve access to key investor information.

Accountability and audit
The board seeks to present a balanced and understandable assessment of the Company's position and prospects which is covered in the statement and reviews on pages 8 to 39.

The board has an audit committee as described above. The work undertaken by the audit committee on behalf of the board in reviewing the published statements, supported by the external auditors, allows the directors to make their responsibility statement on page 44 and the going concern statement on page 44.

Internal control and risk management
The board is responsible for the system of internal controls and for reviewing their effectiveness. The board regularly reviews the major areas of risk that the Group faces in its business and operations and the management controls and processes that are in place to manage those risks. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against misstatement or loss. A high-level register is maintained which is reviewed and updated as risks develop. This comprises risks specific to the divisional activities of the business, as well as environmental, social, governance, financial and human resources

risks. During the year it was revised to recognise the changes in risk as the Company's markets changed. This included lowering the thresholds at which contractual commitments are considered by management to take account of the increased competitive pressures in construction. The controls on land acquisition were also reviewed and additional checks and balances introduced to ensure the Group's expansion strategy remains well controlled.

The Group completed a business procedures project during the year that resulted in a complete revision of its corporate manual that lays down policy and process across the Group over the key management disciplines. Re-launched early in 2010, the directors across all the Group's business units are responsible for ensuring its provisions are complied with.

The audit committee commissioned a review during the year, with external advice, on the structure and composition of the Group's Internal Audit department. The review made a number of recommendations on how to more effectively link the work of the department to the risks facing the Group which will be completed during the forthcoming year, including the appointment of a head of audit and risk, who has been identified and will shortly join the Group.

The Group operates under an established internal control framework. The material controls are described below.

Organisational structure
The Group is organised into a number of divisions, under which there are clearly defined business units. Each division has its own management board and each business unit is run by a managing director and board. Clear reporting lines and delegated authorities are in place. Accordingly, the management of performance and monitoring and reporting of risk occurs at different levels within the Group with key issues being escalated through management to the board.

Contractual commitments
There are clearly defined policies and procedures for entering into contractual commitments that are in place throughout the relevant business units. These include detailed requirements that are required to be completed prior to submitting proposals and/or tenders for construction work both in respect of the commercial, control and risk management aspects of the obligations being entered into. A legal authorities matrix is in place to ensure the controls are clearly communicated throughout the business.

Investment in land and development
There are clearly defined policies and procedures for the purchase of land and for expenditure on development opportunities. These include detailed pre-commitment due diligence procedures together with detailed appraisal and review requirements that have to be complied with and are subject to rigorous review and authorisation.

Operational activity
There are established frameworks managing and controlling all site operations that take account of the specific requirements of the type of site that is being operated. This includes extensive health, safety and environmental procedures, regular performance monitoring and accountability to clients or customers as relevant.

Operational and financial reporting
The Group updates its business plan on an annual basis, following a review of strategy carried out by the board. It prepares a detailed annual budget for each financial year that is considered and approved by the board. A rigorous profit and cash reporting and forecasting regime is in place across the Group with reports prepared and reviewed on a monthly basis. The performance of each business is reviewed monthly by divisional and Group management and subsequently reported to the board against both budget and forecast. As well as the emphasis placed on cash flow, income and balance sheet reporting, health, safety and environmental matters form part of the key operating issues included within the monthly reports.

Internal audit
The Company's internal audit function is responsible for ensuring that all Group financial controls, as laid down in the corporate, finance and IT control manuals, are operating effectively. It reports to the audit committee on its findings.

Whistleblowing policy
The Company's whistleblowing policy, which puts in place a confidential channel of communication for employees to bring matters of concern, whether operational or personal, to the attention of senior management, enables the Company to investigate fully and take whatever corrective action is deemed to be appropriate. The audit committee reviews these arrangements regularly. It also has responsibility for ensuring independent investigation of such matters and appropriate follow-up action where necessary.

Competition policy
The Group has a comprehensive set of policies and procedures for ensuring compliance with competition law requirements. These are supported by training programmes which comprise seminars conducted with legal input from the Group's competition law advisors. In addition the Group has implemented a web-based training module which is to be undertaken by employees involved in areas of the business that are most likely to be affected by competition law.

Following the finding by the Office of Fair Trading in September 2009 that the Group had breached the 1998 Competition Act by three instances of involvement in cover pricing from 2001 to 2004, the Group's policy guidance and training programmes were reviewed and revised to ensure they took account of the most recent legal advice and competition authorities practice, and included specific guidance on housebuilding and construction activities.

The Group is appealing the quantum of the £8.3 million fine imposed by the OFT, with a decision expected in late 2010.

Bribery policy
The Group has an updated bribery policy that has been developed and communicated during the year to take account of the new provisions of the 2010 Bribery Act. Training programmes for relevant employees have been implemented and will be extended further as guidance develops prior to the full implementation of the Act in 2011.

Annual review
The board has reviewed the operation and effectiveness of the material internal controls outlined above for the year ended 30 June 2010 and has taken any necessary action to remedy any significant weaknesses or findings identified from its review. The controls have been in place during the period under review up to the date of the approval of the Annual Report and Financial Statements.

Richard Barraclough, Company Secretary

15 September 2010

SUPPORTING THE DELIVERY OF OUR STRATEGY

The report has been prepared in accordance with The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008. The auditors are required to report on the 'auditable' part of this report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 2006. The report is therefore divided into separate sections for audited and unaudited information. The board has reviewed the Group's compliance with the 2008 Combined Code (the "Code") on remuneration related matters. It is the opinion of the board that the Group complied with all remuneration related aspects of the Code during the year.

Part One: Unaudited Information

The remuneration committee

The remuneration committee ("the committee") is governed by formal terms of reference agreed by the board and is composed entirely of non executive directors whom the board considers are independent. The members are Amanda Burton, who chairs the committee, Peter Rogers and Andrew Jenner, who have all served throughout the year. The Chairman, Chief Executive and Company Secretary are invited to attend meetings of the committee, although no executive is present when his/her own remuneration is being considered.

The committee determines the specific remuneration packages of executive directors. It also determines the remuneration packages of members of the Company's executive board and monitors and makes recommendations on remuneration for the level of senior management below the executive board. To ensure executive remuneration is considered in the context of the Group as a whole, the committee reviews policy on the pay and benefit structure, including bonus schemes, for all employees in the Group. The committee keeps itself fully informed of developments and best practice in the field of remuneration and obtains advice from independent external consultants when required on individual remuneration packages and on executive remuneration practices in general. Independent consultants MM & K Limited have advised the committee on directors' remuneration matters during the year. Independent legal advice may be sought by the committee as and when required. The committee is supported by the Company Secretary.

Remuneration policy

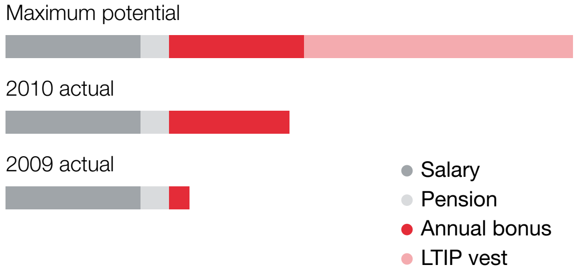
During the year, the committee had agreed the following remuneration policy:

> Remuneration packages must attract, retain and motivate the executives required to achieve the Company's strategic objectives.
> The Group is committed to engendering a performance culture which will position Galliford Try as an employer of choice while delivering increased shareholder value.
> A significant proportion of an executive director's total remuneration should be delivered through performance-related pay.
> Performance-related pay should deliver upper quartile pay only if outstanding performance is achieved.

The committee continues to ensure that the incentive structure for executive directors and senior management will not raise environmental, social or governance risk by inadvertently motivating irresponsible behaviour. There are no restrictions on the committee which prevent it from taking into account such matters generally when determining remuneration issues. It has also determined that if any unforeseen issues arise, particularly in the context of the Group's bonus and incentive schemes, that would make an outcome unjustifiable, it will use its discretion under the rules of the respective schemes to correct the position.

The committee's objective is for performance-related pay to account for two thirds of a director's remuneration (excluding pension contributions). For the year ended 30 June 2010, performance-related pay represented 43% of remuneration.

Executive directors' remuneration policy



Basic salary and benefits

Executive directors' basic salaries were last increased on 1 July 2007. In the light of the downturn in the housebuilding sector, all the directors agreed to take a salary reduction of 5% in 2009. These decisions were taken against a backdrop in the Group whereby the housebuilding business operated a four day week from January to June 2009, with staff returning to full time working from July 2009 at a 3% basic salary reduction. As the construction markets became more challenging, there was no increase for employees across the construction businesses in 2009, with senior management in construction taking reductions of up to 5%.

The outcome of the 2010 review across the Group is that basic salary for housebuilding employees has been reinstated from 1 July 2010 as the market has stabilised and there has been no increase for a second year across the Group's construction businesses. The salary reductions applying to the executive directors, executive board members and senior construction managers continue to apply following the June 2010 review.

Annual bonus scheme

The annual bonus scheme enables executive directors to earn a maximum annual bonus of 100% of their basic salary dependent on the achievement of stretching financial targets set by the committee at the beginning of each financial year.

Two thirds of any amount earned in excess of 50% of an individual's basic salary is required to be deferred into restricted shares. Such restricted shares must be retained for three years and will be forfeited if the recipient's employment in the Group terminates before the end of that period, unless agreed otherwise by the committee in certain clemency situations.

For 2010 the committee determined that 70% of bonus should be determined based on the achievement of profit targets, with 30% based on net debt/cash targets throughout the year. Maximum bonus is only paid if challenging objectives are met. The committee reviewed the effect of the September 2009 share consolidation and rights issue on the Company's targets and made appropriate adjustments to ensure that they remained equally stretching as when set at the beginning of the financial year, in particular taking into account the cash received from the rights issue and the plan for expansion in housebuilding. In the year to 30 June 2010 the Group substantially exceeded the profit targets set at the beginning of the year, and also managed its cash profile to be significantly better than forecast throughout the year. Accordingly, the executive directors earned bonuses for the year averaging 97% of basic salary, of which one third will be deferred for three years in restricted shares.

All staff throughout the Group participate in an annual bonus scheme, with targets linked to the performance of their particular responsibilities or business unit. The scope and extent of these schemes vary between levels of management and business sector. The committee monitors the operation of these schemes to ensure fairness and compatibility with executive remuneration. All bonus schemes throughout the Group are subject to a 50% reduction in payment if Group profit before tax does not meet a predetermined threshold, whatever the performance of the individual business may have been.

From 1 July 2010 the committee has introduced health, safety and environment targets with a reduction in bonus for executive directors if the Group does not achieve externally measured targets set down in a matrix. If the target had been in place during the year to 30 June 2010, bonus would have reduced by 9%. The same principle has been adopted for all annual bonus schemes covering staff across the Group.

Long term incentive plan

Under the Company's Long Term Incentive Plan (LTIP), the Committee may grant awards to selected participants annually. The maximum value of an award that may be granted in any financial year to any individual will not exceed 100% of his/her basic annual salary at the award date. The number of shares subject to an award granted to any individual participant is calculated based on the average of the closing prices of the Company's shares for the 30 days prior to the date of grant. The vesting of an award depends on the achievement of performance conditions applied to that award over a three year plan cycle.

Awards granted in September 2006, September 2007 and September 2009

The Committee determined that there should be a performance underpin whereby the Company must achieve a compound growth in earnings per share at least equivalent to the growth in the retail prices index plus 2% per annum over a plan cycle before any awards are considered for vesting. If the earnings per share performance condition has been met, the performance of the Company is then measured by reference to its total shareholder return (TSR) performance compared to a peer group of comparable companies in the construction and housebuilding sectors.

If the Company's TSR places it at the 75th percentile over the three-year plan cycle 100% of the award will vest. If the Company's performance places it below the 51st percentile the award will not vest and will lapse in its entirety. 30% of the awards will vest if the 51st percentile is achieved, rising on a straight line scale to the 75th percentile. On the achievement of exceptional performance that places the Company above the 75th percentile, an additional element of vesting can occur. The Company would also need to achieve a more demanding level of earnings per share growth which will need to exceed the growth in the retail price index plus 5% per annum compound. If this is achieved and the TSR performance of the Company places it at first position in the peer group, then the level of vesting increases to 200% of the original award. For performance between the 75th percentile and the top position, vesting is on a straight line sliding scale between 100% and 200%.

The awards granted in 2006 and 2007 did not meet the earnings per share underpin and therefore have lapsed.

The comparator companies used for the TSR comparison for the September 2009 award were:

Balfour Beatty plc	Costain Group plc
Barratt Developments plc	M J Gleeson plc
Bellway plc	Kier Group plc
The Berkeley Group Holdings plc	Morgan Sindall plc
Henry Boot plc	Persimmon plc
Bovis Homes Group plc	Redrow plc
Carillion plc	ROK plc
T Clarke plc	Taylor Wimpey plc

Awards granted in March 2009

At the 2008 annual general meeting, shareholders approved an amendment to the rules of the LTIP that gave the committee flexibility to amend the performance targets for any new awards granted in the financial year ended 30 June 2009 and beyond to take account of the changed economic situation as outlined in last year's report. Consequently, the awards granted under the plan on 10 March 2009, covering the performance period 1 July 2008 to 30 June 2011, had the following performance targets:

1. The total shareholder return ('TSR') target as outlined above remained unchanged.

2. The performance underpin was set in two parts, to demonstrate the achievement of stretching performance over the plan cycle, as follows:

   i. An absolute share price target equivalent to 10% per annum compound growth from the commencement of the performance period on 1 July 2008: and

   ii. The achievement of cash management targets at the end of each quarter starting at the end of the month that the award was granted and ending on 30 June 2011. At each measurement date, points are awarded dependent on the extent to which cash performance exceeds a target with points deducted if the target is missed. If cash falls below a predetermined amount at any time between the measurement points, the underpin fails in its entirety. The basic underpin will be achieved if a predetermined total of points is obtained, but for performance between the 75th percentile and the top position, 33% more points against the target must be achieved.

3. The maximum amount which could vest under the award if the Company is in the top TSR position was reduced from 200% to 150% of the initial award value.

Following the share consolidation and rights issue that took place in October 2009, the committee adjusted the number of shares under outstanding awards in accordance with the rules of the plan, which was reviewed by the Company's auditors. The committee also adjusted the absolute share price underpin for the award granted on 10 March 2009 by using a calculation based on the theoretical ex rights price resulting in the original target of 66.25p (based on ordinary shares of 5p) being replaced by a target of £4.59 (based on the new ordinary shares of 50p).

Future awards

The prospectus for the rights issue in September 2009 stated that whilst expected to be earnings dilutive for the first two years, the effects of the rights issue would be materially earnings enhancing from year three. The Committee takes the view that future LTIP performance targets should change to reinforce this key aspect of the Company's strategy.

In addition, the committee feels that, while comparative TSR remains an excellent way to align executives' interests with those of shareholders, the fact that the Company's competitors are in two different sectors, construction and housebuilding, which the recent economic downturn has clearly illustrated now operate in very different economic cycles, makes the selection of an appropriate single TSR comparator group problematic. The committee therefore wishes to address this issue in a way that improves the link between shareholder return and executive incentive as well as reflecting the reality of the Company's business across the two sectors in which it operates.

The committee is therefore currently planning, following consultation with major shareholders, to exercise the discretion that it has within the rules of the plan to amend the targets so that for a vesting of up to 100% of an award, half will be linked to earnings per share performance and half to comparative TSR performance. The earnings per share performance will be based on the achievement of absolute aggregate earnings per share targets for the three years of the performance period. For the next award, which the Committee anticipates granting in September 2010, a target of 140 pence per share is being proposed for the three years from 1 July 2010 to 30 June 2013. A threshold will be set at 10% below this figure and a stretch target at 10% above. 15% of the award will vest at threshold, 32.5% at target and 50% at stretch.

It is proposed to split the comparator group for TSR performance used into two separate construction and housebuilding groups. Half of the award subject to TSR will be measured against a peer group comprising housebuilders (of which there are currently seven) and half against a peer group comprising contractors (of which there are currently nine). The vesting schedule will remain proportionately as at present, which will mean that 25% will vest for achieving top quartile in the construction sector, and 25% for achieving top quartile in the housebuilding sector.

The LTIP has a 'super performance' target that enables 200% of an award to vest on a sliding scale between top quartile of the existing mixed comparator group and the number one position. It is proposed that, in order to qualify for this element of the award, the Company will have to achieve the aggregate stretch EPS target (in the example above 154p) as an underpin and then there will be a straight line progression based on its relative TSR position in each comparator group from the upper quartile to the top company in each comparator group.

Share retention policy

The Company operates a share retention policy that requires executive directors to build up a holding of shares in the Company over a five year period equivalent in value to 1 x basic salary or, in the case of the Chief Executive, 1.5 x basic salary. As at 30 June 2010, all the executive directors met this requirement.

Save as you earn scheme

The Company operates an HM Revenue and Customs approved savings related share option scheme for the benefit of all employees including executive directors, whereby employees make regular savings with a building society with an option to buy shares in Galliford Try plc at the end of a three or five year savings period at a discount of up to 20% of the market value when they started saving. There are no performance conditions attached to savings related options.

Pensions

The executive directors receive a salary supplement of 20% of basic salary (calculated prior to the 2009 salary reductions) for pension purposes.

Greg Fitzgerald is entitled to deferred benefits under the Galliford Try Final Salary Pension Scheme which provided defined benefits based on service up until, and final pensionable salary to, its closure to future service accrual on 31 March 2007. Greg Fitzgerald's accumulated total accrued pension at 30 June 2010 was £25,156 and its transfer value was £279,892, an increase of £21,195 on the transfer value at 30 June 2009 which was £258,697.

Non-executive directors

Non-executive directors are appointed for an initial period of three years after which their appointments are subject to review at least every three years. There is a maximum period of six months' notice for early termination. A committee comprising the executive directors and Company Secretary is responsible for taking appropriate independent advice from remuneration consultants to determine non-executive directors' remuneration.

No increases in non-executive directors' fees have been made since 1 July 2007 and the non-executive directors agreed to reduce their fees by 5% in 2009.

External appointments

With the approval of the board in each case, executive directors may normally accept an external appointment as a non-executive director of another company and retain any fees received. Greg Fitzgerald was appointed a non-executive director of NHBC (the National Housebuilding Council) on 1 June 2010 at an annual fee of £33,600. He received fees in the year of £2,800.

Performance

The Group's Total Shareholder Return (TSR) performance (share price movements plus dividends reinvested) over the last five financial years relative to the FTSE All Share index based on 30 trading day average values is shown below. The Company is a member of the FTSE Small Cap index but as there is no appropriate sector index that includes both construction and housebuilding companies the Group believes that the All Share index is the most appropriate comparator as it encompasses all of its key competitors, as well as the full cross section of other companies.

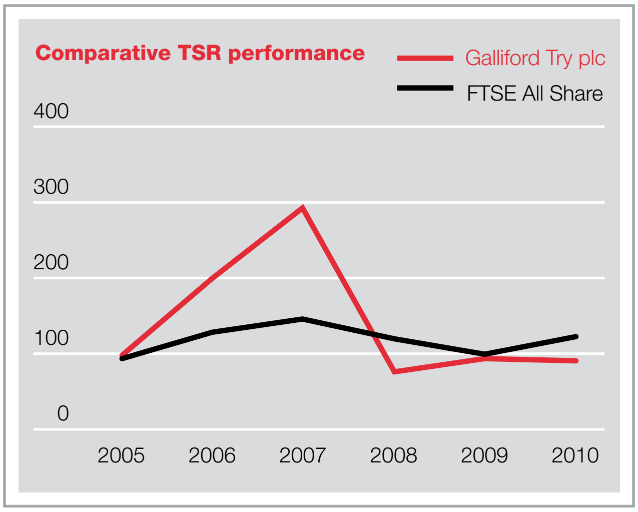


Table 1: Directors' interests

The directors at 30 June 2010 held the following beneficial interests in the ordinary shares of the Company:

	at 01.07.09†	at 30.06.10
David Calverley	165,625	232,609
Greg Fitzgerald	314,831	664,610*
Frank Nelson	100,226	162,440
Amanda Burton	8,255	17,885
Peter Rogers	12,500	27,083
Andrew Jenner	6,200	13,433

* Greg Fitzgerald also has a beneficial interest in 425,402 shares (2009: 313,676†) held by Crownway Builders Limited, a company in which he owns 37.5% of its issued share capital.

† Adjusted to reflect the share consolidation on 6 October 2009.

There were no changes in the directors' interests from 30 June 2010 to 15 September 2010.

Table 2: Directors' service contracts

Name	Contract date	Notice – months
Non-executive directors		
David Calverley	1 July 2005	6
Amanda Burton	1 July 2005	6
Peter Rogers	1 July 2008	6
Andrew Jenner	1 January 2009	6
Executive directors		
Greg Fitzgerald	1 July 2003	12
Frank Nelson	15 September 2000	12

[1] Contract dates shown are the director's initial contract as an executive director or non-executive director of the Company. Executive directors have a rolling notice period as stated. Non-executives are initially appointed for a period of three years, subject to a rolling period which continues thereafter as stated.

[2] There are no provisions for compensation payments on termination in any contracts. The committee will seek to mitigate in appropriate circumstances.

Part Two: Audited Information

Table 3: Directors' remuneration

Name	Salary and fees £000	Annual bonus £000	Benefits £000	Pension £000	Total 2010 £000	Total 2009 £000
Executive directors						
Greg Fitzgerald	451	441	33	95	1,020	661
Frank Nelson	296	286	26	63	671	445
Non-executive directors						
David Calverley	100	–	1	–	101	104
Amanda Burton	42	–	–	–	42	38
Peter Rogers	38	–	–	–	38	35
Andrew Jenner	38	–	–	–	38	19
Former directors						
Chris Bucknall	–	–	–	–	–	18
Jonathan Dawson	–	–	–	–	–	20
	965	727	60	158	1,910	1,340

The salary supplement paid to the directors for pension purposes is shown as "Pension".

Table 4: Directors' interests in long term incentive plan

Name	Award date	Market price at award date	Number of shares at 01.07.09	Shares awarded	Shares vested	Shares lapsed	Number of shares at 30.06.10	Value vested	Vesting date
Greg Fitzgerald	30.10.06	954p	41,113	–	–	41,113	–	–	30.10.09
	10.09.07	1,061p	45,409	–	–	–	45,409	–	10.09.10
	10.03.09	250p	172,316	–	–	–	172,316	–	10.03.12
	11.09.09	507p	–	107,105	–	–	107,105	–	11.09.12
Total			258,838	107,105	–	41,113	324,830		
Frank Nelson	30.10.06	954p	28,500	–	–	28,500	–	–	30.10.09
	10.09.07	1,061p	29,826	–	–	–	29,826	–	10.09.10
	10.03.09	250p	113,184	–	–	–	113,184	–	10.03.12
	11.09.09	507p	–	70,345	–	–	70,345	–	11.09.12
Total			171,510	70,345	–	28,500	213,355		

All Awards were granted under the Galliford Try 2006 Long Term Incentive Plan, details of which can be found on page 51.
Value vested represents the gain made on vesting.
The market price of the Company's shares at 30 June 2010 was 314.25 pence and the range of market prices during the year was between 514 pence and 285 pence.
The number of shares stated and market prices shown have been adjusted in accordance with the rules of the plan to take account of the share consolidation and rights issue that took place during the year; further details are in the remuneration report on page 52.

Table 5: Directors' interests in SAYE share option scheme

	Date of grant	Number of shares at 01.07.09	Granted in year	Exercised in year	Lapsed in year	Number of shares at 30.06.10	Exercisable from	Exercisable to	Exercise price
Greg Fitzgerald	20.12.05	1,696	–	–	1,696	–	01.02.09	31.07.09	496p
Total		1,696	–	–	1,696	–			
Frank Nelson	20.12.05	519	–	–	–	519	01.02.11	31.07.11	496p
	09.11.06	859	–	–	859	–	01.01.10	30.06.10	738p
	02.11.07	151	–	–	–	151	01.01.11	30.06.11	912p
Total		1,529	–	–	859	670			

The number of shares stated and exercise prices shown have been adjusted in accordance with the rules of the plan to take account of the scheme consolidation and rights issue that took place during the year.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GALLIFORD TRY PLC

We have audited the Group financial statements of Galliford Try plc for the year ended 30 June 2010 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Shareholders' Equity, Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 44, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

> give a true and fair view of the state of the Group's affairs as at 30 June 2010 and of its profit and cash flows for the year then ended;
> have been properly prepared in accordance with IFRSs as adopted by the European Union; and
> have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

> the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.
> the information given in the Corporate Governance Statement set out on page 48 of the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

> certain disclosures of directors' remuneration specified by law are not made; or
> we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

> the directors' statement, set out on page 44 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 June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Galliford Try plc for the year ended 30 June 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Pauline Campbell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
Wednesday, 15 September 2010

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 Before exceptional items £m	2010 Exceptional items £m	2010 Total £m	2009 Before exceptional items £m	2009 Exceptional items £m	2009 Total £m
Continuing operations							
Revenue	2	**1,221.9**	**–**	**1,221.9**	1,461.2	–	1,461.2
Cost of sales		**(1,104.6)**	**1.4**	**(1,103.2)**	(1,344.9)	(40.6)	(1,385.5)
Gross profit/(loss)		**117.3**	**1.4**	**118.7**	116.3	(40.6)	75.7
Administrative expenses		**(87.1)**	**(8.3)**	**(95.4)**	(83.4)	(10.8)	(94.2)
Share of post tax losses from joint ventures	12	**(0.8)**	**–**	**(0.8)**	(1.0)	–	(1.0)
Profit/(loss) before finance costs		**29.4**	**(6.9)**	**22.5**	31.9	(51.4)	(19.5)
Profit/(loss) from operations	2	**35.2**	**(6.9)**	**28.3**	43.4	(51.4)	(8.0)
Share of joint ventures' interest and tax		**(4.5)**	**–**	**(4.5)**	(9.5)	–	(9.5)
Amortisation of intangibles		**(1.3)**	**–**	**(1.3)**	(2.0)	–	(2.0)
Profit/(loss) before finance costs		**29.4**	**(6.9)**	**22.5**	31.9	(51.4)	(19.5)
Finance income	4	**4.4**	**–**	**4.4**	3.8	–	3.8
Finance costs	4	**(7.7)**	**–**	**(7.7)**	(11.2)	–	(11.2)
Profit/(loss) before income tax	5	**26.1**	**(6.9)**	**19.2**	24.5	(51.4)	(26.9)
Income tax (expense)/income	6	**(8.0)**	**(0.4)**	**(8.4)**	(6.0)	15.1	9.1
Profit/(loss) for the year	30	**18.1**	**(7.3)**	**10.8**	18.5	(36.3)	(17.8)
Earnings/(loss) per share							
– Basic	8	**24.6p**		**14.7p**	35.8p*		(34.4)p*
– Diluted	8	**24.6p**		**14.7p**	35.8p*		(34.4)p*
Dividend per share (declared)	7			**12.5p**			10.9p

* Restated following the 1 for 10 share consolidation and subsequent 7 for 6 rights issue in October 2009.

The notes on pages 60 to 96 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 £m	2009 £m
Profit/(loss) for the year		**10.8**	(17.8)
Actuarial gains and losses recognised on retirement benefit obligations	31	**4.8**	(6.5)
Deferred tax on items recognised in equity	6	**(1.3)**	1.8
Other comprehensive income/(expense)		**3.5**	(4.7)
Total comprehensive income/(expense) for the year		**14.3**	(22.5)

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2010

	Notes	2010 £m	2009 £m
Assets			
Non-current assets			
Intangible assets	9	**6.9**	8.2
Goodwill	10	**115.0**	115.0
Property, plant and equipment	11	**7.6**	8.3
Investments in joint ventures	12	**2.1**	0.7
Financial assets			
– Available for sale financial assets	13	**15.7**	9.4
Trade and other receivables	18	**38.2**	40.3
Deferred income tax assets	25	**11.2**	12.0
Total non-current assets		**196.7**	193.9
Current assets			
Inventories	15	**1.1**	0.9
Developments	16	**528.9**	447.6
Trade and other receivables	18	**227.7**	213.5
Cash and cash equivalents	19	**166.7**	159.5
		924.4	821.5
Non-current assets classified as held for sale	14	**0.5**	12.1
Total current assets		**924.9**	833.6
Total assets		**1,121.6**	1,027.5
Liabilities			
Current liabilities			
Financial liabilities – borrowings	23	**(1.0)**	(13.0)
Trade and other payables	20	**(563.0)**	(546.2)
Current income tax liabilities	21	**(5.9)**	(4.6)
Provisions for other liabilities and charges	22	**(8.6)**	(0.6)
Total current liabilities		**(578.5)**	(564.4)
Net current assets		**346.4**	269.2
Non-current liabilities			
Financial liabilities			
– Borrowings	23	**(89.2)**	(112.4)
– Derivative financial liabilities	26	**(2.1)**	(2.8)
Retirement benefit obligations	31	**(17.3)**	(27.5)
Deferred income tax liabilities	25	**–**	(14.3)
Other non-current liabilities	24	**(10.7)**	(11.4)
Provisions for other liabilities and charges	22	**(0.6)**	(0.1)
Total non-current liabilities		**(119.9)**	(168.5)
Total liabilities		**(698.4)**	(732.9)
Net assets		**423.2**	294.6
Shareholders' equity			
Ordinary shares	27	**40.9**	18.9
Share premium	29	**190.8**	190.8
Other reserves	29	**5.3**	5.3
Retained earnings	30	**186.2**	79.6
Total shareholders' equity		**423.2**	294.6

The notes on pages 60 to 96 are an integral part of these consolidated financial statements.

The financial statements on pages 56 to 96 were approved by the board on 15 September 2010 and signed on its behalf by:

Greg Fitzgerald
Chief Executive

Frank Nelson
Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
At 1 July 2008	18.9	190.8	5.3	110.3	325.3
Loss for the year	–	–	–	(17.8)	(17.8)
Other comprehensive expense	–	–	–	(4.7)	(4.7)
Transactions with owners					
Dividends paid	–	–	–	(9.6)	(9.6)
Share based payments	–	–	–	1.4	1.4
At 1 July 2009	18.9	190.8	5.3	79.6	294.6
Profit for the year	–	–	–	10.8	10.8
Other comprehensive income	–	–	–	3.5	3.5
Transactions with owners					
Transactions with owners					
Dividends paid	–	–	–	(6.7)	(6.7)
Share based payments	–	–	–	1.8	1.8
Purchase of own shares	–	–	–	(0.1)	(0.1)
Issue of shares (note 27)	22.0	–	–	97.3	119.3
At 30 June 2010	**40.9**	**190.8**	**5.3**	**186.2**	**423.2**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 £m	2009 £m
Cash flows from operating activities			
Continuing operations			
Profit/(loss) before finance costs		**22.5**	(19.5)
Adjustments for:			
Depreciation and amortisation		**3.3**	4.4
Profit on sale of property, plant and equipment		**(0.1)**	(0.1)
Profit on sale of investments		**(4.4)**	(4.2)
Share based payments		**1.8**	1.4
Share of post tax losses from joint ventures		**0.8**	1.0
Movement on provisions		**8.5**	(2.2)
Other non cash movements		**(5.5)**	(6.0)
Net cash generated from/(used in) operations before pension deficit payments and changes in working capital		**26.9**	(25.2)
Deficit funding payments to pension schemes		**(7.3)**	(7.2)
Net cash generated from/(used in) operations before changes in working capital		**19.6**	(32.4)
(Increase)/decrease in inventories		**(0.2)**	0.8
(Increase)/decrease in developments		**(25.1)**	162.7
(Increase)/decrease in trade and other receivables		**(20.9)**	79.1
Increase/(decrease) in payables		**9.0**	(162.8)
Net cash (used in)/generated from operations		**(17.6)**	47.4
Interest received		**3.6**	3.0
Interest paid		**(4.6)**	(6.3)
Income tax (paid)/received		**(7.5)**	0.8
Net cash (used in)/generated from operating activities		**(26.1)**	44.9
Cash flows from investing activities			
Dividends received from joint venture	12	**0.1**	2.8
Acquisition of subsidiaries (net of cash and borrowings acquired)	32	**(55.7)**	–
Acquisition of investments in joint ventures	12	**(2.4)**	(5.1)
Acquisition of available for sale financial assets	13	**(1.0)**	–
Acquisition of non-current assets held for sale	14	**(0.5)**	–
Proceeds from non-current assets held for sale	14	**16.5**	5.2
Proceeds from available for sale financial assets	13	**0.2**	0.2
Acquisition of property, plant and equipment	11	**(1.6)**	(3.4)
Proceeds from sale of property, plant and equipment		**0.4**	0.8
Net cash (used in)/generated from investing activities		**(44.0)**	0.5
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**119.3**	–
Purchase of own shares	30	**(0.1)**	–
Repayment of borrowings		**(35.2)**	(14.8)
Increase in borrowings		**–**	4.1
Dividends paid to Company shareholders	7	**(6.7)**	(9.6)
Net cash generated from/(used in) financing activities		**77.3**	(20.3)
Net increase in cash and cash equivalents		**7.2**	25.1
Cash and cash equivalents at 1 July	19	**159.5**	134.4
Cash and cash equivalents at 30 June	19	**166.7**	159.5

The notes on pages 60 to 96 are an integral part of these consolidated financial statements.

NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies

General information
Galliford Try plc is a company incorporated, listed and domiciled in England and Wales (Registered Number 836539). The address of the registered office is Galliford Try plc, Cowley Business Park, Cowley, Uxbridge, UB8 2AL. Galliford Try is a construction and housebuilding group.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. The amounts stated are denominated in millions (£m).

Basis of accounting
These financial statements have been prepared in accordance with EU adopted International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, available for sale investments, retirement benefit obligations, share based payments, and financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee, and endorsed by the EU, relevant to its operations and effective on 1 July 2009.

In the current year, the Group has adopted the following new accounting standards:

> IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expense (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income.

> IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Chief Executive and the Group Finance Director. Goodwill is allocated by management to groups of cash-generating units on a segment level.

> IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. The key impact to the Group in the period is that on acquisition of the additional interest in a joint venture company there is a deemed disposal of the joint venture share held giving rise to a £8.4 million loss in the year, followed by an acquisition of the full interest of the share capital finally held. In addition all acquisition costs of £0.3 million have been expensed.

> Amendment to IAS 23, 'Borrowing costs'. This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction and production of a qualifying asset, as part of the cost of that asset. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. Inventories which are produced in large quantities on a repetitive basis over a short period of time are not qualifying assets. This amendment has not had any impact on the Group's financial statements as the activities performed by the Group do not produce qualifying assets.

> Amendment to IFRS 2, 'Share based payments on vesting conditions and cancellations'. This amendment has had no impact on the Group's financial statements.

> Amendment to IAS 32, 'Financial instruments presentation and IAS 1 presentation of financial statements': Puttable financial instruments and obligations arising on liquidation'. This amendment has had no impact on the Group's financial statements.

> Amendment to IFRS 1, 'First time adoption of IFRS' and IAS 27, 'Consolidated and separate financial statements' on the cost of an investment in a subsidiary, jointly controlled entity or associate. This amendment has had no impact on the Group's financial statements.

> IFRIC 15, 'Agreements for the construction of real estate'. IFRIC 15 has not had a significant impact on the Group's financial statements.

> IFRIC 16, 'Hedges of a net investment in a foreign operation'. IFRIC 16 is not relevant to the Group's operation.

> IFRIC 17, 'Distribution of non-cash assets to owners'. IFRIC 17 has had no impact on the Group's financial statements.

> IFRIC 18, 'Transfer of assets from customers'. IFRIC 18 is not relevant to the Group's operation.

Critical accounting estimates and judgements
The preparation of the consolidated financial statements 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 judgements about the carrying value of assets and liabilities which are 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 revision and future periods if the revision affects both current and future periods.

Material estimates and assumptions are made in particular with regards to establishing the following policies:

(i) Impairment of goodwill and intangible assets
The determination of the value of any impairment of goodwill and intangible assets requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flows expected from these cash-generating units including the anticipated growth rate of revenue and costs and requires the determination of a suitable discount rate to calculate the present value of the cash flows. Details of the goodwill impairment review calculations and sensitivity analysis performed are included in note 10.

1 Accounting policies continued

(ii) Estimation of costs to complete
In order to determine the profit and loss that the Group is able to recognise on its developments and construction contracts in a specific period, the Group has to allocate total costs of the developments and construction contracts between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred requires a degree of estimation. However, Group management has established internal controls to review and ensure the appropriateness of estimates made.

(iii) Retirement benefit obligation valuations
In determining the valuation of defined benefit schemes assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the Group:

> expected return on scheme assets
> inflation rate
> mortality
> discount rate
> salary and pension increases

Details of the assumptions used are included in note 31.

Basis of consolidation
The Group financial statements incorporate the results of Galliford Try plc, its subsidiary undertakings and the Group's share of the results of joint ventures. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. The identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of any minority interest. The excess of cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of acquired subsidiaries are changed where necessary to ensure consistency with policies adopted by the Group.

In addition to total performance measures, the Group discloses additional information including performance before exceptional items, profit from operations and adjusted earnings per share. The Group believes that this additional information provides useful information on underlying trends. This additional information is not defined under IFRS, and may therefore not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measures of profit.

Exceptional items
Material non-recurring items of income and expense are disclosed in the income statement as "exceptional items". Examples of items which may give rise to disclosure as exceptional items include gains and losses on the disposal of businesses, investments and property, plant and equipment, cost of restructuring and reorganisation of businesses, asset impairments and pension fund settlements and curtailments.

Segment reporting
Segment reporting is presented in the consolidated financial statements in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting reflects the Group's management and internal reporting structure. Segment results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

Revenue and profit
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax. Sales within the Group are eliminated. Revenue also includes the Group's proportion of work carried out under jointly controlled operations.

Revenue and profit are recognised as follows:

i) Housebuilding and land sales
Revenue from private housing sales, including affordable housing is recognised at legal completion, net of incentives. Revenue from land sales is recognised on the unconditional exchange of contracts. Profit is recognised on a site by site basis by reference to the expected result of each site. Contracting development sales for affordable housing are accounted for as construction contracts.

(ii) Facilities management contracts
Revenue is recognised on an accruals basis once the service has been performed and with reference to value provided to the customer. Profit is recognised by reference to the specific costs incurred relating to the service provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 Accounting policies continued

(iii) Construction contracts
Revenue comprises the value of construction executed during the year and contracting development sales for affordable housing. The results for the year include adjustments for the outcome of contracts, including jointly controlled operations, executed in both the current and preceding years.

(a) Fixed price contracts – Revenue is recognised based upon an internal assessment of the value of works carried out. This assessment is arrived at after due consideration of the performance against the programme of works, measurement of the works, detailed evaluation of the costs incurred and comparison to external certification of the work performed. The amount of profit to be recognised is calculated based on the proportion that costs to date bear to the total estimated costs to complete. Revenue and profit are not recognised in the income statement until the outcome of the contract is reasonably certain. Adjustments arise from claims by customers or third parties in respect of work carried out and claims and variations on customers or third parties for variations on the original contract. Provision for claims against the Group is made as soon as it is believed that a liability will arise, but claims and variations made by the Group are not recognised in the income statement until the outcome is virtually certain. Provision will be made against any potential loss as soon as it is identified.

(b) Cost plus contracts – Revenue is recognised based upon costs incurred to date plus any agreed fee. Where contracts include a target price consideration is given to the impact on revenue of the mechanism for distributing any savings or additional costs compared to the target price. Any revenue over and above the target price is recognised once the outcome is virtually certain. Profit is recognised on a constant margin throughout the life of the contract. Provision will be made against any potential loss as soon as it is identified.

Amounts recoverable on contracts and payments on account are calculated as cost plus attributable profit less any foreseeable losses and cash received to date and are included in receivables or payables as appropriate.

(iv) Housing grants
Grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The grants are recognised as revenue or cost of sales, as appropriate, over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Bid costs for PFI/PPP contracts
Bid costs relating to PFI/PPP projects are not carried in the balance sheet as recoverable until the Group has been appointed preferred bidder or has received an indemnity in respect of the investment or costs, and regards recoverability of the costs as virtually certain.

Rent receivable
Rental income represents income obtained from the rental of properties and is credited to the income statement on a straight line basis over the period of the lease within revenue.

Interest income and expense
Interest income and expense is recognised on a time proportion basis using the effective interest method.

Income tax
Current income tax is based on the taxable profit for the year. Taxable profit differs from profit before taxation recorded in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The liability for current tax is calculated using rates that have been enacted, or substantially enacted, by the balance sheet date.

Deferred income tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred income tax is accounted for on an undiscounted basis. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying temporary differences can be deducted.

Deferred income tax is charged or credited through the income statement, except when it relates to items charged or credited through the statement of comprehensive income, when it is charged or credited there.

Goodwill
Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the net assets acquired. It is recognised as an asset and reviewed for impairment at least annually or when there is a triggering event by considering the net present value of future cash flows. Any impairment is charged immediately to the income statement and is not subsequently reversed.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts following impairment tests. Goodwill written off to reserves under UK GAAP prior to 1998 has not been restated.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Intangible assets
Intangible assets include brands, customer contracts and customer relationships acquired on acquisition of subsidiary companies. The intangible assets are reviewed for impairment at least annually or when there is a triggering event. Intangible assets are stated at amortised cost less any impairment.

1 Accounting policies continued

Intangible assets are being amortised over the following periods:

(a) Brand – on a straight line basis over 4 to 10 years.
(b) Customer contracts – in line with expected profit generation varying from 1 to 9 years.
(c) Customer relationships – on a straight line basis over 3 years.

Property, plant and equipment
Land and buildings comprise mainly offices and are stated at cost less accumulated depreciation and impairment. All other property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated to write off the cost of each asset to estimated residual value over its expected useful life. Freehold land is not depreciated. The annual rates of depreciation are as follows:

Freehold buildings	2%

On cost or reducing balance:

Plant and machinery	15% to 33%
Fixtures and fittings	10% to 33%

In addition to systematic depreciation the book value of property, plant and equipment would be written down to estimated recoverable amount should any impairment in the respective carrying values be identified.

The asset residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each balance sheet date.

Repairs and maintenance expenditure is expensed as incurred on an accruals basis.

Joint ventures
A joint venture is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control with third parties. The Group's interest in joint ventures is accounted for using the equity method. Under this method the Group's share of profits less losses after taxation of joint ventures is included in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses the carrying amount is reduced to nil and recognition of further losses is discontinued. Future profits are not recognised until unrecognised losses are extinguished. Accounting policies of joint ventures have been changed on consolidation where necessary to ensure consistency with policies adopted by the Group. Where joint ventures do not adopt accounting periods that are coterminous with the Group's, results and net assets are based upon unaudited accounts drawn up to the Group's accounting reference date.

Jointly controlled operations and assets
The Group accounts for jointly controlled operations and assets by recognising its share of profits and losses in the consolidated income statement. The Group recognises its share of associated assets and liabilities in the consolidated balance sheet.

Available for sale financial assets
Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months of the balance sheet date. On initial recognition the asset is recognised at fair value plus transaction costs. Available for sale financial assets are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

The Group operates schemes under which part of the agreed sales price for a residential property can be deferred until the earlier of 10 years, remortgage or resale of the property. The fair value of these assets is calculated by taking into account forecast inflation in property prices and discounting back to present value using the effective interest rate. Provision is also made for estimated default to arrive at the initial fair value. The unwind of the discount included on initial recognition at fair value is recognised as finance income in the year.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

Inventories and developments
Inventories and developments are valued at the lower of cost and net realisable value. Work in progress is valued at the lower of cost, including direct costs and directly attributable overheads, and net realisable value. On initial recognition, land is included within developments at its fair value, which is its cost to the Group. Land inventory is recognised at the time a liability is recognised which is generally after the exchange of conditional contracts once it is virtually certain the contract will be completed.

Where a development is in progress net realisable value is assessed by considering the expected future revenues and the total costs to complete the development including direct costs and directly attributable overheads. To the extent that the Group anticipates selling a development in its current state then net realisable value is taken as its open market value at the balance sheet date less any anticipated selling costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 Accounting policies continued

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (typically more than 30 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'cost of sales'.

When a trade receivable is uncollectible, it is written off against the impairment provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'cost of sales' in the income statement. Short term trade receivables do not carry any interest and are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at nominal value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, including bank deposits with original maturities of three months or less. Bank overdrafts are also included as they are an integral part of the Group's cash management.

Bank deposits with an original term of more than three months are classified as short term deposits where the cash can be withdrawn on demand and the penalty for early withdrawal is not significant. Cash held in escrow accounts is classified as a short term deposit where the escrow agreement allows the balance to be converted to cash if replaced by a bond repayable on demand.

Bank and other borrowings
Interest bearing bank loans and overdrafts and other loans are originally recognised at fair value net of transaction costs incurred. Such borrowings are subsequently stated at amortised cost with the difference between initial fair value and redemption value recognised in the income statement over the period to redemption.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method. Re-financing costs associated with new borrowing arrangements are included within the borrowing amount and amortised over the period of the loan.

Trade payables
Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs using the effective interest rate.

Provisions for liabilities and charges
Provisions for onerous leases and restructuring costs are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination costs and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Derivative financial instruments
Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provision of the instrument.

The Group uses derivative financial instruments to manage its exposure to interest rate risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments, mainly comprising interest rate swaps, are initially accounted for and measured at fair value at the point the derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement.

Foreign currency
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

1 Accounting policies continued

Retirement benefit obligations

For defined contribution schemes operated by the Group, amounts payable are charged to the income statement as they accrue.

For defined benefit schemes, the cost of providing benefits is calculated annually by independent actuaries using the projected unit method. The retirement benefit obligation recognised in the balance sheet represents the excess of the present value of scheme liabilities over the fair value of the schemes' assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses are recognised in full in the period in which they occur in the statement of comprehensive income. Gains and losses arising on curtailment and settlements are taken to the income statement as incurred.

Accounting for Employee Share Ownership Plan

Own shares held by the Galliford Try Employee Share Trust ("The Trust") are shown, at cost less any permanent diminution in value, as a deduction from retained earnings. The charge made to the income statement for employee share awards and options is based on the fair value of the award at the date of grant spread over the performance period. Where such shares subsequently vest to the employees under the terms of the Group's share option schemes or are sold, any consideration received is included in shareholders' equity.

Share based payments

The Group operates a number of equity-settled, share based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions such as growth in earnings per share. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Dividend policy

Final dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received net of directly attributable incremental issue costs.

Consideration paid for shares in the Group held by the Employee Benefit Trust are deducted from total shareholders' equity.

2 Segmental reporting

Segment reporting is presented in the consolidated financial statements in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting reflects the Group's management and internal reporting structure. Segment results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. As the Group has no material activities outside the UK, segmental reporting is not required by geographical region. Inter-segment revenue is not material.

The chief operating decision-maker ("CODM") has been identified as the Chief Executive and the Group Finance Director. The CODM review the group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. Following decisions made by management to embark on plans to expand its contracting business for the affordable housing market within the Partnerships division the Group's internal reporting was changed to reflect the new management structure. As a result management has reconsidered the segmental disclosure made in the Interim Statement and has concluded that it is more appropriate to disclose five main operating segments, namely Housebuilding, Building, Partnerships, Infrastructure and PPP investments as this better reflects how information is now presented to the CODM. The housebuilding segment encompasses all private housing development, including that previously reported under regeneration.

The CODM assess the performance of the operating segments based on a measure of adjusted earnings before net finance costs, tax and amortisation. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are included in the result for each operating segment that is reviewed by the CODM. Other information provided to them is measured in a manner consistent with that in the financial statements.

Following the adoption of IFRS 8, the segmental reporting below includes profit from operations which is stated before finance costs, amortisation of intangible assets, share of joint ventures' interest and tax, exceptional items and tax. This reflects the principal internal reporting measure used by the CODM. As at 30 June 2010, the operating segments reported are different to those previously reported and hence the comparative information provided for the year ended 30 June 2009 has been restated accordingly. In addition, profit from operations in the Annual Report and Financial Statements 2009 was stated including the Group's share of joint ventures' interest hence the presentation has also been amended in line with the current disclosures. Central costs relate to head office costs that cannot be allocated to the operating segments. Other segment information has been provided as required by IFRS 8, although not all is directly reviewed by the CODM.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

2 Segmental reporting continued

Primary reporting format – business segments

	House-building £m	Construction: Building £m	Construction: Partner-ships** £m	Construction: Infra-structure £m	Construction: Total £m	PPP Investments £m	Central costs £m	Total £m
Year ended 30 June 2010								
Group revenue and share of joint ventures' revenue	**316.0**	**445.3**	**93.8**	**397.4**	**936.5**	**3.5**	**0.4**	**1,256.4**
Share of joint ventures' revenue	**(21.8)**	**(0.2)**	**–**	**(10.4)**	**(10.6)**	**(2.1)**	**–**	**(34.5)**
Revenue	**294.2**	**445.1**	**93.8**	**387.0**	**925.9**	**1.4**	**0.4**	**1,221.9**
Segment result:								
Profit/(loss) from operations before share of joint ventures' profit	**15.2**	**10.6**	**1.3**	**10.7**	**22.6**	**1.3**	**(7.6)**	**31.5**
Share of joint ventures' profit	**2.4**	**0.2**	**–**	**–**	**0.2**	**1.1**	**–**	**3.7**
Profit/(loss) from operations*	**17.6**	**10.8**	**1.3**	**10.7**	**22.8**	**2.4**	**(7.6)**	**35.2**
Share of joint ventures' interest and tax	**(2.0)**	**(0.2)**	**–**	**–**	**(0.2)**	**(2.3)**	**–**	**(4.5)**
Profit/(loss) before finance costs, amortisation, net exceptional items and taxation	**15.6**	**10.6**	**1.3**	**10.7**	**22.6**	**0.1**	**(7.6)**	**30.7**
Net finance (costs)/income	**(11.0)**	**0.8**	**–**	**(0.4)**	**0.4**	**–**	**7.3**	**(3.3)**
Profit/(loss) before amortisation, net exceptional items and taxation	**4.6**	**11.4**	**1.3**	**10.3**	**23.0**	**0.1**	**(0.3)**	**27.4**
Amortisation of intangibles								**(1.3)**
Profit before net exceptional items and taxation								**26.1**
Net exceptional items								**(6.9)**
Income tax expense								**(8.4)**
Profit for the year								**10.8**
Year ended 30 June 2009 (restated)								
Group revenue and share of joint ventures' revenue	306.7	528.7	130.4	516.6	1,175.7	27.4	0.5	1,510.3
Share of joint ventures' revenue	(12.0)	(0.5)	–	(10.8)	(11.3)	(25.8)	–	(49.1)
Revenue	294.7	528.2	130.4	505.8	1,164.4	1.6	0.5	1,461.2
Segment result:								
Profit/(loss) from operations before share of joint ventures' profit	11.0	11.6	2.1	13.9	27.6	2.3	(6.0)	34.9
Share of joint ventures' profit	0.3	0.3	–	–	0.3	7.9	–	8.5
Profit/(loss) from operations*	11.3	11.9	2.1	13.9	27.9	10.2	(6.0)	43.4
Share of joint ventures' interest and tax	(0.3)	(0.2)	–	–	(0.2)	(9.0)	–	(9.5)
Profit/(loss) before finance costs, amortisation, net exceptional items and taxation	11.0	11.7	2.1	13.9	27.7	1.2	(6.0)	33.9
Net finance (costs)/income	(23.0)	3.0	(1.3)	1.0	2.8	(0.4)	13.2	(7.4)
Profit/(loss) before amortisation, net exceptional items and taxation	(12.0)	14.7	0.8	14.9	30.5	0.8	7.2	26.5
Amortisation of intangibles								(2.0)
Profit before net exceptional items and taxation								24.5
Net exceptional items								(51.4)
Income tax expense								9.1
Loss for the year								(17.8)

* Profit from operations is stated before finance costs, amortisation, share of joint ventures' interest and tax, exceptional items and taxation.

** Revenue in this segment includes £7.5 million (2009: £19.3 million) relating to work done for joint venture undertakings at cost.

2 Segmental reporting continued

	Notes	House-building £m	Construction: Building £m	Construction: Partnerships £m	Construction: Infra-structure £m	Construction: Total £m	PPP Investments £m	Central costs £m	Total
Year ended 30 June 2010									
Assets									
Net cash/(debt)		**(467.9)**	**140.4**	**23.3**	**43.1**	**206.8**	**2.1**	**335.5**	**76.5**
Other assets									**943.7**
Borrowings									**90.2**
Deferred income tax assets									**11.2**
Total assets									**1,121.6**
Year ended 30 June 2009 (restated)									
Assets									
Net cash/(debt)		(433.7)	152.2	10.4	74.5	237.1	(8.8)	239.5	34.1
Other assets									856.0
Borrowings									125.4
Deferred income tax assets									12.0
Total assets									1,027.5
Other segment information									
Year ended 30 June 2010									
Investment in joint ventures		**0.6**	**1.0**	**–**	**–**	**1.0**	**0.5**	**–**	**2.1**
Contracting revenue		**24.0**	**437.6**	**93.8**	**385.6**	**917.0**	**–**	**–**	**941.0**
Capital expenditure (including acquisitions)									
– Property, plant and equipment	11	**0.1**	**–**	**–**	**0.8**	**0.8**	**–**	**0.7**	**1.6**
Depreciation	11	**0.1**	**0.3**	**–**	**0.9**	**1.2**	**–**	**0.7**	**2.0**
Impairment of receivables	5	**–**	**0.4**	**–**	**–**	**0.4**	**–**	**–**	**0.4**
Share based payments	3	**0.1**	**0.2**	**–**	**0.3**	**0.5**	**–**	**1.2**	**1.8**
Amortisation of intangible assets	5	**1.0**	**0.3**	**–**	**–**	**0.3**	**–**	**–**	**1.3**
Year ended 30 June 2009 (restated)									
Investment in joint ventures		0.3	0.4	–	–	0.4	–	–	0.7
Contracting revenue		64.1	514.1	130.4	495.9	1,140.4	–	–	1,204.5
Capital expenditure (including acquisitions)									
– Property, plant and equipment	11	0.3	0.4	–	2.1	2.5	–	0.6	3.4
Depreciation	11	0.2	0.4	–	1.1	1.5	–	0.7	2.4
Impairment of receivables	5	–	0.2	–	–	0.2	–	–	0.2
Share based payments	3	0.2	0.5	–	0.6	1.1	–	0.1	1.4
Amortisation of intangible assets	5	1.1	0.3	–	0.6	0.9	–	–	2.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3 Employees and directors

Employee benefit expense for the Group during the year	2010 £m	2009 £m
Wages and salaries	**142.0**	158.5
Redundancy and termination costs	**–**	2.3
Social security costs	**15.1**	17.4
Retirement benefit costs (see note 31)	**12.8**	7.7
Share based payments (see note 28)	**1.8**	1.4
	171.7	187.3

Average monthly number of people (including executive directors) employed	2010 Number	2009 (restated) Number
By business group:		
Housebuilding	**554**	476
Building	**1,020**	1,164
Partnerships	**286**	338
Infrastructure	**1,416**	1,796
Total Construction	**2,722**	3,298
PPP Investments	**19**	20
Group	**233**	238
	3,528	4,032

The allocation of employees to segments in 2009 has been restated in line with the segmental reporting as explained in note 2.

Remuneration of key management personnel

The key management personnel comprise the Executive Board and non-executive directors. The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24, Related Party Disclosures. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report.

	2010 £m	2009 £m
Salaries and short term employee benefits	**3.9**	2.3
Retirement benefit costs	**0.3**	0.2
Share based payments	**1.2**	0.1
	5.4	2.6

4 Net finance costs

	2010 £m	2009 £m
Interest receivable on bank deposits	**0.6**	1.5
Interest receivable from joint ventures	**2.4**	2.2
Unwind of discount on shared equity receivables	**0.4**	–
Fair value profit on financing activities – interest rate swaps	**0.7**	–
Other	**0.3**	0.1
Finance income	**4.4**	3.8
Interest payable on borrowings	**(4.5)**	(5.4)
Unwind of discounted payables	**(1.1)**	(1.5)
Fair value losses on financing activities – interest rate swaps	**–**	(3.5)
Net finance cost on retirement benefit obligations	**(2.0)**	(0.8)
Other	**(0.1)**	–
Finance costs	**(7.7)**	(11.2)
Net finance costs	**(3.3)**	(7.4)

5 Profit/(loss) before income tax

The following items have been included in arriving at profit/(loss) before income tax:

	Notes	2010 £m	2009 £m
Employee benefit expense	3	**171.7**	187.3
Depreciation of property, plant and equipment:			
– Owned assets	11	**2.0**	2.4
Amortisation of intangible assets	9	**1.3**	2.0
Profit on disposal of property, plant and equipment		**(0.1)**	(0.1)
Profit on sale of investments	14	**(4.4)**	(4.2)
Other operating lease rentals payable:			
– Plant and machinery		**29.7**	52.6
– Property		**3.8**	3.8
Inventories recognised as an expense		**7.1**	9.5
Developments recognised as an expense		**263.8**	321.8
Repairs and maintenance expenditure on property, plant and equipment		**0.8**	0.9
Impairment of receivables	18	**0.4**	0.2
Net exceptional items		**6.9**	51.4

Net exceptional items

We have reviewed the carrying value of housing related assets in light of the limited recovery in the housing market since the downturn in the previous year which resulted in an exceptional charge to the income statement of £51.4 million for the year ended 30 June 2009. This has resulted in adjustments to the carrying value of a number of development sites in circumstances where the original estimates have been changed, resulting in a net exceptional credit to the income statement of £1.4 million in respect of market movements. This is made up of a write down in land and work in progress in the period of £2.0 million and a reversal of £3.4 million on developments that were written down in the previous financial year. Other movements on these sites are taken to normal trading. The income tax charge associated with this net exceptional item amounted to £0.4 million (30 June 2009: £15.1 million credit).

On 22 September 2009 the Office of Fair Trading announced its decision to fine 103 companies following its investigation into breaches of the Competition Act 1998 in the construction industry. Galliford Try has been fined £8.3 million in respect of three incidences of “cover pricing” that occurred between the years 2001 to 2004. Cover pricing was the practice undertaken when a contractor wished to stay on a client’s tender list, but not carry out a particular building contract, of obtaining a price from another tenderer that was intended to be at a level that would not win the tender. The fine takes into account the maximum reduction granted by the OFT for companies that co-operated fully with their investigation from the time that they were made aware of the allegations.

The Group has submitted an appeal to the Competition Appeal Tribunal in respect of the size of the penalty imposed; however the outcome of the appeal is not expected until late in 2010. Accordingly, a provision for the full amount has been made in the period. No tax credit is associated with this exceptional charge as it is not deductible for tax purposes.

Services provided by the Group’s auditors and network firms

During the year the Group obtained the following services from the Group’s auditors at costs as detailed below:

	2010 £m	2009 £m
Fees payable to Company’s auditor for the audit of parent company and consolidated financial statements	**0.2**	0.2
Total audit services	**0.2**	0.2
The audit of financial statements of the Group’s subsidiaries pursuant to legislation	**0.3**	0.3
Services relating to corporate matters [(a)]	**0.3**	–
Services relating to taxation and accounting advice [(b)]	**0.3**	0.1
Total non-audit services	**0.9**	0.4
Total	**1.1**	0.6

(a) Work relating to working capital report required for the rights issue.
(b) Includes £0.2 million relating to the acquisition of interests in joint ventures.

A description of the work of the audit committee in respect of auditors’ independence is set out in the Corporate Governance Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

6 Income tax expense/(income)

	Notes	2010 Before exceptional items £m	2010 Exceptional items £m	2010 Total £m	2009 Before exceptional items £m	2009 Exceptional items £m	2009 Total £m
Analysis of expense/(income) in year							
Current year's income tax							
Current tax		**8.7**	**0.4**	**9.1**	8.3	(15.1)	(6.8)
Deferred tax	25	**(0.6)**	**–**	**(0.6)**	(2.3)	–	(2.3)
Adjustments in respect of prior years							
Current tax		**(0.3)**	**–**	**(0.3)**	0.3	–	0.3
Deferred tax	25	**0.2**	**–**	**0.2**	(0.3)	–	(0.3)
Income tax expense/(income)		**8.0**	**0.4**	**8.4**	6.0	(15.1)	(9.1)
Tax on items recognised in equity							
Deferred tax expense/(income) on retirement benefit obligations		**1.3**	**–**	**1.3**	(1.8)	–	(1.8)
Total taxation		**9.3**	**0.4**	**9.7**	4.2	(15.1)	(10.9)

The total income tax expense for the year of £8.4 million (2009: income £9.1 million) is higher (2009: higher) than the year end standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below:

	2010 Before exceptional items £m	2010 Exceptional items £m	2010 Total £m	2009 Before exceptional items £m	2009 Exceptional items £m	2009 Total £m
Profit/(loss) before income tax	**26.1**	**(6.9)**	**19.2**	24.5	(51.4)	(26.9)
Profit/(loss) before income tax multiplied by the year end standard rate in the UK of 28% (2009: 28%)	**7.3**	**(1.9)**	**5.4**	6.8	(14.4)	(7.6)
Effects of:						
Permanent differences	**2.7**	**2.3**	**5.0**	0.4	–	0.4
Non taxable income	**(1.9)**	**–**	**(1.9)**	(1.2)	–	(1.2)
Change in rate of current income tax	**–**	**–**	**–**	–	(0.7)	(0.7)
Adjustments in respect of prior years	**(0.1)**	**–**	**(0.1)**	–	–	–
Income tax expense/(income)	**8.0**	**0.4**	**8.4**	6.0	(15.1)	(9.1)

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 included legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes to be enacted in the Finance (No 2) Act 2010 would be to reduce the deferred tax asset provided at 30 June 2010 by £0.3 million. This £0.3 million decrease in the deferred tax asset would decrease profit for the year by £0.3 million.This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 28% to 27% with effect from 1 April 2011.

The proposed reductions of the main rate of corporation tax by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27% to 24%, if these applied to the deferred tax balance at 30 June 2010, would be to reduce the deferred tax asset by £1.0 million (being £0.3 million recognised in 2012, £0.3 million recognised in 2013 and £0.3 million recognised in 2014).

7 Dividends

The dividend per ordinary share amounts shown in the table below have been restated by dividing those previously reported by an adjusting factor of 0.1381 to reflect the share consolidation and bonus element in the shares issued under the rights issue which completed on 22 October 2009.

	2010		2009 (restated)	
	£m	**pence per share**	£m	pence per share
Previous year final	**4.0**	**7.6**	7.9	15.2
Current period interim	**2.7**	**3.3**	1.7	3.3
Dividend recognised in the year	**6.7**	**10.9**	9.6	18.5

The following dividends were declared by the Company in respect of each accounting period presented:

	2010		2009 (restated)	
	£m	**pence per share**	£m	pence per share
Interim	**2.7**	**3.3**	1.7	3.3
Final	**7.5**	**9.2**	4.0	7.6
Dividend relating to the year	**10.2**	**12.5**	5.7	10.9

The directors are proposing a final dividend in respect of the financial year ended 30 June 2010 of 9.2p per share, bringing the total dividend in respect of 2010 to 12.5p per share (2009: 10.9p). The final dividend will absorb approximately £7.5 million of shareholders' funds. Subject to shareholder approval at the Annual General Meeting to be held on 5 November 2010, the dividend will be paid on 12 November 2010 to shareholders who are on the register of members on 8 October 2010.

8 Earnings/(loss) per share

a) Basic and diluted earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held by the Employee Share Trust (note 30), which are treated as cancelled.

The weighted average number of shares used for 2009 in the calculation of earnings per share information shown in the table below has been restated by adjusting those previously reported by an adjusting factor of 0.1381 to reflect the share consolidation and bonus element in the shares issued under the rights issue which completed on 22 October 2009.

Under normal circumstances, the average number of shares is diluted by reference to the average number of potential ordinary shares held under option in the period. The dilutive effect amounts to the number of ordinary shares which would be purchased using the aggregate difference in value between the market value of shares and the share option price. Only shares that have met their cumulative performance criteria are included in the dilution calculation. The Group has two classes of potentially dilutive ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and the contingently issuable shares under the Group's long term incentive plan. A loss per share cannot be reduced through dilution, hence this dilution is only applied where the Group has reported a profit. As at 30 June 2009 and 30 June 2010, there are no potentially dilutive shares as the employer share options have an exercise price that is greater than the current share price.

The earnings/(loss) and weighted average number of shares used in the calculations are set out below.

	2010			2009 (restated)		
	Profit £m	**Weighted average number of shares**	**Per share amount pence**	Loss £m	Weighted average number of shares	Per share amount pence
Basic EPS						
Earnings/(loss) attributable to ordinary shareholders	**10.8**	**73,598,363**	**14.7**	(17.8)	51,673,188	(34.4)
Effect of dilutive securities:						
Options		**–**	**–**		–	–
Diluted EPS	**10.8**	**73,598,363**	**14.7**	(17.8)	51,673,188	(34.4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

8 Earnings/(loss) per share continued

b) Adjusted earnings per share

Adjusted earnings per share based on the earnings before net exceptional items of £7.3 million (2009: £36.3 million) for the year are set out below:

	2010			2009 (restated)		
	Earnings £m	Weighted average number of shares	Per share amount pence	Earnings £m	Weighted average number of shares	Per share amount pence
Basic EPS						
Earnings attributable to ordinary shareholders	**18.1**	**73,598,363**	**24.6**	18.5	51,673,188	35.8
Effect of dilutive securities:						
Options		**–**	**–**		–	–
Diluted EPS	**18.1**	**73,598,363**	**24.6**	18.5	51,673,188	35.8

9 Intangible assets

	Brand £m	Customer contracts £m	Customer relationships £m	Total £m
Cost				
At 1 July 2008, 1 July 2009 and 30 June 2010	**10.8**	**2.9**	**0.4**	**14.1**
Accumulated amortisation				
At 1 July 2008	(1.6)	(2.1)	(0.2)	(3.9)
Amortisation in year	(1.3)	(0.5)	(0.2)	(2.0)
At 1 July 2009	(2.9)	(2.6)	(0.4)	(5.9)
Amortisation in year	(1.0)	(0.3)	–	(1.3)
At 30 June 2010	**(3.9)**	**(2.9)**	**(0.4)**	**(7.2)**
Net book amount				
At 30 June 2010	**6.9**	**–**	**–**	**6.9**
At 30 June 2009	7.9	0.3	–	8.2

All amortisation charges in the year have been included in administrative expenses.

10 Goodwill

	£m
Cost	
At 1 July 2008, 1 July 2009 and 30 June 2010	115.7
Accumulated amortisation and aggregate impairment at 1 July 2008, 1 July 2009 and 30 June 2010	(0.7)
Net book amount	
At 30 June 2010	**115.0**
At 30 June 2009	115.0

Impairment review of goodwill
Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

The goodwill is attributable to the following business segments:

	2010 £m	2009 (restated) £m
Housebuilding	**52.2**	52.2
Building	**17.9**	17.9
Partnerships	**5.8**	5.8
Infrastructure	**37.2**	37.2
PPP Investments	**1.9**	1.9
	115.0	115.0

The allocation of goodwill to segments in 2009 has been restated in line with the segmental reporting as explained in note 2.

Key assumptions
The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre tax cash flow projections based on future financial budgets approved by the Board based on past performance and its expectation of market developments. The key assumptions within these budgets relate to revenue growth and the future profit margin achievable. Future budgeted revenue is based on management's knowledge of actual results from prior years, latest forecasts for the current year along with the existing secured work and management's future expectation of the level of work available within the market sector and expected changes in selling volumes and prices for completed houses. In establishing future profit margins, the margins currently being achieved are considered in conjunction with expected inflation rates in each cost category and to reflect the current market value of land being acquired. Budgeted profit margins in housebuilding are in line with expectations included within the strategic review undertaken at the time of the rights issue to double the size of the housebuilding business, increasing the number of home completions from the current level of around 1,700 to around 3,500 in 2012.

Cash is monitored very closely on a daily, weekly and monthly basis for the purposes of managing both treasury and the business as a whole. Details of the Group's treasury management are included within the Business Review on page 31 of the Annual Report. The assumptions used are reviewed regularly and differences between forecast and actual results are closely monitored with variances being investigated fully. The knowledge gained from this past experience is used to ensure that the future assumptions used are consistent with past actual outcomes and are management's best estimate of the future cash flows of each business unit. Cash flows beyond the budgeted three year period are extrapolated using an estimated growth rate of 3% per annum within building, partnerships and infrastructure and 2.5% per annum within housebuilding. The growth rate used is the Group's estimate of the average long term growth rate for the market sectors in which the CGU operates. Pre tax discount rates of 12.8% (2009: 11.3%) in housebuilding, 12.0% (2009: 11.9%) in building, 12.7% (2009: 11.3%) in partnerships, 13.1% (2009: 11.9%) in infrastructure and 11.8% (2009: 10.5%) in investments have been applied to the future cash flows.

Sensitivities
The fair value of the goodwill in all CGU's are substantially in excess of book value. Sensitivity analysis has been undertaken on each goodwill impairment review, by changing the discount rates, profit margins, growth rates and other variables applicable to each CGU. Taking into account current market conditions within the construction and housebuilding markets, none of these sensitivities, either individually or combined, resulted in the carrying value of these businesses being reduced to its recoverable amount.

The impairment review relating to Linden Homes goodwill, which is included within the housebuilding segment, could be impacted by the uncertainty over trading conditions within the housing market. The detailed sensitivity analysis indicates that an increase of more than 33% (2009: 27%) in the pre tax discount rate or a reduction of 40% (2009: 41%) in the forecast operating profits of the CGU would give rise to an impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

11 Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2008	3.5	3.6	8.5	15.6
Additions	–	2.3	1.1	3.4
Disposals	(0.1)	(1.1)	(1.5)	(2.7)
At 1 July 2009	3.4	4.8	8.1	16.3
Additions	–	0.7	0.9	1.6
Disposals	(0.2)	(0.9)	(0.1)	(1.2)
At 30 June 2010	**3.2**	**4.6**	**8.9**	**16.7**
Accumulated depreciation				
At 1 July 2008	0.8	1.3	5.5	7.6
Charge for the year	0.2	1.3	0.9	2.4
Disposals	–	(0.8)	(1.2)	(2.0)
At 1 July 2009	1.0	1.8	5.2	8.0
Charge for the year	0.1	0.9	1.0	2.0
Disposals	(0.2)	(0.6)	(0.1)	(0.9)
At 30 June 2010	**0.9**	**2.1**	**6.1**	**9.1**
Net book amount				
At 30 June 2010	**2.3**	**2.5**	**2.8**	**7.6**
At 30 June 2009	2.4	3.0	2.9	8.3

There are no assets held under finance leases (2009: £Nil).

The cost of land and building primarily relates to freehold properties.

There has been no impairment of property, plant and equipment during the year (2009: £Nil).

12 Investments in joint ventures

	2010 £m	2009 £m
At 1 July		
– Net assets excluding goodwill	**0.7**	9.3
– Goodwill	**–**	3.2
	0.7	12.5
Additions [(a)]		
– Net assets	**2.4**	5.1
Transferred to subsidiary undertaking [(b)]	**–**	–
Transferred to non-current assets classified as held for sale	**–**	(12.1)
Disposal [(c)]	**(0.1)**	(1.0)
Dividend received from joint ventures	**(0.1)**	(2.8)
Share of post tax losses	**(0.8)**	(1.0)
At 30 June		
– Net assets excluding goodwill	**2.1**	0.7
– Goodwill	**–**	–
	2.1	0.7

Joint ventures

At 30 June 2010 the Group held interests in the following principal joint ventures all of which are incorporated in England and Wales, except where stated:

Name	Year end	% shareholding	Principal activity
Kingseat Development 2 Limited (Scotland)	30 June	50%	Building
Projco (St Andrews Hospital) Limited (Scotland)	31 March	50%	Construction and facilities management
WLHC ProjectCo Limited [(a) (iii)]	31 October	100%	Construction and facilities management
gbconsortium2 Limited	31 March	50%	PPP Investment
Urban Vision Partnership Limited	31 December	30%*	Infrastructure
Wates Homes BR1 Limited	31 December	50%	Housebuilding
Wates Linden (Cuckfield) Limited	31 December	50%	Housebuilding
Linden Wates (Ridgewood) Limited	31 December	50%	Housebuilding
Linden and Dorchester Limited	30 June	50%	Housebuilding
Linden and Dorchester Portsmouth Limited	30 June	50%	Housebuilding
Crest/Galliford Try (Epsom) LLP	31 October	50%	Housebuilding
Linden/Downland Graylingwell LLP	31 March	50%	Housebuilding

* Under the terms of the shareholders' agreement and in relation to voting rights this investment is treated as a joint venture.

Other than noted above the Group had no significant interests in joint ventures at the year end.

(a) Additions

(i) On 3 July 2009 and 30 March 2010, the Group subscribed for £0.1 million and £1.1 million respectively of subordinated debt in Projco (St Andrews Hospital) Limited.

(ii) On 29 January 2010, the Group acquired an additional 5% shareholding in gbconsortium2 Limited for £0.1 million, settled in cash. This increased the Group's shareholding to 50%. On 12 March 2010 the Group subscribed for £0.6 million of subordinated debt in gbconsortium2 Limited.

(iii) On 2 February 2010, the Group acquired 100% of the equity in WLHC ProjectCo Limited and subscribed for £1 million of subordinated debt. The Group's intention is to sell 50% of this investment and retain a joint venture interest. The share of the asset to be retained has been classified as an addition to investments in joint ventures.

(b) Transferred to subsidiary undertaking

(i) On 14 October 2009, the Group acquired the remaining 50% shareholding in its joint venture Linden Properties Western Limited, taking the Group's ownership to 100%. With effect from this date, Linden Properties Western Limited is treated as a subsidiary undertaking. The total consideration payable was £1. Full details of the acquisition are set out in note 32.

(ii) On 12 February 2010, the Group acquired the remaining 50% shareholding held by Bank of Scotland in its joint ventures undertaking residential development in the south east area, taking the Group's ownership to 100%. The joint ventures were Sentient Ventures LLP, Linden London LLP, Linden London (Hammersmith) Limited, Linden Homes Eastern Newhall Limited and Linden St Albans LLP. With effect from this date, these companies are treated as subsidiary undertakings. The companies are developing residential sites in Colchester, Harlow, Hammersmith and St Albans. The consideration, which was settled in cash totalled a nominal £4. Full details of the acquisition are set out in note 32.

(c) Disposals

During the year gbconsortium2 Limited repaid loans of £0.1 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12 Investments in joint ventures continued

In relation to the Group's interest in joint ventures, the assets, liabilities, income and expenses are shown below:

	2010 £m	2009 £m
Current assets	**129.2**	172.4
Non-current assets	**28.3**	21.8
Current liabilities	**(78.9)**	(84.1)
Non-current liabilities	**(76.5)**	(109.4)
	2.1	0.7
Amounts due from joint ventures	**46.0**	45.7
Amounts due to joint ventures	**0.9**	1.0
Revenue	**34.3**	49.1
Expenses	**(30.7)**	(35.2)
	3.6	13.9
Finance cost	**(5.4)**	(17.6)
Income tax	**1.0**	2.7
Share of post tax (losses)/profits from joint ventures	**(0.8)**	(1.0)

The Group's share of unrecognised losses of joint ventures is £8.0 million (2009: £9.4 million).

As at 30 June 2010, amounts due from joint ventures of £46.0 million (2009: £55.4 million) were considered for impairment. The impairment reviews were based on future financial budgets based on past performance and expectation of market developments. The key assumptions used were consistent with those applied in the goodwill impairment reviews as described in note 10. No impairment has been provided for these balances in the year ended 30 June 2010 (2009: £9.7 million). At 30 June 2009, the provision was all allocated to balances due in more than one year.

The Group has commitments to provide a further £0.1 million and £3.0 million of subordinated debt to Projco (St Andrews Hospital) Limited and WHLC ProjectCo Limited respectively, by 30 June 2012.

The joint ventures have no significant contingent liabilities to which the Group is exposed. The joint ventures had no capital commitments as at 30 June 2010 (2009: £Nil).

Details of related party transactions with joint ventures are given in note 35.

13 Available for sale financial assets

	2010 £m	2009 £m
At 1 July	**9.4**	3.6
Additions	**6.1**	6.4
Unwind of discount on shared equity receivables	**0.4**	–
Impairment	**–**	(0.4)
Disposals	**(0.2)**	(2.2)
At 30 June	**15.7**	9.4

The available for sale assets relate to PPP/PFI investments and shared equity receivables in which the Group's interest depends on future property prices.

Additions in the year of £6.1 million are made up as follows:

(i) During the year the Group's investment in shared equity receivables increased by £5.5 million. £5.1 million related to new shared equity receivables and £0.4 million arose on the unwind of the discount applied on initial recognition of the receivables at fair value which has been shown as finance income in the income statement. The shared equity receivables are secured by a charge over the related property.
(ii) On 28 August 2010, the Group subscribed for £0.6 million of subordinated debt in Ealing Care Alliance (Holdings) Limited.
(iii) On 29 January 2010, the Group acquired an additional 1.1% shareholding in gbconsortium1 Limited for £0.1 million, settled in cash. This increased the Group's shareholding to 11.1%. On 29 July 2009, the Group subscribed for £0.1 million of subordinated debt in gbconsortium1 Limited.
(iii) On 8 April 2010, the Group subscribed for £0.2 million of subordinated debt in gbprimarycare Limited.

Disposals in the year of £0.2 million relate to the repayment of shared equity receivables.

The fair value of unlisted investments is based on future expected cash flows discounted using an average rate of 8.5% (2009: 8%) based on the type of investment and stage of completion of the underlying assets held.

14 Non-current assets classified as held for sale

	2010 £m	2009 £m
At 1 July	**12.1**	–
Transfer from investment in joint ventures	**–**	12.1
Additions	**0.5**	–
Disposal	**(12.1)**	–
At 30 June	**0.5**	12.1

On 8 July 2009 the Group sold its investment in Alpha Schools (Highland) Limited for £16.5 million (net of expenses of £0.3 million) settled in cash which gave rise to a profit on disposal of £4.4 million.

As stated in note 12, on 2 February 2010, the Group acquired 100% of the equity in WLHC ProjectCo Limited and subscribed for £1 milllion of subordinated debt. The Group's intention is to sell 50% of this investment and retain a joint venture interest. The share of the asset to be disposed of has been classified as non-current assets classified as held for resale.

15 Inventories

	2010 £m	2009 £m
Materials and consumables	**1.1**	0.9

No inventories have been written off during the year.

16 Developments

	2010 £m	2009 £m
Land	**364.1**	317.0
Work in progress	**164.8**	130.6
	528.9	447.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

17 Construction contracts

	2010 £m	2009 £m
Contracts in progress at balance sheet date:		
Amounts recoverable on construction contracts included in trade and other receivables	**121.5**	115.4
Payments received on account on construction contracts included in trade and other payables	**(59.1)**	(76.8)
	62.4	38.6

The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £1,995.9 million (2009: £2,068.8 million).

Retentions held by customers for contract work amounted to £37.0 million (2009: £32.6 million).

18 Trade and other receivables

	2010 £m	2009 £m
Amounts falling due within one year:		
Trade receivables	**82.6**	75.8
Less: Provision for impairment of receivables	**(0.9)**	(0.5)
Trade receivables – net	**81.7**	75.3
Amounts recoverable on construction contracts	**121.5**	115.4
Amounts owed by joint venture undertakings	**8.9**	8.8
Other receivables	**8.8**	7.7
Prepayments and accrued income	**6.8**	6.3
	227.7	213.5

	2010 £m	2009 £m
Amounts falling due in more than one year:		
Amounts owed by joint venture undertakings	**37.1**	36.9
Other receivables	**1.1**	3.4
	38.2	40.3

Movements on the Group provision for impairment of trade receivable are as follows:

	2010 £m	2009 £m
At 1 July	**(0.5)**	(0.6)
Provision for receivables impairment	**(0.4)**	(0.2)
Unused amounts reversed	**–**	0.3
At 30 June	**(0.9)**	(0.5)

Provisions for impaired receivables have been included in ‘cost of sales’ in the income statement. Amounts charged to the impairment provision are generally written off, when there is no expectation of recovering additional cash.

Provisions for amounts owed by joint venture undertakings are set out in note 12. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above. The Group does not hold any collateral as security. None of the financial assets that are fully performing have been renegotiated in the last year.

Management believes that the concentration of credit risk with respect to trade receivables is limited due to the Group’s customer base being large and unrelated. Major water industry customers accounted for in total 10% (2009: 14%) of Group revenue in the year. However, the customers involved comprise a variety of entities including those both in the public and commercial sectors. In addition, within the commercial sector each customer has an unrelated ultimate parent company.

18 Trade and other receivables continued

The maturity of non-current receivables is as follows:

	2010 £m	2009 £m
In more than one year but not more than two years	**0.7**	4.6
In more than two years but not more than five years	**15.2**	12.8
In more than five years	**22.3**	22.9
	38.2	40.3

Of the amounts due in more than five years £0.3 million (2009: £0.3 million) is due within 18 years (2009: 19 years) and £22.0 million (2009: £17.6 million) is due within six years (2009: seven years). These amounts are unsecured and interest rates vary from bank base rate plus 1.75% to 10%.

As of 30 June 2010, trade receivables of £7.3 million (2009: £11.1 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and there are no indications that they will not meet their payment obligations in respect of the trade receivables recognised in the balance sheet that are past due and unprovided. The ageing analysis of these trade receivables is as follows:

	2010 £m	2009 £m
Number of days past due date:		
Less than 30 days	**2.9**	1.7
Between 30 and 60 days	**1.2**	2.2
Between 60 and 90 days	**0.3**	1.2
Between 90 and 120 days	**0.3**	0.6
Greater than 120 days	**2.6**	5.4
	7.3	11.1

As of 30 June 2010, trade receivables of £5.4 million (2009: £5.7 million) were considered for impairment. The amount provided for these balances was £0.9 million (2009: £0.5 million). The allocation of the provision is as follows:

	2010 £m	2009 £m
Number of days past due date:		
Less than 30 days	**–**	0.1
Greater than 120 days	**0.9**	0.4
	0.9	0.5

19 Cash and cash equivalents

	2010 £m	2009 £m
Cash at bank and in hand	**22.2**	44.6
Short term bank deposit	**144.5**	114.9
	166.7	159.5

The short term bank deposits above includes £7.5 million (2009: £6.3 million) which is held in escrow. The funds will become available on completion of the associated contract.

The effective interest rate received on cash balances is 0.4% (2009: 1.7%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

19 Cash and cash equivalents continued

Net cash	2010 £m	2009 £m
Cash and cash equivalents (as above)	**166.7**	159.5
Current borrowings		
Bank loan	**–**	(11.5)
Unsecured loan notes	**(1.0)**	(1.5)
Non-current borrowings		
Bank loans	**(89.2)**	(112.4)
Net cash	**76.5**	34.1

20 Trade and other payables

	2010 £m	2009 £m
Payments received on account on construction contracts	**59.1**	76.8
Trade payables	**94.9**	105.1
Development land creditors	**58.8**	25.6
Amounts due to joint venture undertakings	**0.9**	1.0
Other taxation and social security payable	**16.0**	11.4
Other payables	**19.1**	14.1
Deferred consideration on acquisitions	**–**	0.7
Accruals and deferred income	**314.2**	311.5
	563.0	546.2

The deferred consideration of £0.7 million at 30 June 2009 related to the acquisition of Kendall Cross Holdings Limited and was settled in November 2009.

21 Current income tax liabilities

	2010 £m	2009 £m
Current income tax liabilities	**5.9**	4.6

22 Provisions for other liabilities and charges

	Restructuring £m	Onerous leases £m	Other £m	Total £m
Current				
At 1 July 2009	0.2	0.4	–	0.6
Charged to income statement	–	–	8.3	8.3
Utilised in year	(0.2)	(0.1)	–	(0.3)
At 30 June 2010	**–**	**0.3**	**8.3**	**8.6**
Non-current				
At 1 July 2009	–	0.1	–	0.1
Charged to income statement	–	0.5	–	0.5
Utilised in year	–	–	–	–
At 30 June 2010	**–**	**0.6**	**–**	**0.6**

22 Provisions for other liabilities and charges continued

Restructuring

The restructuring provision made in the year ended 30 June 2009 related to the cost of reorganising the housebuilding division following the downturn in the housing market. The provision has been fully utilised during the year.

Onerous leases

The onerous lease provision relates to Group properties which are no longer used. The provision reflects the estimated costs which will be incurred to the termination of the leases. The provision is expected to be utilised within three years (2009: three years).

Other

As explained in note 5, on 22 September 2009 the Office of Fair Trading announced its decision to fine 103 companies following its investigation into breaches of the Competition Act 1998 in the construction industry. Galliford Try has been fined £8.3 million. The Group has submitted an appeal to the Competition Appeal Tribunal in respect of the size of the penalty imposed; however the outcome of the appeal is not expected until late in 2010. Accordingly, a provision for the full amount has been made in the year.

23 Financial liabilities – borrowings

Current	2010 £m	2009 £m
Bank loan – secured (i)	–	11.5
Unsecured – Loan notes (ii)	1.0	1.5
	1.0	13.0

Non-current	2010 £m	2009 £m
Bank loans – secured (i)	89.2	112.4

(i) The bank loans are secured by a fixed charge over certain of the Group's developments. They currently incur interest at 0.9% (2009: 0.9%) over LIBOR. The Group has entered into interest rate swaps as set out in note 26.

(ii) The unsecured loan notes are made up as follows:

(a) £0.7 million (2009: £0.9 million) of loan notes were issued in 1997 and 2002 as part of the acquisition of Midas Homes Limited and Gerald Wood Homes Limited respectively. They are redeemable in whole or in part by the holders at any time provided that 30 days' notice is given of their intention to redeem the loan notes. Their interest rate is determined by reference to LIBOR and varies every three months. The final date for the redemption of these loan notes is July 2011 and July 2012 respectively. The loan notes are guaranteed by a bank.

(b) £0.3 million (2009: £0.6 million) of loan notes were issued in 2007 as part of the acquisition of Linden Holdings plc. They are redeemable in whole or in part by the holders at six monthly intervals provided that 30 days' notice is given of their intention to redeem the loan notes. Their interest rate is 5% per annum. The final date for the redemption of these loan notes is March 2012. The loan notes are guaranteed by a bank.

24 Other non-current liabilities

	2010 £m	2009 £m
Development land creditors	6.8	7.2
Other payables	3.2	3.5
Accruals and deferred income	0.7	0.7
	10.7	11.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

25 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2009: 28%).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities. The net deferred tax position at 30 June was:

	2010 £m	2009 £m
Deferred income tax assets	**11.2**	12.0
Deferred income tax liabilities	**–**	(14.3)
	11.2	(2.3)

The movement for the year in the net deferred income tax account is as shown below:

	2010 £m	2009 £m
At 1 July	**(2.3)**	(6.7)
Income statement		
Current year's deferred income tax	**0.6**	2.3
Adjustment in respect of prior years	**(0.2)**	0.3
(Expense)/income recognised in equity	**(1.3)**	1.8
On acquisition of subsidiaries	**14.4**	–
At 30 June	**11.2**	(2.3)

Deferred income tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred income tax assets because it is probable that these assets will be recovered.

Movements in deferred income tax assets and liabilities during the year are shown below:

Deferred income tax assets	Retirement benefit obligations £m	Share based payments £m	Fair value adjustments £m	Other £m	Total £m
At 1 July 2008	7.7	0.2	–	2.8	10.7
(Expense)/income taken to income statement	(1.8)	(0.1)	–	1.4	(0.5)
Income recognised in equity	1.8	–	–	–	1.8
At 1 July 2009	7.7	0.1	–	4.2	12.0
(Expense)/income taken to income statement	(1.5)	0.2	–	(0.1)	(1.4)
Adjustment in respect of prior years	–	–	–	(0.1)	(0.1)
Expense recognised in equity	(1.3)	–	–	–	(1.3)
Transfer from deferred income tax liabilities	–	–	2.0	–	2.0
At 30 June 2010	**4.9**	**0.3**	**2.0**	**4.0**	**11.2**

Deferred income tax liabilities	Fair value adjustments £m	Accelerated tax depreciation £m	Other £m	Total £m
At 1 July 2008	(17.6)	0.3	(0.1)	(17.4)
Income/(expense) taken to income statement	3.2	(0.1)	–	3.1
At 1 July 2009	(14.4)	0.2	(0.1)	(14.3)
Income taken to income statement	2.0	–	–	2.0
Adjustment in respect of prior years	–	(0.1)	–	(0.1)
On acquisition of subsidiaries	14.4	–	–	14.4
Transfer to deferred income tax assets	(2.0)	–	–	(2.0)
At 30 June 2010	**–**	**0.1**	**(0.1)**	**–**

26 Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group operates within financial risk policies and procedures approved by the board. It is, and has been throughout the year, the Group's policy that no trading in financial instruments shall be undertaken. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Group's financial instruments principally comprise bank borrowings, cash and liquid resources, receivables and payables, and interest rate swaps that arise directly from its operations and its acquisitions.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total shareholders' equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. The Group held net cash at 30 June 2010 hence gearing was nil at that time (2009: Nil).

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

All material activities of the Group take place within the UK and consequently there is little direct exchange risk other than payments to overseas suppliers who require settlement in their currency. If there is any material foreign exchange exposure, the Group's policy is to enter into forward foreign currency contracts. The Group has no material currency exposure at 30 June 2010 (2009: Nil).

(ii) Price risk

The Group is not exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available for sale or at fair value through profit or loss. The Group is not exposed to commodity price risk.

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from movement in cash and cash equivalents and long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group policy is to accept a degree of interest rate risk as long as the effect of various changes in rates remains within prescribed ranges. Details of the interest rate swaps entered into by the Group are set out below.

The Group analyses its interest rate exposure on a dynamic basis. On a regular basis the Group calculates the impact on the income statement of a defined interest rate shift on the Group's borrowing position.

Based on the forecasts performed, the impact on post tax profit and equity of a 1% decrease or increase in interest rates for a year would be a maximum increase of £0.7 million (2009: £0.5 million) or decrease of £1.1 million (2009: £0.5 million), respectively.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits and borrowings with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group has a credit risk exposure to the providers of its banking facilities. These are primarily provided by HSBC Bank plc, The Royal Bank of Scotland plc, Bank of Scotland and Barclays Bank PLC, being four of the UK's leading financial institutions. Further details of credit risk relating to trade and other receivables are disclosed in note 18. No credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance of any counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 Financial instruments continued

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group finances its operations through a mixture of retained profits and bank borrowings. The contracting operations of the Group generally generate cash. The housebuilding operations, however, utilise cash and any future downturn in the housebuilding market may require additional borrowings in addition to retained earnings to finance the maintenance of the landbank and associated work in progress. Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn borrowing facilities (see below) and cash and cash equivalents (note 19)) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group in accordance with practices and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. On a daily basis throughout the year, the bank balances or borrowings in all the Group's operating companies are aggregated into a total cash or borrowing figure in order that the Group can obtain the most advantageous interest rate.

In accordance with IAS 39, Financial instruments: recognition and measurement, the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives have been identified.

Financial liabilities – derivative financial liabilities
The fair value of interest rate swaps is detailed below:

	Liabilities £m
At 30 June 2010	
Non-current	(2.1)
At 30 June 2009	
Non-current	(2.8)

The notional principal amount of the outstanding interest rate swap contracts at 30 June 2010 was £45 million (2009: £57 million). At 30 June 2010, the fixed interest rate is 5.7% (2009: 5.7%).

Fair values of non-derivative financial assets and financial liabilities
Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at the prevailing interest rate. The fair value of current borrowings equals their carrying amounts as the impact of discounting is not significant.

		2010		2009	
Fair value of non-current borrowings	Note	**Book value £m**	**Fair value £m**	Book value £m	Fair value £m
Long term borrowings	23	**89.2**	**86.9**	112.4	103.4
Fair value of other financial assets and financial liabilities					
Primary financial instruments held or issued to finance the Group's operations:					
Short term borrowings	23	**1.0**	**1.0**	13.0	13.0
Trade and other payables	20	**487.9**	**487.9**	458.0	458.0
Trade and other receivables	18	**259.1**	**259.1**	247.5	247.5
Cash and cash equivalents	19	**166.7**	**166.7**	159.5	159.5
Other non-current liabilities	24	**9.1**	**9.1**	11.4	11.4

Prepayments and accrued income are excluded from the trade and other receivables balances and statutory liabilities and payments received on account on construction contracts are excluded from trade and other payables balances, as this analysis is required only for financial instruments.

The effective interest rate used for fair valuing long term borrowings is 1.44% (2009: 3.7%) being the prevailing interest rate at 30 June 2010.

26 Financial instruments continued

Maturity of financial liabilities

The maturity profile of the carrying value of the Group's non-current liabilities at 30 June was as follows:

	2010 Borrowings £m	2010 Other financial liabilities £m	2010 Total £m	2009 Borrowings £m	2009 Other financial liabilities £m	2009 Total £m
In more than one year but not more than two years	**89.2**	**–**	**89.2**	12.0	7.6	19.6
In more than two years but not more than five years	**–**	**–**	**–**	100.4	1.1	101.5
In more than five years	**–**	**–**	**–**	–	2.7	2.7
	89.2	**–**	**89.2**	112.4	11.4	123.8

Borrowing facilities

The Group had the following undrawn committed borrowing facilities available at 30 June, which are restricted by the value of developments available to be secured under the terms of the facility:

	2010 Floating rate £m	2010 Fixed rate share	2010 Total £m	2009 Total £m
Expiring:				
Within one year	**30.0**	**–**	**30.0**	30.0
Between one and two years	**258.7**	**–**	**258.7**	–
In more than two years	**–**	**–**	**–**	264.4
	288.7	**–**	**288.7**	294.4

The Group entered into a five year bank facility for an aggregate total amount of £450 million in February 2007 with HSBC Bank plc, The Royal Bank of Scotland plc, Bank of Scotland and Barclays Bank PLC. The facility provides working capital, development finance and bonding. £150 million of this facility is on an amortising basis which at 30 June 2010 stood at £90 million giving a total available facility of £390 million. The facility is subject to covenants on interest cover, minimum net assets and gearing and is secured by charges over certain developments. Overall debt levels do fluctuate throughout the year, but the Group has substantial headroom within its banking facilities and continues to operate within the covenants of those facilities.

The facilities expiring within one year are on demand facilities provided by HSBC Bank plc and Barclays Bank PLC that form part of the overall facility above. These facilties are subject to an annual review. All these facilities incur commitment fees at market rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 Financial instruments continued

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables £m	Available for sale £m	Total £m
30 June 2010			
Assets as per balance sheet			
Available for sale financial assets	–	15.7	15.7
Trade and other receivables	259.1	–	259.1
Cash and cash equivalents	166.7	–	166.7
Total	**425.8**	**15.7**	**441.5**

	Liabilities at fair value through the income statement £m	Other financial liabilities £m	Total £m
Liabilities as per balance sheet			
Derivative financial instruments	2.1	–	2.1
Borrowings	–	90.2	90.2
Trade and other payables	–	498.6	498.6
Total	**2.1**	**588.8**	**590.9**

	Loans and receivables £m	Available for sale £m	Total £m
30 June 2009			
Assets as per balance sheet			
Available for sale financial assets	–	9.4	9.4
Trade and other receivables	247.5	–	247.5
Cash and cash equivalents	159.5	–	159.5
Total	407.0	9.4	416.4

	Liabilities at fair value through the income statement	Other financial liabilities £m	Total £m
Liabilities as per balance sheet			
Derivative financial instruments	2.8	–	2.8
Borrowings	–	125.4	125.4
Trade and other payables	–	469.4	469.4
Total	2.8	594.8	597.6

27 Called up share capital

Authorised, issued and fully paid	2010 shares	2010 £m	2009 (restated) shares	2009 (restated) £m
Ordinary shares of 50 pence each				
At 1 July	**37,776,677**	**18.9**	37,760,444	18.9
Allotted under rights issue	**44,072,789**	**22.0**	–	–
Allotted under share option schemes	**–**	**–**	16,233	–
At 30 June	**81,849,466**	**40.9**	37,776,677	18.9

On 10 September 2009, the Company announced that it was to undertake a share consolidation and rights issue which was subsequently agreed by shareholders on 6 October 2009. The share consolidation was on the basis that every 10 ordinary shares of 5p each were consolidated into one ordinary share of 50p each. The basis of the rights issue was 7 new ordinary shares of 50p each for every 6 ordinary shares of 50p each. The issue price per new ordinary share was £2.85. The rights issue was completed on 22 October 2009. Ordinarily the excess of the net proceeds over the nominal value of the share capital would be credited to a non-distributable share premium account. However, the rights issue was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital being recognised within retained earnings under section 612 of the Companies Act 2006.

At 30 June 2010 the total number of shares outstanding under the SAYE share option scheme was 389,937 and under the long term incentive plans was 1,573,506 as detailed below:

SAYE share option scheme

Shares under option	Year of grant	Exercise price per share	Exercise period ending
78,998	2006	655p	31.07.11
154,596	2007	1,086p	30.06.12
81,862	2008	918p	30.06.11
74,481	2008	918p	30.06.13
389,937			

Long term incentive plans

Shares awarded	Year of grant	Award price	Vesting date
156,573	2008	1,046p	10.09.10
869,152	2009	272p	10.09.11
547,781	2010	421p	11.09.12
1,573,506			

28 Share based payments

The Company operates performance related share incentive plans for executives, details of which are set out in the Remuneration Report. The Company also operates savings related option schemes (“SAYE”). The total charge for the year relating to employee share based payment plans was £1.8 million (2009: £1.4 million), all of which related to equity settled share based payment transactions. After deferred tax, the total charge was £1.6 million (2009: £1.5 million).

All share prices, exercise prices and fair values are shown below after adjustment for the share consolidation and rights issue which occurred in October 2009. accordingly, previously disclosed values have been multiplied by 10 to allow for the share consolidation and then by 72.4% to allow for the rights issue. The number of shares has been restated by multiplying those previously reported by an adjustment factor of 0.1381 to allow for the share consolidation and rights issue.

Savings related share options
The Company operates an HM Revenue and Customs approved savings related option scheme (“SAYE”) under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at grant, in either three or five years’ time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. These funds are used to fund the option exercise. This scheme is open to all employees. No performance criteria are applied to the exercise of SAYE options.

The options were valued using the binomial option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Share price at grant date	Exercise price	Expected volatility	Option life years	Risk free rate	Dividend yield	Employee turnover before vesting	Fair value per option
01.02.06	655p	496p	37%	5	4.3%	2.3%	10%	270p
01.01.07	1,086p	738p	33%	5	4.8%	1.7%	10%	501p
01.01.08	918p	912p	31%	3	4.6%	2.4%	10%	223p
01.01.08	918p	912p	31%	5	4.6%	2.4%	10%	272p

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28 Share based payments continued

The expected volatility is based on historical volatility in the movement in the share price over the last three or five years up to the date of grant depending on the option life. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of savings related share awards over the year to 30 June 2010 is shown below:

	2010		2009 (restated)	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 July	**799,372**	**71p**	1,172,184	702p
Forfeited	**(15,200)**	**330p**	(43,589)	751p
Cancelled	**(67,195)**	**350p**	(284,762)	739p
Expired	**(327,040)**	**337p**	(22,059)	407p
Exercised	**–**	**–**	(22,402)	130p
Outstanding at 30 June	**389,937**	**759p**	799,372	71p
Exercisable at 30 June	**–**	**–**	145,123	496p

The weighted average fair value of awards granted during the year was Nil (2009: Nil). There were no share options exercised during the year ended 30 June 2010. The weighted average share price at the date of exercise in the year to 30 June 2009 was 305p. The weighted average remaining contractual life is 1 year 3 months (2009: 1 years 11 months).

Performance related long term incentive plans

The Company operates performance related share incentive plans for executives, details of which are set out in the Remuneration Report. The awards that vest are satisfied by the transfer of shares for no consideration.

The options were valued using a Monte Carlo model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Share price at grant date	Vesting period/ Option life months	Risk free rate	Dividend yield	Fair value per option
08.03.07	1,278p	36	5.0%	2.0%	785p
10.09.07	1,061p	36	5.2%	1.5%	518p
10.03.09	250p	36	1.7%	2.5%	72p
11.09.09	507p	36	5.0%	2.1%	579p

The expected volatility is based on historical volatility in the movement in the share price of the Company and its comparator group and the correlations between them over the last three years. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of performance related share awards over the year to 30 June is shown below:

	2010 Number	2009 (restated) Number
Outstanding at 1 July	**1,041,336**	459,443
Granted	**547,781**	869,152
Cancelled	**–**	(97,828)
Forfeited	**(15,611)**	(158,368)
Exercised	**–**	(31,063)
Outstanding at 30 June	**1,573,506**	1,041,336
Exercisable at 30 June	**–**	–

The weighted average fair value of awards granted during the year was 579p (2009: 72p). There were no options exercised during the year ended 30 June 2010. The weighted average share price at the date of exercise in the year ended 30 June 2009 was 433p. The weighted average remaining contractual life is Nil as the shares are exercised on the day that they vest (2009: Nil).

29 Share premium and other reserves

	Share premium £m	Other reserves £m
At 1 July 2008, 1 July 2009 and 30 June 2010	**190.8**	**5.3**

The other reserve relates to a merger reserve amounting to £4.7 million (2009: £4.7 million) and the movement on available for sale financial assets amounting to £0.6 million (2009: £0.6 million).

30 Retained earnings

	£m
At 1 July 2008	110.3
Loss for the year	(17.8)
Actuarial losses recognised in the retirement benefit obligations	(6.5)
Deferred tax on movements in equity	1.8
Dividends paid	(9.6)
Share based payments	1.4
At 1 July 2009	79.6
Profit for the year	10.8
Actuarial gains recognised in the retirement benefit obligations	4.8
Deferred tax on movements in equity	(1.3)
Dividends paid	(6.7)
Share based payments	1.8
Purchase of own shares	(0.1)
Issue of shares (note 27)	97.3
At 30 June 2010	**186.2**

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9.5 million (2009: £9.5 million).

At 30 June 2010, the Galliford Try Employee Share Trust held 310,189 (2009: 208,417) shares. The nominal value of the shares held is £0.2 million (2009: £0.1 million). 101,772 shares were acquired during the year (2009: Nil). The cost of funding and administering the Trust is charged to the profit and loss account of the Company in the period to which it relates. The market value of the shares at 30 June 2010 was £1.0 million (2009: £1.0 million). No shareholders (2009: None) have waived their rights to dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 Retirement benefit obligations

The Group's principal funded pension scheme is the Galliford Try Final Salary Pension Scheme (based on final pensionable salary) with assets held in separate trustee administered funds which was closed to all future service accrual on 31 March 2007. All staff employees are entitled to join the Galliford Try Pension Scheme, a defined contribution scheme established as a stakeholder plan, with a Company contribution based on a scale dependent on the employee's age and the amount they choose to contribute. Since 1 April 2009, the Group has operated a pension salary sacrifice scheme which means that all employee pension contributions are now paid as employer contributions on their behalf.

Pension costs for the schemes were as follows:

	2010 £m	2009 £m
Defined benefit schemes – Expense recognised in the income statement	2.0	0.8
Defined contribution schemes	10.8	6.9
Total included within employee benefit expenses (note 3)	12.8	7.7

Of the total charge for all schemes £5.9 million (2009: £3.7 million) and £6.9 million (2009: £4.0 million) were included, respectively, within cost of sales and administrative expenses.

Defined benefit schemes

The most recent valuation of the Galliford Try Final Salary Pension Scheme is as at 30 June 2006, using the projected unit method with a three year control period. The assumptions used which have the most significant effect on the results of the valuation were the investment return, which was assumed to be 5.2% per annum on pre-retirement assets and 5.2% on post-retirement assets, and the rate of increase in pensionable salaries, which was assumed to be 5.0% per annum. The valuation showed that the market value of the scheme's assets was £104.1 million and that those assets represented 67% of the value of the benefits that had accrued to members after allowing for the expected future increases in pensionable salaries.

A new valuation is currently being carried out by Mercer, the scheme actuary, with an effective date of 1 July 2009. The valuation is due to be completed by October 2010.

The Galliford Group Special Scheme is funded and provides benefits based on final pensionable salaries. The most recent actuarial valuation of the scheme was prepared using the attained age method as at 1 April 2007. The assumptions used which had the most significant effect on the results of the valuation were the investment return, which was assumed to be 5.5% per annum on pre-retirement assets and 4.5% for post-retirement assets, and the rate of increase in pensionable salaries, which was assumed to be 5.1% per annum. The valuation showed that the market value of the scheme's assets was £4.1 million and that those assets represented 76% of the value of the benefits that had accrued to members after allowing for the expected future increases in pensionable salaries.

The Kendall Cross Holdings Limited Scheme is funded and provides benefits based on final pensionable salaries. The scheme was closed to new members and to future accrual for existing members prior to the date of the acquisition by Galliford Try plc in November 2007. The most recent actuarial valuation of the scheme was prepared using the projected unit method as at 14 November 2008. The assumptions used which had the most significant effect on the results of the valuation were the investment return, which was assumed to be 5.2% per annum on pre-retirement assets and 4.7% for post-retirement assets. The rate of increase in pensionable salaries was assumed to be 2.5% or 3.8% as appropriate. The valuation showed that the market value of the scheme's assets was £4.9 million and that those assets represented 91% of the value of the benefits that had accrued to members after allowing for the expected future increases in pensionable salaries.

31 Retirement benefit obligations continued

The valuation of the Group's pension schemes have been updated to 30 June 2010 and all information is consolidated for disclosure purposes below. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	2010	2009
Rate of increase in pensionable salaries	n/a	n/a
Rate of increase in pensions in payment	3.25%	3.45%
Discount rate	5.45%	6.45%
Inflation assumption	3.30%	3.55%

The assumptions for mortality are based on actuarial tables S1PMA, medium cohort with 1.25% underpin for males and S1PFA, medium cohort with 1% underpin for females (2009: PXA92 medium cohort). The average life expectancy at 65 for future male pensioners is 24.9 years (2009: 24.0 years) and for current male pensioners is 22.5 years (2009: 22.9 years).

The fair value of the assets, long term rate of return expected and present value of the obligations at 30 June of the Group's defined benefit arrangements are as follows:

	2010			2009		
	Return	Value £m		Return	Value £m	
Equities	7.90%	51.3	35%	8.10%	52.6	43%
Gilts	3.90%	43.9	30%	4.10%	40.1	33%
Bonds	5.45%	46.0	31%	6.45%	24.8	20%
Cash and other	5.45%	5.3	4%	5.55%	4.5	4%
		146.5	100%		122.0	100%
Present value of defined benefit obligations		(163.8)			(149.5)	
Deficit in scheme recognised as non-current liability		(17.3)			(27.5)	

Where investments are held in bonds and cash, the expected long term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equity investments, which is based on more realistic future expectations than on the returns that have been available historically. The overall expected long term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension scheme.

Sensitivity analysis of scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principal assumptions is set out below.

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.1%	Decrease by £2.9 million
Rate of inflation	Increase by 0.1%	Decrease by £2.9 million
Increase in pension payments	Increase by 0.05%	Increase by £0.5 million
Life expectancy	Increase by one year	Increase by £3.1 million

The amounts recognised in the income statement are as follows:

	2010 £m	2009 £m
Finance costs	9.5	9.8
Expected return on scheme assets	(7.5)	(9.0)
Net finance costs	2.0	0.8
Expense recognised in the income statement	2.0	0.8

The actual return on scheme assets was of £22.5 million (2009: charge £10.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 Retirement benefit obligations continued

The amounts recognised in the statement of recognised income and expense are as follows:

	2010 £m	2009 £m
Total amount of actuarial gains/(losses)	**4.8**	(6.5)
Cumulative actuarial losses	**(29.9)**	(34.7)

Movement in present value of defined benefit obligations	2010 £m	2009 £m
At 1 July	**149.5**	161.0
Interest cost	**9.5**	9.8
Experience (losses)/gains	**(9.9)**	1.6
Impact of change in assumptions	**20.1**	(14.4)
Benefit payments	**(5.4)**	(8.5)
At 30 June	**163.8**	149.5

Movement in fair value of scheme assets	2010 £m	2009 £m
At 1 July	**122.0**	133.6
Expected return on scheme assets	**7.5**	9.0
Actual return less expected return on scheme assets	**15.0**	(19.3)
Employer contributions	**7.4**	7.2
Benefit payments	**(5.4)**	(8.5)
At 30 June	**146.5**	122.0

The contributions expected to be paid to the defined benefit schemes during the year ended 30 June 2011 is £7.3 million.

Details of experience gains and losses in the year:	2010	2009	2008	2007	2006
Difference between the expected and actual return on assets:					
Amount £m	**15.0**	(19.3)	(15.8)	2.4	6.4
Percentage of assets	**10**	(16)	(11)	2	6
Experience gains and losses on scheme liabilities:					
Amount £m	**9.9**	(1.6)	0.4	1.9	5.2
Percentage of present value of defined benefit obligations	**6**	(1)	0	1	3
Total amount recognised in statement of comprehensive income:					
Amount £m	**4.8**	(6.5)	(11.8)	3.9	(5.2)
Percentage of present value of liabilities	**3**	(4)	(7)	2	(3)

32 Business combinations

On 14 October 2009, the Group acquired the remaining 50% shareholding in its joint venture Linden Properties Western Limited, taking the Group's ownership to 100%. With effect from this date, Linden Properties Western Limited is treated as a subsidiary undertaking. The total consideration payable was £1. At completion, the development loans provided to the joint venture by Bank of Scotland were settled by a cash payment of £8.5 million. In addition loan notes with a nominal value of £1.2 million were acquired for £0.5 million. Developments have been written down to their estimated fair market value at the date of acquisition. No goodwill arose on this acquisition. Details of the assets acquired are set out in the table below:

	Carrying value pre acquisition £m	Fair value adjustment £m	Provisional fair value £m
Developments	15.8	(2.9)	12.9
Trade and other receivables	0.5	–	0.5
Deferred tax asset	–	0.8	0.8
Bank loans and overdrafts	(11.2)	2.7	(8.5)
Trade and other payables	(3.3)	–	(3.3)
Financial liabilities – borrowings	(2.4)	0.7	(1.7)
Deferred tax liabilities	–	(0.7)	(0.7)
Net assets acquired	(0.6)	0.6	–
Goodwill			–
Consideration			–

The outflow of cash and cash equivalents and borrowings on the acquisition is calculated as follows:

	£m
Cash consideration	–
Borrowings acquired	(10.2)
Net cash outflow	(10.2)

On 1 December 2009, the Group acquired the entire share capital of Rosemullion Property Company Limited and its subsidiary companies (Rosemullion), a housing developer based in the South West of England. The total consideration payable was £0.1 million which was settled in cash. No goodwill arose on this acquisition. Details of the assets acquired are set out in the table below. The fair value adjustments relate to the alignment of accounting policies and an adjustment to bring developments to their estimated fair market value at the date of acquisition.

	Carrying value pre acquisition £m	Fair value adjustment £m	Provisional fair value £m
Developments	3.8	(0.2)	3.6
Trade and other receivables	0.1	–	0.1
Bank loans and overdrafts	(3.1)	–	(3.1)
Trade and other payables	(0.5)	–	(0.5)
Net assets acquired	0.3	(0.2)	0.1
Goodwill			–
Consideration			0.1

The outflow of cash and cash equivalents and borrowings on the acquisition is calculated as follows:

	£m
Cash consideration	(0.1)
Borrowings acquired	(3.1)
Net cash outflow	(3.2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32 Business combinations continued

On 12 February 2010, the Group acquired the remaining 50% shareholding held by Bank of Scotland in its joint ventures, undertaking residential development in the South East area, taking the Group's ownership to 100%. The joint ventures were Sentient Ventures LLP, Linden Homes Eastern Newhall Limited, Linden London LLP, Linden London (Hammersmith) Limited and Linden St Albans LLP. With effect from this date, these companies are treated as subsidiary undertakings. The companies are developing residential sites in Colchester, Harlow, Hammersmith and St Albans. The consideration, which was settled in cash, totalled a nominal £4. The development loans provided to the joint ventures by Bank of Scotland were settled by a cash payment of £42.5 million. Developments have been written down to their estimated fair market value at the date of acquisition. Details of the assets acquired are set out in the table below:

	Carrying value pre acquisition £m	Fair value adjustment £m	Provisional fair value £m
Developments	76.8	(37.1)	39.7
Trade and other receivables	4.2	–	4.2
Deferred tax asset	3.6	10.4	14.0
Cash and cash equivalents	0.2	–	0.2
Bank loans and overdrafts	(42.5)	–	(42.5)
Trade and other payables	(7.2)	–	(7.2)
Net assets acquired	35.1	(26.7)	8.4
Negative goodwill			(8.4)
Consideration			–

The negative goodwill represents the carrying value of the investment in joint ventures held prior to the acquisition of the remaining 50% share. Amounts recognised in the income statement are as follows:

	£m
Loss on investment in joint ventures	(8.4)
Negative goodwill	8.4
Total	–

The outflow of cash and cash equivalents and borrowings on the acquisition is calculated as follows:

	£m
Cash consideration	–
Cash acquired	0.2
Borrowings acquired	(42.5)
Net cash outflow	(42.3)

Total acquisition costs of £0.3 million were incurred relating to acquisitions during the year which have been written off in the income statement.

From the date of acquisition to 30 June 2010 the acquisitions contributed £3.6 million of revenue, £0.4 million to profit before interest and intangible amortisation and £Nil to profit before income tax.

	Revenue £m	Profit before finance costs and intangible amortisation £m	Profit before income tax £m	Profit after income tax £m	Cash flow* £m	Capital expenditure £m
Rosemullion	3.1	0.3	0.3	0.2	4.1	–
Linden Properties Western Limited	–	–	(0.1)	(0.1)	8.5	–
Sentient Ventures Limited	0.2	0.1	–	–	10.9	–
Linden Homes Eastern Newhall Limited	0.3	–	–	–	5.7	–
Linden London LLP	–	–	–	–	9.3	–
Linden London (Hammersmith) Limited	–	–	(0.1)	–	–	–
Linden St Albans LLP	–	–	(0.1)	(0.1)	16.5	–
	3.6	0.4	–	–	55.0	–

* Stated including transactions within the Group.

32 Business combinations continued

The results of operations as if the acquisitions had been made at the start of the financial year is as follows:

	Group £m	Acquisitions* £m	Total £m
Revenue	1,221.9	4.4	1,226.3
Profit before finance costs	22.5	(0.2)	22.3
Profit before tax	19.2	(2.4)	16.8
Profit after tax	10.8	(1.6)	9.2

* Results for period from 1 July 2009 to date of acquisition.

33 Financial and capital commitments

	2010 £m	2009 £m
Commitments for:		
Capital expenditure in subsidiaries	**–**	–
Subordinated loan stock in available for sale investments	**–**	0.6
Subordinated debt in joint ventures	**1.6**	1.3
Subordinated debt in non-current assets classified as held for sale	**1.5**	–
	3.1	1.9

Galliford Try plc, together with certain of its subsidiaries, has entered into non-cancellable contracts for the operational leasing of land and buildings and plant and machinery. The leases have various terms, escalation clauses and renewal rights. The maximum commitments for payments under these contracts are as follows:

	2010		2009	
	Property £m	**Vehicles, plant and equipment £m**	Property £m	Vehicles, plant and equipment £m
Amounts due:				
Within one year	**3.7**	**6.4**	3.7	4.2
Later than one year and less than five years	**13.4**	**10.8**	12.8	4.0
After five years	**19.7**	**–**	24.5	–
	36.8	**17.2**	41.0	8.2

Galliford Try plc, together with certain of its subsidiaries, has entered into arrangements with HSBC Bank plc, The Royal Bank of Scotland plc, Bank of Scotland and Barclays Bank PLC to guarantee the borrowings of Group companies. Fixed charges have been given to these banks over certain of the Group's developments.

34 Guarantees and contingent liabilities

Galliford Try plc has entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued on behalf of Group undertakings, including joint arrangements and joint ventures, in the normal course of business amounting to £120.7 million (2009: £113.5 million).

Disputes arise in the normal course of business, some of which lead to litigation or arbitration procedures. The directors make proper provision in the financial statements when they believe a liability exists. Whilst the outcome of disputes and arbitration is never certain, the directors believe that the resolution of all existing actions will not have a material adverse effect on the Group's financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

35 Related party transactions

Transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not included within this note. Transactions between the Group and its joint ventures and jointly controlled operations are disclosed as follows:

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Trading transactions								
Joint ventures	**14.8**	38.2	**0.1**	0.1	**7.0**	7.7	**0.8**	1.0
Jointly controlled operations	**36.0**	118.6	**0.2**	0.5	**1.8**	1.9	**0.3**	–

	Interest income from loans to related parties		Loans to related parties		Loans from related parties		Injection of equity funding	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Non-trading transactions								
Joint ventures	**2.2**	2.2	**39.0**	38.0	**–**	–	**1.9**	5.1

Services are sold to related parties based on terms that would be available to unrelated third parties. Receivables are due within six years (2009: seven years) and are unsecured and interest rates vary from bank base rate plus 1.75% to 10%. Payables are due within one year (2009: one year) and are interest free.

The Company has provided performance guarantees in respect of certain operational contracts entered into between joint ventures and a Group undertaking.

The Company has entered into a financial guarantee in respect of its joint venture Crest/Galliford Try (Epsom) LLP. The maximum amount payable under the terms of this guarantee is £13.75 million.

Shareholders are, by way of a separate resolution to be proposed at the Annual General Meeting, being asked to approve a proposed purchase by a step-daughter of Greg Fitzgerald, a director of the Company, of a property situated in Devon being developed and sold by a joint venture in which a subsidiary of the Company, Midas Homes Limited, is a 50% shareholder. The property is to be purchased for her own residential use for a consideration of £305,204 taking a part exchange property as part of the consideration of £145,000. As she and her partner are also longstanding employees of the Company, a total discount of 7.5% has been allowed, taking into account the standard discount of 5% available to each employee purchasing a home from Midas Homes Limited. Subject to this discount, the directors have received written confirmation from independent valuers stating that the price payable for this property and the value attributed to the property being taken in part exchange under the Company's part exchange scheme represent fair market values.

36 Post balance sheet events

No matters have arisen since the year end that require disclosure in the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF GALLIFORD TRY PLC

We have audited the parent company financial statements of Galliford Try plc for the year ended 30 June 2010 which comprise the Company Balance Sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 44, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

> give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of its profit for the year then ended;
> have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
> have been prepared in accordance with the requirements of the Companies Act 2006.

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; and
> the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Other matter

We have reported separately on the Group financial statements of Galliford Try plc for the year ended 30 June 2010.

Pauline Campbell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
Wednesday, 15 September 2010

COMPANY BALANCE SHEET
AT 30 JUNE 2010

	Notes	2010 £m	2009 £m
Fixed assets			
Investments	3	**191.8**	191.2
Current assets			
Debtors	4	**44.0**	21.2
Cash at bank and in hand		**344.5**	273.6
		388.5	294.8
Creditors: amounts falling due within one year	5	**(59.0)**	(66.3)
Net current assets		**329.5**	228.5
Total assets less current liabilities		**521.3**	419.7
Creditors: amounts falling due after more than one year	6	**(91.3)**	(115.2)
Net assets		**430.0**	304.5
Capital and reserves			
Called up share capital	7	**40.9**	18.9
Share premium account	8	**190.8**	190.8
Merger reserve	8	**3.0**	3.0
Profit and loss account	8	**195.3**	91.8
Total equity shareholders' funds	9	**430.0**	304.5

The notes on pages 99 to 110 are an integral part of these financial statements.

The financial statements on pages 98 to 110 were approved by the board on 15 September 2010 and signed on its behalf by:

Greg Fitzgerald
Chief Executive

Frank Nelson
Finance Director

NOTES TO THE
COMPANY FINANCIAL STATEMENTS

1 Statement of accounting policies

Basis of accounting
These financial statements are prepared on the going concern basis, under the historical cost convention except for the valuation of share based payments, financial instruments and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. The principal accounting policies, which have been applied consistently, except for any changes arising from the adoption of new accounting standards, are set out below. As permitted by section 408 of the Companies Act 2006 the Company has not presented its own profit and loss account.

The Company has taken the exemption, in line with Financial Reporting Standard 1 (revised), from the requirement to prepare a cash flow statement on the grounds that its consolidated financial statements, which include the Company and present a cash flow statement, are publicly available.

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions with entities that are part of the Galliford Try plc Group.

There are no recognised gains and losses other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

Critical accounting estimates and judgements
The preparation of the Company financial statements 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 judgements about the carrying value of assets and liabilities which are 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 revision and future periods if the revision affects both current and future periods.

Material estimates and assumptions are made in particular with regards to establishing the policy relating to the retirement benefit obligations valuation.

In determining the valuation of defined benefit schemes assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the Group:

> expected return on scheme assets
> inflation rate
> mortality
> discount rate
> salary and pension increases

Details of the assumptions used are included in note 10.

Recent accounting developments
The following standards, amendments and interpretations have been published and have been adopted by the Company but have no material impact on the results.

> Amendment to FRS 26, Financial instruments recognition and measurement on eligible hedged items.
> Amendment to FRS 29, Financial instruments: disclosure.
> UITF Abstract 42 and FRS 26, Embedded derivatives.

Money market deposits
Money market deposits are stated at cost. All income from these investments is included in the profit and loss account as interest receivable and similar income.

Interest-bearing borrowings
Interest-bearing bank loans and overdrafts are initially recorded at the value of the amount received, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

Fixed asset investments and impairment
The book value of fixed asset investments is recorded at cost less any impairment.

Financial instruments
Interest rate swaps are used to manage the Company's interest rate exposure. The interest payable or receivable in respect of these swaps is accrued in the same way as interest arising on deposits or borrowings. Interest rate swaps are revalued to fair value at the year end with the movement being recognised immediately in the profit and loss account.

Accounting for Employee Share Ownership Plan
Own shares held by the Galliford Try Employee Share Trust ("The Trust") are shown, at cost less any permanent diminution in value, as a deduction from the profit and loss account reserve. The charge made to the profit and loss account for employee share awards and options is based on the fair value of the award at the date of grant spread over the performance period.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

1 Statement of accounting policies continued

Share based payments

The Company operates a number of equity-settled, share based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the profit and loss account. Where options have been granted to employees of subsidiary companies the associated expense has been credited to investments. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions such as growth in earnings per share. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account or investments as appropriate, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Debtors

Debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the debtors. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (typically more than 30 days overdue) are considered indicators that the trade debtor is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment provision, and the amount of the loss is recognised in the profit and loss account.

When a trade debtor is uncollectible, it is written off against the impairment provision for debtors. Subsequent recoveries of amounts previously written off are credited in the profit and loss account. Short term debtors do not carry any interest and are stated at their amortised cost as reduced by appropriate impairment for estimated irrecoverable amounts.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Retirement benefit obligations

The Group operates a defined benefit pension scheme, the assets of which are held separately from those of the Company in independently administered funds.

As the Company is unable to identify its share of the assets and liabilities of the Group scheme, it accounts for contributions as if they were to a defined contribution pension scheme.

Dividend policy

Final dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are accounted for when paid.

2 Profit before taxation

(i) Employees

Average monthly number of people (including executive directors) employed:

	2010 Number	2009 Number
Directors	**6**	6

The directors received all of their remuneration, as disclosed in the Remuneration Report, from Galliford Try plc.

(ii) Staff costs	2010 £m	2009 £m
Wages and salaries	**1.7**	1.2
Social security costs	**0.2**	0.2
Pension costs	**0.2**	0.2
Share based payments	**1.2**	0.1
	3.3	1.7

The schedule VI requirements for directors' remuneration are included within the Remuneration Report.

(iii) Auditors' remuneration

The fee payable to the Company's auditors for the parent company is £0.1 million (2009: £0.1 million).

(iv) Dividends

For details of equity dividends see note 7 of the Group's financial statements on page 71.

3 Investments

	Shares in Group undertakings £m
Cost	
At 1 July 2009	192.8
Additions	0.6
At 30 June 2010	**193.4**
Aggregate impairment	
At 1 July 2009 and 30 June 2010	**1.6**
Net book value	
At 30 June 2010	**191.8**
At 30 June 2009	191.2

The principal subsidiary companies are set out in note 15 on page 110.

Additions relate to the charge for share based payments allocated to subsidiary undertakings. The carrying value of investments has been reviewed and the directors are satisfied that there is no impairment.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

4 Debtors

	2010 £m	2009 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**43.3**	19.9
Taxation recoverable	**0.4**	1.2
	43.7	21.1
Amounts falling due after more than one year		
Other debtors	**–**	–
Deferred taxation	**0.3**	0.1
	44.0	21.2

Amounts owed by subsidiary undertakings are unsecured, have no interest chargeable and are repayable on demand. The carrying value of debtors approximates to their fair value.

The deferred tax asset recognised in the financial statements is calculated on the liability method at 28% (2009: 28%) and comprises:

	2010 £m	2009 £m
Tax effect of timing differences due to:		
Share based payments	**0.3**	0.1

There was no movement in the deferred tax asset in the year (2009: £Nil).

5 Creditors: amounts falling due within one year

	2010 £m	2009 £m
Bank loans	**–**	11.5
Secured loan notes	**1.0**	1.5
Amounts owed to subsidiary undertakings	**57.0**	52.4
Other creditors	**–**	–
Accruals and deferred income	**1.0**	0.9
	59.0	66.3

The unsecured loan notes consist of two types of loan notes, as follows:

(i) £0.7 million (2009: £0.9 million) of loan notes were issued in 1997 and 2002 as part of the acquisition of Midas Homes Limited and Gerald Wood Homes Limited respectively. They are redeemable in whole or in part by the holders at any time provided that 30 days' notice is given of their intention to redeem the loan notes. Their interest rate is determined by reference to LIBOR and varies every three months. The final dates for the redemption of these loan notes are July 2011 and July 2012 respectively. The loan notes are secured by a bank guarantee.

(ii) £0.3 million (2009: £0.6 million) of loan notes were issued in 2007 as part of the acquisition of Linden Holdings plc. They are redeemable in whole or in part by the holders at six monthly intervals provided that 30 days' notice is given of their intention to redeem the loan notes. Their interest rate is 5% per annum. The final date for the redemption of these loan notes is March 2012. The loan notes are secured by a bank guarantee.

Amounts owed to subsidiary undertakings are unsecured, have no interest chargeable and are repayable on demand.

6 Creditors: amounts falling due after more than one year

	2010 £m	2009 £m
Bank loans	**89.2**	112.4
Derivative financial liabilities	**2.1**	2.8
	91.3	115.2

The bank loans above are all denominated in sterling and have an effective interest rate of LIBOR plus 0.9% (2009: 0.9%) and the amounts due after one year are repayable within five years of the balance sheet date.

7 Called up share capital

	2010		2009 (restated)	
Authorised, issued and fully paid	**shares**	**£m**	shares	£m
Ordinary shares of 50 pence each				
At 1 July	**37,776,677**	**18.9**	37,760,444	18.9
Allotted under rights issue	**44,072,789**	**22.0**	–	–
Allotted under share option schemes	**–**	**–**	16,233	–
At 30 June	**81,849,466**	**40.9**	37,776,677	18.9

On 10 September 2009, the Company announced that it was to undertake a share consolidation and rights issue which was subsequently agreed by shareholders on 6 October 2009. The share consolidation was on the basis that every 10 ordinary shares of 5p each were consolidated into one ordinary share of 50p each. The basis of the rights issue was 7 new ordinary shares of 50p each for every 6 existing ordinary shares of 50p each. The issue price per new ordinary share was £2.85. The rights issue was completed on 22 October 2009. Ordinarily the excess of the net proceeds over the nominal value of the share capital would be credited to a non-distributable share premium account. However, the rights issue was effected through a structure which resulted in the excess of the net proceed over the nominal value of the share capital being recognised within retained earnings under section 612 of the Companies Act 2006.

At 30 June 2010 the total number of shares outstanding under the SAYE share option scheme was 389,937 and under the long term incentive plans was 1,573,506 as detailed below:

SAYE share option scheme

Shares under option	Year of grant	Exercise price per share	Exercise period ending
78,998	2006	655p	31.07.11
154,596	2007	1,086p	30.06.12
81,862	2008	918p	30.06.11
74,481	2008	918p	30.06.13
389,937			

Long term incentive plans

Shares awarded	Year of grant	Award price	Vesting date
156,573	2008	1,046p	10.09.10
869,152	2009	272p	10.09.11
547,781	2010	421p	11.09.12
1,573,506			

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

8 Share premium and reserves

	Share premium £m	Merger reserve £m	Profit and loss £m	Total £m
At 1 July 2009	190.8	3.0	91.8	285.6
Profit for the financial year	–	–	11.2	11.2
Dividends paid	–	–	(6.7)	(6.7)
Share based payments	–	–	1.8	1.8
Purchase of own shares	–	–	(0.1)	(0.1)
Issue of shares (note 7)	–	–	97.3	97.3
At 30 June 2010	**190.8**	**3.0**	**195.3**	**389.1**

At 30 June 2010, the Galliford Try Employee Share Trust held 310,189 (2009: 208,417) shares. The nominal value of the shares held is £0.2 million (2009: £0.1 million). 101,772 shares were acquired during the year (2009: Nil). The cost of funding and administering the Trust is charged to the profit and loss account of the Company in the period to which it relates. The market value of the shares at 30 June 2010 was £1.0 million (2009: £1.0 million). No shareholders (2009: None) have waived their rights to dividends.

9 Reconciliation of movement in equity shareholders' funds

	2010 £m	2009 £m
Profit for the financial year	**11.2**	22.1
Dividends paid	**(6.7)**	(9.6)
Purchase of own shares	**(0.1)**	–
Share based payments	**1.8**	0.1
Increase in share capital	**22.0**	–
Issue of shares (note 7)	**97.3**	–
Net movement in equity shareholders' funds	**125.5**	12.6
Opening equity shareholders' funds	**304.5**	291.9
Closing equity shareholders' funds	**430.0**	304.5

10 Retirement benefit obligations

The Company's principal defined benefit pension scheme is the Galliford Try Final Salary Pension Scheme (based on final pensionable salary) with assets held in separate trustee administered funds which was closed to future service accrual on 31 March 2007. As the Company is unable to identify its share of the assets and liabilities of the scheme, it accounts for contributions as if they were to a defined contribution pension scheme.

The most recent full actuarial valuations referred to in note 31 of the Group financial statements were updated to 30 June 2010 and the following information is disclosed in these financial statements in accordance with FRS17:

The assumptions used are specified below:

	2010	2009	2008
Rate of increase in salaries	**n/a**	n/a	n/a
Rate of increase in pensions in payment	**3.25%**	3.45%	3.85%
Discount rate	**5.45%**	6.45%	6.30%
Inflation assumption	**3.30%**	3.55%	4.00%

The assumptions for mortality are based on actuarial tables S1PMA, medium cohort with 1.25% underpin for males and S1PFA, medium cohort with 1% underpin for females (2009: PXA92 medium cohort). The average life expectancy at 65 for future male pensioners is 24.9 years (2009: 24.0 years) and for current male pensioners is 22.5 years (2009: 22.9 years).

10 Retirement benefit obligations continued

The assets in the scheme and the expected long term rates of return at 30 June were:

	2010		2009		2008	
	Return	Value £m	Return	Value £m	Return	Value £m
Equities	**7.90%**	**51.3**	8.10%	52.6	8.65%	68.3
Bonds	**5.45%**	**44.3**	6.45%	24.8	6.30%	11.3
Gilts	**3.90%**	**45.6**	4.10%	40.1	5.15%	48.0
Cash	**0.50%**	**0.3**	0.50%	0.4	5.00%	1.2
		141.5		117.9		128.8
Present value of liabilities		**(159.0)**		(145.8)		(157.1)
Deficit in the scheme		**(17.5)**		(27.9)		(28.3)
Deferred tax		**4.9**		7.8		7.9
		(12.6)		(20.1)		(20.4)

Where investments are held in bonds and cash, the expected long term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equity investments, which is based on more realistic future expectations than on the returns that have been available historically. The overall expected long term rate of return on assets is then the average of these rates taking into account the underlying asset portfolio of the pension scheme.

Sensitivity analysis of scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principal assumptions is set out below.

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.1%	Decrease by £2.9 million
Rate of inflation	Increase by 0.1%	Decrease by £2.5 million
Increase in pension payments	Increase by 0.05%	Increase by £0.5 million
Life expectancy	Increase by one year	Increase by £3.1 million

	2010 £m	2009 £m
Analysis of the net return:		
Expected return on the pension scheme assets	**7.3**	8.8
Interest on pension scheme liabilities	**(9.3)**	(9.6)
Net profit and loss (charge)/credit before deduction of tax	**(2.0)**	0.8
Analysis of amount recognised in the statement of total recognised gains and losses:		
Actual return less expected return on assets	**14.4**	(18.4)
Experience gains and losses on liabilities	**10.1**	(1.6)
Changes in assumptions	**(19.3)**	14.0
Actuarial profit/(loss)	**5.2**	(6.0)
Movement in deficit during the year:		
At 1 July	**(27.9)**	(28.3)
Movement in the year:		
Contributions	**7.2**	7.2
Expected return on the pension scheme assets	**7.3**	8.8
Interest on pension scheme liabilities	**(9.3)**	(9.6)
Actuarial profit/(loss)	**5.2**	(6.0)
At 30 June	**(17.5)**	(27.9)

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

10 Retirement benefit obligations continued

Details of experience gains and losses in the year:	**2010**	2009	2008	2007	2006
Difference between the expected and actual return on assets:					
Amount £m	**14.4**	(18.4)	(15.2)	2.2	6.4
Percentage of assets	**10**	(16)	(12)	2	6
Experience gains and losses on liabilities:					
Amount £m	**10.1**	(1.6)	0.4	1.9	5.2
Percentage of present value of liabilities	**6**	(1)	–	1	3
Total amount recognised in statement of total recognised gains and losses:					
Amount £m	**5.2**	(6.0)	(11.4)	3.7	(5.1)
Percentage of present value of liabilities	**3**	(4)	7	2	(3)

11 Financial instruments

For further FRS 29 narrative disclosures refer to note 26 of the Group financial statements.

Interest rate swaps
The notional principal amount of the outstanding interest rate swap contracts at 30 June 2010 was £45 million (2009: £57 million). At 30 June 2010, the fixed interest rate is 5.7% (2009: 5.7%).

The fair value of interest rate swaps is detailed below:

	Liabilities £m
At 30 June 2010	
Non-current	(2.1)
At 30 June 2009	
Non-current	(2.8)

Fair values of non-derivative financial assets and financial liabilities
Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at the prevailing interest rate. The fair value of current borrowings equals their carrying amounts as the impact of discounting is not significant.

Fair value of non-current borrowings	2010 Book value £m	2010 Fair value £m	2009 Book value £m	2009 Fair value £m
Long term borrowings	**89.2**	**86.9**	112.4	103.4

Fair value of other financial assets and financial liabilities
Primary financial instruments held or issued to finance the Group's operations:

	2010 Book value £m	2010 Fair value £m	2009 Book value £m	2009 Fair value £m
Short term borrowings	**1.0**	**1.0**	13.0	13.0
Creditors: amounts falling due within one year	**58.0**	**58.0**	53.3	53.3
Debtors	**43.3**	**43.3**	19.9	19.9
Cash at bank and in hand	**344.5**	**344.5**	273.6	273.6

Statutory receivables are excluded from the debtor balances as this analysis is required only for financial instruments.

The effective interest rate used for fair valuing long term borrowings is 1.44% (2009: 3.7%) being the prevailing interest rate at 30 June 2010.

Maturity of financial liabilities
The maturity profile of the carrying value of the Company's non-current liabilities at 30 June was as follows:

	2010 Borrowings £m	2010 Other financial liabilities £m	2010 Total £m	2009 Borrowings £m	2009 Other financial liabilities £m	2009 Total £m
In more than one year but not more than two years	**89.2**	**–**	**89.2**	12.0	–	12.0
In more than two years but not more than five years	**–**	**–**	**–**	100.4	–	100.4
	89.2	**–**	**89.2**	112.4	–	112.4

Borrowing facilities
The Company had the following undrawn committed borrowing facilities available at 30 June in respect of which all conditions precedent had been met at that date:

	2010 Floating rate £m	2010 Fixed rate £m	2010 Total £m	2009 Total £m
Expiring within one year	**30.0**	**–**	**30.0**	30.0
Expiring in between one and two years	**258.7**	**–**	**258.7**	–
Expiring in more than two years	**–**	**–**	**–**	264.4
	288.7	**–**	**288.7**	294.4

The Group entered into a five year bank facility for an aggregate total amount of £450 million in February 2007 with HSBC Bank plc, The Royal Bank of Scotland plc, Bank of Scotland and Barclays Bank PLC. The facility provides working capital, development finance and bonding. £150 million of this facility is on an amortising basis which at 30 June 2010 stood at £90 million giving a total available facility of £390 million. The facility is subject to covenants on interest cover, minimum net assets and gearing and is secured by charges over certain developments. Overall debt levels do fluctuate throughout the year, but the Group has substantial headroom within its banking facilities and continues to operate within the covenants of those facilities.

The facilities expiring within one year are on demand facilities provided by HSBC Bank plc and Barclays Bank PLC that form part of the overall facility above. These facilties are subject to an annual review. All these facilities incur commitment fees at market rates.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

11 Financial instruments continued

The accounting policies for financial instruments have been applied to the line items below:

	2010			2009		
	Assets at fair value through the profit and loss £m	**Loans and receivables £m**	**Total £m**	Assets at fair value through the profit and loss £m	Loans and receivables £m	Total £m
30 June 2009						
Assets as per balance sheet						
Debtors	**–**	**43.3**	**43.3**	–	19.9	19.9
Cash at bank and in hand	**–**	**344.5**	**344.5**	–	273.6	273.6
Total	**–**	**387.8**	**387.8**	–	293.5	293.5

	2010			2009		
	Liabilities at fair value through the profit and loss £m	**Other financial liabilities £m**	**Total £m**	Liabilities at fair value through the profit and loss £m	Other financial liabilities £m	Total £m
Liabilities as per balance sheet						
Derivative financial liabilities	**2.1**	**–**	**2.1**	2.8	–	2.8
Borrowings	**–**	**90.2**	**90.2**	–	125.4	125.4
Creditors: amounts falling due within one year	**–**	**58.0**	**58.0**	–	53.3	53.3
Total	**2.1**	**148.2**	**150.3**	2.8	178.7	181.5

12 Share based payments

The Company operates performance related share incentive plans for executives, details of which are set out in the Remuneration Report. The awards that vest are satisfied by the transfer of shares for no consideration.

All share prices, exercise prices and fair values are shown below after adjustment for the share consolidation and rights issue which occurred in October 2009. Accordingly, previously disclosed values have been multiplied by 10 to allow for the share consolidation and then by 72.4% to allow for the rights issue. The number of shares has been restated by multiplying those previously reported by an adjustment factor of 0.1381 to allow for the share consolidation and rights issue.

The options were valued using the Monte Carlo model. The fair value per option granted, subsequent to November 2002, and the assumptions used in the calculation are as follows:

Grant date	Share price at grant date	Vesting period months	Risk free rate	Dividend yield	Fair value per option
08.03.07	1,278p	36	5.2%	1.5%	785p
10.09.07	1,061p	36	5.0%	2.1%	518p
10.03.09	250p	36	1.7%	2.5%	72p
11.09.09	507p	36	2.1%	5.0%	579p

The expected volatility is based on historical volatility in the movement in the share price of the Company and its comparator group and the correlations between them over the last three years. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of performance related share awards over the year to 30 June is shown below:

	2010 Number	2009 (restated) Number
Outstanding at 1 July	**1,041,336**	459,443
Granted	**547,781**	869,152
Cancelled	**–**	(97,828)
Forfeited	**(15,611)**	(158,368)
Exercised	**–**	(31,063)
Outstanding at 30 June	**1,573,506**	1,041,336
Exercisable at 30 June	**–**	–

The weighted average fair value of awards granted during the year was 579p (2009: 72p). There were no options exercised during the year ended 30 June 2010. The weighted average share price at the date of exercise in the year ended 30 June 2009 was 433p. The weighted average remaining contractual life is Nil as the shares are exercised on the day that they vest (2009: Nil).

13 Contingent liabilities

Disputes arise in the normal course of business, some of which lead to litigation or arbitration procedures. The directors make proper provision in the accounts when they believe a liability exists. Whilst the outcome of disputes and arbitration is never certain, the directors believe that the resolution of all existing actions will not have a material adverse effect on the Group's financial position.

The Company has entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued on behalf of Group undertakings in the normal course of business amounting to £120.7 million (2009: £113.5 million).

14 Other financial commitments

The Company, together with certain of its subsidiaries, has entered into arrangements with HSBC Bank plc, The Royal Bank of Scotland plc, Bank of Scotland and Barclays Bank PLC to guarantee the borrowings of Group companies. Fixed charges have been given to these banks over certain of the Group's freehold and development properties.

Details of other guarantees given by the Company in respect of joint ventures is set out in note 35 of the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

15 Subsidiaries

The directors consider that to give particulars of all subsidiary undertakings would lead to a statement of excessive length. The following subsidiary undertakings, in the opinion of the directors, principally affect the results and assets of the Group and have been disclosed in accordance with section 409 (5) of the Companies Act 2006. A complete list will be attached to the Company's annual return. All are incorporated in England and Wales, except where indicated, operate in the United Kingdom, are 100% owned and have 30 June year ends.

Galliford Try Construction Limited*
Galliford Try Employment Limited
Galliford Try Homes Limited*
Galliford Try Infrastructure Limited**
Galliford Try Investments Limited*
Galliford Try Partnerships Limited
Galliford Try Plant Limited
Galliford Try Properties Limited*
Galliford Try Services Limited*
Gerald Wood Homes Limited
Kendall Cross Holdings Limited
Linden Limited
Midas Homes Limited
Pentland Limited
Rock & Alluvium Limited
Stamford Homes Limited
Stamford Homes North Limited

* Shares of these subsidiary companies are owned directly by the Company.

** Incorporated in Scotland

16 Related party transaction

Shareholders are, by way of a separate resolution to be proposed at the Annual General Meeting, being asked to approve a proposed purchase by a step-daughter of Greg Fitzgerald, a director of the Company, of a property situated in Devon being developed and sold by a joint venture in which a subsidiary of the Company, Midas Homes Limited, is a 50% shareholder. The property is to be purchased for her own residential use for a consideration of £305,204 taking a part exchange property as part of the consideration of £145,000. As she and her partner are also longstanding employees of the Company, a total discount of 7.5% has been allowed, taking into account the standard discount of 5% available to each employee purchasing a home from Midas Homes Limited. Subject to this discount, the directors have received written confirmation from independent valuers stating that the price payable for this property and the value attributed to the property being taken in part exchange under the Company's part exchange scheme represent fair market values.

17 Post balance sheet events

No matters have arisen since the year end that require disclosure in the financial statements.

FIVE YEAR RECORD

	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Revenue	851.5	1,409.7	1,831.9	1,461.2	**1,221.9**
Profit before exceptional items	32.5	53.0	71.8	24.5	**26.1**
Exceptional items	2.0	7.2	(11.5)	(51.4)	**(6.9)**
Profit/(loss) before taxation	34.5	60.2	60.3	(26.9)	**19.2**
Tax	(9.1)	(16.6)	(17.8)	9.1	**(8.4)**
Profit/(loss) after taxation attributable to shareholders	25.4	43.6	42.5	(17.8)	**10.8**
Fixed assets, investments in joint ventures and available for sale financial assets	12.5	15.4	24.1	18.4	**25.4**
Intangible assets and goodwill	59.5	121.2	125.2	123.2	**121.9**
Net current assets	137.2	312.0	321.6	269.2	**346.4**
Long term receivables	15.9	15.7	34.4	52.3	**49.4**
Long term payables and provisions	(105.0)	(157.7)	(180.0)	(168.5)	**(119.9)**
Net assets	120.1	306.6	325.3	294.6	**423.2**
Share capital	13.7	18.8	18.9	18.9	**40.9**
Reserves	106.4	287.8	306.4	275.7	**382.3**
Shareholders' funds	120.1	306.6	325.3	294.6	**423.2**
Dividends per share (pence)	18.1	21.7	21.7	10.9	**12.5**
Basic earnings per share (pence)	78.2	103.5	82.5	(34.4)	**14.7**
Diluted earnings per share (pence)	76.8	102.1	82.5	(34.4)	**14.7**

All dividends and earnings per share figures above, for the years 2006 to 2009, have been restated for the share consolidation and rights issue.

SHAREHOLDER INFORMATION

Financial calendar 2010

Half year results announced	24 February
Interim dividend paid	30 March
Full year results announced	15 September
Ex dividend date	6 October
Final dividend record date	8 October
Annual General Meeting	5 November
Final dividend payment	12 November

Shareholder enquiries
The Company's registrars are Equiniti Limited. They will be pleased to deal with any questions regarding your shareholding or dividends. Please notify them if you change your address or other personal information. Call the shareholder helpline on 0871 384 2202 or write to them at:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

You can find a number of shareholder services online via their website at **www.shareview.co.uk**, including the portfolio service which gives you access to more information on your investments such as balance movements, indicative share prices and information on recent dividends. You can also register your email address to receive shareholder information and Annual Report and Financial Statements electronically.

Low cost share dealing service
A telephone and internet dealing service is available through Equiniti which provides a simple way of buying and selling Galliford Try shares. Commission is currently 1.5% with a minimum charge of £25 for telephone dealing and 1% with a minimum charge of £20 for internet dealing. For telephone sales call 0845 603 7037 between 8.30am and 4.30pm, Monday to Friday, and for internet sales log on to **www.shareview.co.uk/dealing**. You will need your shareholder reference number as shown on your share certificate. Share dealing services are also widely provided by other organisations. The Company is listed on the London Stock Exchange under the code GFRD.

Company website
You can find out more about the Company on our website **www.gallifordtry.co.uk** which includes a section specifically prepared for investors. In this section you can check the Company's share price, find the latest Company news, look at the financial reports and presentations as well as search frequently asked questions and answers on shareholding matters.

The Company's up to date share price can also be obtained by telephoning Cityline on 09058 171690 (calls charged at 75p per minute).

Company contact
Contact with existing and prospective shareholders is welcomed by the Company. If you have any questions please contact the Company Secretary, Richard Barraclough, at the registered office, or via email (**richard.barraclough@gallifordtry.co.uk**).

Analysis of shareholdings
at 30 June 2010

Size of shareholding	% of holders	Number of holders	% of shares	Number of shares
1 – 10,000	92	4,325	6	4,820,787
10,001 – 50,000	4	191	5	3,841,652
50,001 – 500,000	3	128	26	21,543,629
500,001 – Highest	1	42	63	51,643,398
Totals	**100**	**4,686**	**100**	**81,849,466**

Registered office
Galliford Try plc
Cowley Business Park
Cowley
Uxbridge
Middlesex UB8 2AL

Registration
England 836539

Stockbrokers
KBC Peel Hunt
Hoare Govett

Financial advisers
Rothschild

Auditors
PricewaterhouseCoopers LLP

Bankers
HSBC Bank plc
The Royal Bank of Scotland plc
Bank of Scotland
Barclays Bank PLC

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Cert no. TT-COC-002495
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www.gallifordtry.co.uk

NOTICE IS HEREBY GIVEN that the forty-sixth Annual General Meeting of Galliford Try plc will be held at the offices of Royal Bank of Scotland, 3rd Floor Conference Centre, 250 Bishopsgate, London EC2M 4AA on Friday 5 November 2010 at 11.00 a.m. The business of the Meeting will be to consider and, if thought fit, to pass the following resolutions of which resolutions 1 to 7 are proposed as ordinary resolutions and resolutions 8 to 10 as special resolutions:

ORDINARY RESOLUTIONS

1. To receive the directors' report and the audited accounts for the year to 30 June 2010 and the auditors' report on the accounts.
2. To approve the report on directors' remuneration for the year to 30 June 2010.
3. To declare a final dividend of 9.2 pence per ordinary share.
4. To re-elect Greg Fitzgerald as a director of the Company.
5. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company and to authorise the directors to set their remuneration.
6. To authorise the directors generally and unconditionally pursuant to section 551 of the Companies Act 2006 to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £27,283,156 comprising:

   (a) an aggregate nominal amount of £13,641,578 (whether in connection with the same offer or issue as under (b) below or otherwise); and

   (b) an aggregate nominal amount of £13,641,578 in the form of equity securities (as defined in section 560(1) of the Companies Act 2006) in connection with an offer or issue by way of rights, open for acceptance for a period fixed by the directors, to holders of ordinary shares (other than the Company) on the register on any record date fixed by the directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever.

This authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) fifteen months after the date of the passing of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company in 2011, except that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or such rights to be granted after such expiry and the directors may allot shares or grant such rights in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

7. To approve the proposed purchase of a property in Devon by a step-daughter of Greg Fitzgerald, a director of the Company, from Midas Homes Limited (a wholly-owned subsidiary of the Company) for a purchase price of £305,204 for which part of the consideration shall comprise a property valued at £145,000 to be taken under the Company's part exchange scheme.

SPECIAL RESOLUTIONS

8. To empower the directors pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560(1) of that Act) for cash pursuant to the general authority conferred on them by resolution 6 above and/or to sell equity securities held as treasury shares for cash pursuant to section 727 of that Act, in each case as if section 561(1) of that Act did not apply to any such allotment or sale, provided that this power shall be limited to:

   (a) any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the directors, to holders of ordinary shares (other than the Company) on the register on any record date fixed by the directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

   (b) any such allotment and/or sale, otherwise than pursuant to sub-paragraph (a) above, of equity securities having, in the case of ordinary shares, an aggregate nominal amount or, in the case of other equity securities, giving the right to subscribe for or convert into ordinary shares having an aggregate nominal amount, not exceeding the sum of £2,046,237.

This authority shall expire, unless previously revoked or renewed by the Company in general meeting, at such time as the general authority conferred on the directors by resolution 6 above expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

9. That the Company be and is generally and unconditionally authorised to make market purchases (as defined in section 693(4) of the Companies Act 2006) of its ordinary shares of 50 pence each provided that in doing so it:

   (a) purchases no more than 8,184,947 ordinary shares of 50 pence each;

   (b) pays not less than 50 pence (excluding expenses) per ordinary share of 50 pence each;

   (c) pays a price per share that is not more (excluding expenses) per ordinary share than the higher of

(i) 5% above the average of the middle market quotations for the ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately before the day on which it purchases that share; and (ii) the price stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation (EC 2273/2003).

This authority shall expire eighteen months after the date of the passing of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2011, except that the Company may, if it agrees to purchase ordinary shares under this authority before it expires, complete the purchase wholly or partly after this authority expires.

10. That a general meeting other than an annual general meeting, may be called on not less than 14 clear days' notice.

By order of the board

Richard Barraclough
Company Secretary
15 September 2010

Registered office:
Cowley Business Park
Cowley
Uxbridge
Middlesex
UB8 2AL

Registered in England and Wales No. 836539

EXPLANATION OF RESOLUTIONS

Resolution 1 – Report and financial statements
The directors are required by the Companies Act 2006 to present to the shareholders of the Company at a general meeting the reports of the directors and auditors, and the audited accounts of the Company, for the year ended 30 June 2010. The report of the directors and the audited accounts have been approved by the directors, and the report of the auditors has been approved by the auditors, and a copy of each of these documents may be found in the annual report and accounts, starting at page 42.

Resolution 2 – Remuneration report
The Companies Act 2006 requires the Company to seek shareholder approval for the Directors' Remuneration Report at the general meeting before which the Company's annual accounts are laid. The Directors' Remuneration Report is included in the annual report and accounts, starting at page 50. If shareholders vote against the report the directors will still be paid, but the Remuneration Committee will reconsider its policy.

Resolution 3 – Declaration of dividend
The directors are recommending a final dividend of 9.2 pence per ordinary share, payable on 12 November 2010 to holders on the register as at 8 October 2010. The final dividend will not be paid without shareholder approval and its amount may not exceed the amount recommended by the directors.

Resolution 4 – Election of director
The Company's articles of association require every director to be re-elected at least every three years, in line with the Combined Code on Corporate Governance requirements. Greg Fitzgerald was last re-elected in 2007 and consequently is standing for re-election this year.

The biographical details of the directors are on pages 40 and 41 of the annual report that accompanies this Notice. All the directors have had an annual performance appraisal to confirm their performance continues to be effective and demonstrates commitment to the role.

Resolution 5 – Auditors
The Companies Act 2006 requires that auditors be appointed at each general meeting at which accounts are laid, to hold office until the next such meeting. This resolution seeks shareholder approval for the reappointment of PricewaterhouseCoopers LLP and permits the directors to determine the auditors' remuneration for the audit work to be carried out by them in the next financial year.

Resolution 6 – Allotment of shares
The Companies Act 2006 provides that the directors may only allot shares if authorised by shareholders to do so. Resolution 6 will, if passed, authorise the directors to allot the Company's unissued shares up to a maximum nominal amount of £27,283,156, which represents an amount which is approximately equal to two-thirds of the issued ordinary share capital of the Company as at the date of this Notice. As at 15 September 2010, the Company did not hold any treasury shares.

As provided in paragraph (a) of the resolution, up to half of this authority (equal to one-third of the issued share capital of the Company) will enable directors to allot and issue new shares in whatever manner (subject to pre-emption rights) they see fit. Paragraph (b) of the resolution provides that the remainder of the authority (equal to a further one-third) may only be used in connection with a rights issue in favour of ordinary shareholders. As paragraph (a) imposes no restrictions on the way the authority may be exercised, it could be used in conjunction with paragraph (b) so as to enable the whole two-thirds authority to be used in connection with a rights issue. This accords with guidance issued by the Association of British Insurers.

The authority will expire at the earlier of the date that is fifteen months after the date of the passing of the resolution and the conclusion of the next annual general meeting of the Company.

Passing resolution 6 will ensure that the directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares. There are no current plans to issue new shares except in connection with employee share schemes.

Resolution 7 – Proposed sale of a property to a connected person of a director
Shareholders are being asked to approve a proposed purchase by a step-daughter of Greg Fitzgerald, a director of the Company, of a property situated in Devon being developed and sold by a joint venture in which a subsidiary of the Company, Midas Homes Limited, is a 50% shareholder. This resolution is required by section 190 of the Companies Act 2006 in order to permit Greg Fitzgerald's step-daughter to proceed with the proposed purchase. The property is to be purchased for her own residential use for a consideration of £305,204 taking a part exchange property as part of the consideration of £145,000. As she and her partner are also long-standing employees of the Company, a total discount of 7.5% has been allowed, taking into account the standard discount of 5% available to all employees purchasing a home from Midas Homes Limited. Subject to the discount, the directors have received written confirmation from independent valuers stating that the price payable for this property and the value attributed to the property being taken in part exchange under the Company's part exchange scheme represent fair market values.

Resolution 8 – Disapplication of statutory pre-emption rights
The Companies Act 2006 requires that, if the Company issues new shares for cash or sells any treasury shares, it must first offer them to existing shareholders in proportion to their current holdings. It is proposed that the directors be authorised to issue shares for cash and/or sell shares from treasury (if any are so held) up to an aggregate nominal amount of £2,046,237 (representing approximately 5% of the Company's issued share capital as at 15 September 2010) without offering them to shareholders first, and to modify statutory pre-emption rights to deal with legal, regulatory or practical problems that may arise on a rights or other pre-emptive offer or issue. If passed, this authority will expire at the same time as the authority to allot shares given pursuant to resolution 6. The directors do not intend to issue more than 7.5% of the issued share capital on a non-pre-emptive basis in any rolling three-year period.

Resolution 9 – Purchase of own shares
The resolution seeks to renew the Company's authority to purchase its own shares. It specifies the maximum number of shares which may be acquired as 10% of the Company's issued ordinary share capital, and specifies the minimum and maximum prices at which shares may be bought. The directors will only use this authority if, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share, and that taking into account other investment opportunities, purchases will be in the best interests of the shareholders generally. Any shares purchased in accordance with this authority will be held in treasury for future cancellation, sale for cash or transfer to an employee share scheme although they may be cancelled immediately on repurchase in the light of circumstances at the time. The directors have no present intention of exercising this authority, which will expire at the conclusion of the next annual general meeting. Under the Company's share option and restricted share schemes, at 15 September 2010, options and restricted share awards over a total of 1,806,870 ordinary shares in the Company (of which 310,189 shares are held by the Employee Share Trust), were outstanding representing 2.21% of issued share capital. This would represent 2.45% of issued share capital if the proposed authority to purchase the Company's shares were exercised in full.

Resolution 10 – Notice period for general meetings
Under rules introduced in August 2009 to implement the Shareholder Rights Directive, the Company must give at least 21 clear days' notice of any general meeting, but is permitted to call meetings other than the annual general meeting on at least 14 clear days' notice if it obtains annual shareholder approval. The Company must also offer, for any meeting held on less than 21 clear days' notice, a facility to vote by electronic means that is accessible to all members. The directors do not intend to call a meeting on less than 21 clear days' notice unless they consider it would be to the advantage of shareholders as a whole.

NOTES

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this Notice.

2. To be valid any proxy form or other instrument appointing a proxy must be either (a) deposited at the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZX so that it is received no later than 11.00 a.m. on 3 November 2010, (b) lodged using the CREST Proxy Voting Service – see paragraph 9 below, or (c) lodged electronically by visiting www.sharevote.co.uk – see paragraph 12 below.

3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.

4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.00 p.m. on 3 November 2010 (or, in the event of any adjournment, at 6.00 p.m. on the date which is two working days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

7. As at the date of this Notice the Company's issued share capital consists of 81,849,466 ordinary shares of 50 pence each, carrying one vote each. Therefore, the total voting rights in the Company as at the date of this Notice are 81,849,466.

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by 11.00 a.m. on 3 November 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. Shareholders may, if they wish, register the appointment of a proxy electronically by visiting www.sharevote.co.uk. To use this service a shareholder will need his Reference Number, Card ID and Account Number printed on the accompanying proxy form. Full details of the procedure are given on the website at www.sharevote.co.uk.

13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its

behalf all of its powers as a member provided that they do not do so in relation to the same shares.

14. Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

15. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

16. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found at www.gallifordtry.co.uk.

17. Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 23 September 2010, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

18. The service agreements of the executive directors and copies of the letters of appointment of the non-executive directors are available for inspection during normal business hours at the registered office of the Company and will be available for inspection for fifteen minutes prior to and during the Annual General Meeting.

19. Any electronic address, within the meaning of section 334 (4) of the Companies Act 2006, provided in this Notice, or any related documents including the proxy form, may not be used to communicate with the Company for any purpose other than those expressly stated.

www.gallifordtry.co.uk