Annual Report and Financial Statements 2011

Strength in diversity

Galliford Try plc

PERFORMANCE

GOVERNANCE

FINANCIALS

Highlights – year ended 30 June 2011

Performance on track

Group revenue[1]

£1,284m

Up 5% (2010: £1,222 million)

Profit before tax – pre exceptional

£35.1m

Up 34% (2010: £26.1 million)

Profit before tax – post exceptional[2]

£41.7m

Up 117% (2010: £19.2 million)

Earnings per share – pre exceptional

32.2p

Up 31% (2010: 24.6p)

Earnings per share – post exceptional[2]

40.3p

Up 174% (2010: 14.7p)

Dividend per share

16.0p

Up 28% (2010: 12.5p)

- £36 million net cash at year end, ahead of expectations (2010: £77 million).

Housebuilding

- 27% increase in completions to 2,170 (2010: 1,705).
- 8.1% housebuilding margin shows strong progress (2010: 5.6%), 9.2% achieved in second half.
- 25% increase in sales currently reserved, contracted or completed at £328 million (2010: £263 million).
- 72% of 10,400 plot landbank now acquired at current market values (2010: 58% of 9,700).
- 100% of land required for 2012 financial year in place with detailed planning, 80% land secured for 2013.

Construction

- 2.4% construction margin remains robust (2010: 2.4%).
- Strong year end construction cash balance of £217 million (2010: £207 million).
- £1.7 billion current construction order book underpinned by major long term projects, 90% of this year's planned revenue secured (2010: £1.8 billion; 88%).

[1] Group revenue excludes share of joint ventures' revenue of £52 million (2010: £35 million). Revenue where stated throughout the business review on pages 03 to 39 includes share of joint ventures.

[2] Stated after a net exceptional credit of £6.6 million (2010 net charge: £6.9 million).

The Group at a glance

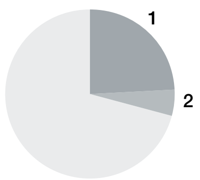
Galliford Try is a housebuilder and affordable housing developer across the South and East of England, and a provider of construction services throughout the UK.

Galliford Try's strength is in 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, delivering housing and regeneration schemes and carrying out major construction projects from public and commercial buildings to major civil engineering works.

Housebuilding

Revenue	Profit from operations	Home completions
£389m	£31.6m	2,170

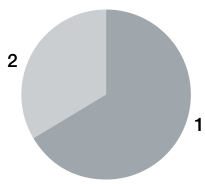
Revenue by sector



1 Private Housing	£324m
2 Affordable Housing	£65m

UK coverage

Completions by sector



1 Private Housing	1,446
2 Affordable Housing	724

Our credentials

Galliford Try's award winning housebuilding business has a long track record of building individually designed developments with an unrivalled expertise in brownfield sites and building conversions. We aim to design with local architectural styles and building materials and do not rely on standard house types.

Market position

We are the seventh largest housebuilder in the UK, and during the year rebranded our entire business as Linden Homes to provide a consistent recognisable presence across our regions. We operate across the South of England and the Eastern counties.

We are also a major provider of affordable homes and are one of only six developers working on all of the Homes and Communities Agency's developer partner panels.

Our strategy

We are at the start of the final year of our three year expansion plan, under which we plan to have doubled the size of the business from 2009. In 2012 we anticipate completing over 3,000 homes, placing us in the top five of UK housebuilders – delivering an increasing proportion of our sales from land acquired since July 2008 on which higher profit margins will drive absolute profit growth.

Sustainability

Sustainability is about creating affordable, well designed homes in viable dynamic communities. The majority of our homes are on brownfield sites and we have sustainability action plans covering the key issues – technical, localism and planning, regulation, supply chain and customer engagement.

For more information about Housebuilding see pages 16 to 23.

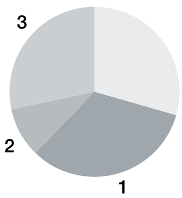
For more detailed information go to: www.gallifordtry.co.uk

PERFORMANCE

Construction

Revenue	Profit from operations	Order book
£937m	£22.2m	£1.75bn

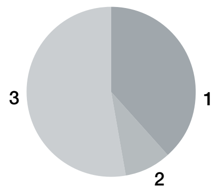
Revenue by activity



1 Building	£439m
2 Partnerships	£124m
3 Infrastructure	£375m

UK coverage

Order book by activity



1 Building	£673m
2 Partnerships	£156m
3 Infrastructure	£921m

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 have experience in working in joint ventures where we can bring regional expertise and our specialist civil engineering skills to the largest projects.

Market position

We are a UK top 12 contractor operating across the entire country. Building works range across commercial property, leisure and hospitality facilities, education, health and, in our partnerships division, affordable housing. Infrastructure projects encompass water, highways and rail, civil engineering and flood alleviation as well as renewable energy and energy from waste.

Our strategy

We aim to maintain our order book at a consistent level with the objective in the current economic conditions of delivering profit and cash balances, not absolute levels of revenue. We strive for a diverse spread of work across the regulated, public and private sectors, focusing on sectors where procuring work is not based on price competition alone, where there are opportunities to deliver best value with an acceptable return and risk profile. We aim to be in a position to resume our growth strategy when economic conditions and markets improve.

Sustainability

We aim to play a key role in supporting our clients to achieve their sustainability objectives, and have initiatives in place to reduce our carbon footprint and drive improvements across our own operations.

For more information about Construction see pages 24 to 30.

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

A strategy for value

The business is soundly based, is in robust good health, and has a clear vision for the future.

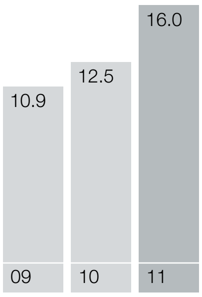
I am delighted to have been appointed Chairman of Galliford Try at this important stage of the Group's development and to make my first report to shareholders. Since joining the board last November, I have spent some time getting to know the business and can confirm that it is soundly based, is in robust good health and has a clear vision for the future. I know that I am speaking on behalf of all the board in paying tribute to the inestimable contribution made by David Calverley over the 16 years he was with the Company, and particularly as Chairman over the last six. We wish him a long and happy retirement.

Board and governance

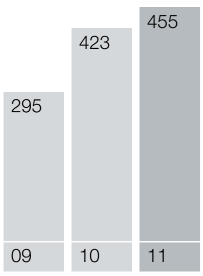
We have a top quality executive management team, led by a first class Chief Executive, Greg Fitzgerald. We also have an impressive and well balanced mix of non-executive directors who question and challenge in a way that is both constructive and supportive. The board is well informed by the executive, ensuring that board debate is both full and open.

I am pleased to be able to report that I have found corporate governance within the Company to be excellent and in line with best practice. This is the first annual report prepared under the new UK corporate governance code and I can confirm that, although not mandatory for the Company, the board has decided to follow best practice as applicable to FTSE 350 listed companies. I would specifically highlight that this means, notwithstanding the effectiveness of the current board evaluation process, the board has committed to an external evaluation at least once every three years, and that all directors will stand for re-election at each annual general meeting. I can also report that the Company carried out a considerable amount of work prior to the implementation of the 2010 Bribery Act on 1 July 2011, and has put in place a well thought-through package of appropriate measures, including a Group-wide information and training plan, to drive compliance with the law. We have also appointed an experienced Head of Risk

Dividend per share (p)



Total equity (£m)



and Internal Audit during the year to further strengthen our processes for managing the assessment, impact and mitigation of risk across the Group.

The board is also very aware of current concerns around the effectiveness of executive remuneration, which underlines the importance of the work of our remuneration committee to ensure there is clear alignment with shareholders' interests and the long term success of the business.

Strategic overview

Galliford Try is a housebuilder and a construction contractor. We therefore operate in two distinct market sectors, with differing characteristics and complementary features that are explained in detail on page 12 of this report. This business model has served us well in recent years, particularly through the recent recession, and the board will ensure that the way it develops and is adapted to meet the changing business environment in the future will continue to deliver best value to shareholders.

The fragility of both the global and UK economy has been clearly demostrated over recent months. Our businesses are closely aligned with the health of the economy and general economic confidence. The way we adapted quickly to the housing market downturn in early 2008 and to the opportunities to acquire land for expansion that arose in 2009 clearly demonstrated the value of identifying economic changes early and responding to them, emphasising the importance of the board's role in monitoring economic statistics and trends so we can react quickly again should the need arise.

Despite the challenging conditions, the Group has delivered an excellent financial performance during the financial year. Importantly, we have made significant progress towards achieving the objective we set when raising a net £119.3 million by rights issue in October 2009. Our aim was to approximately double the size of our housebuilding business over a three year period with the objective of delivering a significant enhancement to earnings per share during 2012. At the end of the second year of the plan, we have the land, the planning consents, the construction resource and the management to deliver during the final year. We also planned to manage our construction business through more difficult times by focusing on profit margin and cash, not revenue. To date, the business has held up better than forecast in challenging markets, and continues to benefit from its many long term client relationships.

Earnings and dividend

The financial results achieved this year represent an increase in earnings per share of 31%, and as a result the directors are recommending a final dividend of 11.5 pence per share which, subject to approval at the annual general meeting, will be payable on 18 November 2011 to shareholders on the register on 7 October 2011. With the interim dividend of 4.5 pence per share paid in April, this will result in a total dividend of 16.0 pence per share, an increase of 28% over the previous year. The board reviewed its dividend policy during the year and has stated its intention that, subject to the performance and prospects of the business, the Group will pay a total dividend that represents around one third of profits before tax.

People

I have spent some time visiting a number of our operations since my appointment to the board last November and have been impressed by the quality and dedication of our people. They have been through a hard three years and I am particularly pleased that the efforts they have been making and the dedication they have shown to the business is now being reflected in improving performances across the Group. I thank them all.

Conclusion and outlook

The board has a clear strategy for delivering the expansion of its housebuilding business, and for managing its construction business through more challenging times, as set out in 2009. We remain totally focused on delivering this strategy and in the coming year will review how we develop it over the next three to five years to ensure it remains appropriate and aligned to delivering value to shareholders. We have first class businesses in both contracting and housebuilding and the board is confident they will be able to make the most of the opportunities that arise.

Ian Coull
Chairman

Significant progress towards our objectives

We exceeded our profit expectations during the year and are in strong position to deliver on the objectives we set for 2012 when embarking on our three year housebuilding expansion plan and to drive further growth thereafter.

We exceeded our profit expectations during the year as growth in housebuilding accelerated in the second half and we maintained a higher margin in construction than anticipated. As we enter the final year of our three year transformational expansion plan for housebuilding we are in a strong position to deliver on the objectives we set for 2012 and to drive further growth thereafter.

Strategy and progress

In 2009 we laid out our plan to double the size of our housebuilding business over three years based on a strategic focus on Southern England. £119.3 million was raised by way of rights issue with the intention of acquiring land at the attractive prices we foresaw would be available, building up our management resources and strengthening our market coverage within our southern biased business so that by the third year we could deliver around 3,000 units. We forecast that earnings per share would reduce as we made the investment required during the first two years of the plan before materially increasing in 2012 as we delivered the resultant revenues and profits.

At the end of the second year we have made significant progress. We have exceeded our profit forecasts in each of the first two years. We have managed our cash to both invest in land and maintain a robust financial position. By the year end we had secured all the land we need to deliver our planned production in 2012, with every plot having a detailed planning consent.

During the year we increased the number of active selling sites from 59 to 78, and opened new regional offices in Guildford and the Thames Valley. We completed 2,170 homes, 27% up on the previous year and brought all our housebuilding businesses together under the Linden Homes brand, which is driving improvements in cost effectiveness, brand recognition and consistent marketing. At the year end, 70% of our landbank of 10,250 plots had been acquired at current market values on which profit margins are materially higher than on legacy land. The housing market in our southern biased area of operation has generally remained stable and, although there remains a significant amount of production to deliver, and sales to achieve, we are in a strong position to meet our objectives. We will then drive forward further growth towards 4,000 annual completions in the medium term to firmly establish ourselves as a top five housebuilder.

Our plan took account of construction markets that we anticipated would become more difficult as economic conditions hardened. We set a clear strategy to focus on profit margin and cash performance, the two key measures determining the success of a contracting business. We planned for the absolute level of our construction revenues to fall, as we were not prepared to acquire work in highly competitive markets where price levels or contract conditions were unacceptable.

Although the market held up longer than we expected, the effect of public sector spending constraints is impacting the construction industry's future pipeline of work and continuing to drive further intense competitiveness. Our strategy has held up well with a maintained margin of 2.4%, excellent cash balances generated from our construction activities and year end order book of £1.75 billion. This demonstrates success in winning work in our chosen sectors, particularly as we move towards carrying out larger projects such as the recently awarded £790 million Forth Road Crossing, being carried out in a four party consortium, where specific skills and organisational strengths are required that mitigate against selection on price criteria alone. We therefore have visibility on revenues in the immediate future which enables us to maintain the resources we need to ultimately grow the business again when economic conditions and markets improve.

Sustainability

Our objective is to run a sustainable business. Working with our construction clients to provide innovative solutions that help them meet their own sustainability objectives has become a key part of our service. In housebuilding we are playing our part in both the industry and Government approach to improving sustainability, building on our experience in delivering homes to increased environmental standards and our work on net zero carbon developments. Within the business, we have established a 15% carbon reduction target by the end of 2013. Our objectives and record across our key areas of corporate responsibility, from the absolute priority of our health and safety performance and case studies from across the Group, are in the Corporate Responsibility section of the business review and in our separate CR report.

People

I never fail to be impressed by the expertise and effort shown by our people across all of our businesses, particularly through difficult times, and I am delighted to have this opportunity to thank them. They can be justly proud of the projects that they deliver to their clients and customers and it is the service they give that the future of our business depends on.

Outlook

Sales during the summer period have been resilient, with £328 million currently reserved, contracted or completed, 25% ahead of last year. Since the year end our landbank has risen to 10,400 plots of which 72% have been acquired at current market values and we now have 81 active selling sites. Our southern biased markets are remaining stable, giving us the backdrop to deliver significant growth in the new financial year and to drive further expansion in the medium term towards 4,000 annual completions.

We have maintained a high quality construction order book currently standing at £1.7 billion. After securing a number of valuable projects in the second half of the year our forecasts take account of the effect of the increasingly competitive market over the next one to two years. With 90% of our planned revenue for the new financial year secured, and our continued focus on delivering optimum margins and industry leading cash balances, we are well placed to work through the downturn.

Although the economic outlook in the UK remains uncertain, in the absence of a material effect on our markets we remain confident of delivering our planned progress.

Greg Fitzgerald
Chief Executive

Strong financial results

An excellent financial performance in the year and our rigorous focus on cash management puts us in a strong financial position to support our planned growth.

I am pleased to report a significant improvement in the Group's financial performance during 2011. At the end of the second year of the Group's housebuilding expansion plan, our trading is showing the effect of our investment in land and work in progress made since we raised £119.3 million by way of rights issue in 2009.

Financial highlights

- Pre exceptional profit before tax up 34% to £35.1 million.
- Post exceptional profit before tax up 117% to £41.7 million.
- A net £6.6 million exceptional credit to profit before tax following the decision of the Competition Appeal Tribunal to reduce by 83% the fine imposed by the Office of Fair Trading in 2009 for historic cover pricing.
- Equity up by £32 million to £455 million.
- Net tangible assets up by 9.8% to £331 million.
- The successful refinancing of the Group's core bank facilities, completed in May 2011 and providing stability and financial flexibility at competitive rates through to mid 2015.
- Continued strong cash performance in construction, contributing a year end balance of £217 million to overall Group net cash at the year end of £36 million.
- Net investment in housebuilding developments, including joint ventures, increased in line with the expansion plan to £571 million.

Results

For the year to 30 June 2011 Group revenue was up 5% to £1,284 million (2010: £1,222 million) with revenue, including joint ventures, up 6.5% to £1,336 million (2010: £1,256 million). The Group achieved a profit from operations (stated before finance costs, share of joint ventures interest and tax, exceptional items and tax) of £43.6 million (2010: £35.2 million). The Group's pre exceptional profit before tax increased by 34% to £35.1 million (2010: £26.1 million) and after the £6.6 million exceptional credit detailed below, post exceptional profit before tax was up 117% to £41.7 million (£19.2 million).

Segmental analysis
Revenues grew sharply in housebuilding as we delivered the second year of our expansion plan, new sites came on stream and the number of completions increased. Housebuilding revenue was up 23% to £388.5 million (2010: £316 million). Profit from operations was up 80% to £31.6 million (2010: £17.6 million). The housebuilding margin grew by 45% to 8.1% (2010: 5.6%) notwithstanding that we have already put the cost base in place to deliver the significantly higher revenues forecast for our new financial year. We achieved a gross margin during the year of 16.1%, with both gross and operating margins expected to increase further in the new financial year as the proportion of completions from new land continues to rise.

Our concentration in construction is on margin and cash, with revenue remaining little changed during the year at £936.9 million (2010: £936.5 million). Profit from operations was £22.2 million (2010: £22.8 million) maintaining the margin at a better than expected 2.4%, as we reduced our cost base ahead of anticipated lower revenues.

Within the construction division, Building contributed operating profit from operations of £10.4 million (2010: £10.8 million), which was achieved at a margin of 2.4% (2010: 2.4%), and Partnerships contributed profit from operations of £1.9 million (2010: £1.3 million), at a margin of 1.5% (2010: 1.4%), its margin currently lower as we invest in the resources and infrastructure required to meet its expansion objectives. Infrastructure contributed profit from operations of £9.9 million (2010: £10.7 million), representing margin performance of 2.6%.

PPP Investments reported a loss from operations for the financial year of £1.0 million (2010: profit £2.4 million) as bid costs exceeded income from equity sales. The loss included a profit of £1.2 million realised on the sale of its interest in the previously wholly owned Worcester History and Library Centre project.

Exceptional items
On 24 March 2011 a Competition Appeal Tribunal judgement reduced the quantum of the fine imposed by the Office of Fair Trading in 2009 for cover pricing during the period from 2001 to 2004 from £8.3 million to £1.4 million. The net £6.6 million reduction, after costs, is reflected in the Group's results as an exceptional item credited to profit before tax.

Taxation
The pre exceptional tax rate is 25.4% (2010: 30.7%) which has been reduced as a result of utilising unrecognised tax losses. The post exceptional tax rate is 21.3% (2010: 43.8%) as the exceptional income of £6.6 million is non taxable as it is reversing the non deductable treatment of the exceptional loss in 2010.

The Group has an established relationship with HMRC and seeks to identify, provide for and settle all anticipated taxation liabilities either in advance of or at the time of their crystallising. I have been appointed as the Group's Senior Accounting Officer (SAO) during the financial year, that appointment preceding a thorough review of the Group's taxation systems, practices and procedures in accordance with the requirements of the SAO legislation.

Earnings and dividend
There were no changes to the Company's issued share capital in the year. The financial results achieved this year represent an increase in earnings per share of 31% to 32.2 pence (2010: 24.6 pence) with post exceptional earnings per share up 174% to 40.3 pence (2010: 14.7 pence).

The directors are recommending a final dividend of 11.5 pence per share which, subject to approval at the Annual General Meeting, will be paid on 18 November 2011 to shareholders on the register at 7 October 2011. With the interim dividend of 4.5 pence per share paid in April, this will result in a total dividend of 16.0 pence per share, an increase of 28% over the previous year. The cost of the final dividend is £9.4 million, resulting in a total relating to the year of £13.1 million.

Cash and equity
During the year the Group has maintained a strong focus on cash management demonstrated by the £36 million of net cash held at the year end (2010: £77 million). Construction continued to maintain significant cash balances throughout the year with a positive cash balance of £216.7 million as at 30 June 2011 (2010: £206.8 million). Housebuilding requires net investment with a cash outflow of £83 million of the £141 million committed on land acquisitions in the year, leading to a net year end investment in developments and housebuilding joint ventures of £571 million.

Total equity has increased by £32 million to £455 million. Tangible net assets increased by £29.5 million to £331 million. This represents tangible net assets per share as at 30 June 2011 of £4.05 (2010: £3.68).

More detailed information regarding the performance of the Company's share price and improvements in the Company's total shareholder return over the financial year can be found in the performance section of the Remuneration Report on page 49.

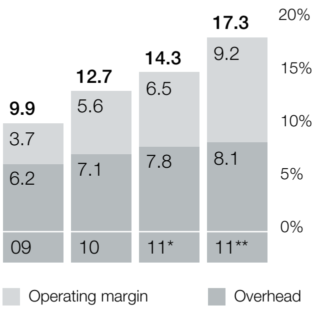
Pension and share scheme costs

The total cost of pensions charged to the income statement in the financial year amounted to £10.4 million (2010: £12.8 million). Under IAS19 'Employee Benefits' a small surplus has arisen in the Group's final salary pension schemes. This was calculated, as at 30 June 2011, by an independent qualified actuary and the gross surplus recognised on the balance sheet is £3.2 million (2010: deficit £17.3 million). The most significant contributory factor to the surplus was the change to the assumptions used to reflect the use of the consumer price index for the revaluation of deferred benefits. Other factors were investment returns, further employer deficit contributions and a reduction in liabilities following the enhanced transfer value exercise carried out during the year.

The Company instigated an Enhanced Transfer Value exercise during the year which offered deferred members of the closed Galliford Try Final Salary Pension Scheme an enhancement to their transfer value if they transferred their benefits out of the scheme. The exercise was carried out in accordance with the best practice provisions laid down by the Pensions Regulator in respect of such exercises and with full monitoring by the scheme Trustees. The result of the exercise, which was completed after the end of the financial year, was to generate a net reduction of £2.9 million in the scheme's deficit as measured on its funding basis, or a £1.4 million net reduction measured on the Company's IAS19 basis.

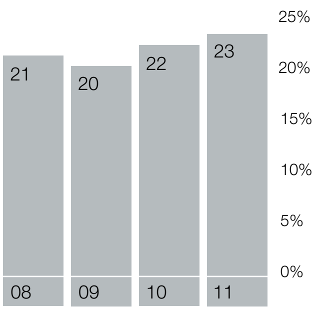
Finance review continued

Housebuilding – gross margin progression %[1]



* 2011 First half
** 2011 Second half
1 Pre exceptional and after sales costs of circa 2%

Construction – cash as % of revenue



Following completion of the 1 July 2009 valuation of the Galliford Try Final Salary Pension Scheme in October 2010, and of the 1 April 2010 valuation of the Galliford Group Special Scheme in June 2011, the deficits in those schemes were calculated by the scheme actuaries at £48.0 million and £0.6 million respectively. Following negotiation with the respective Trustees, the Company agreed to maintain its existing deficit funding payments at £7.0 million and £0.2 million respectively, subject to the reduction in deficit resulting from the ETV exercise offsetting contributions over the three year inter-valuation period.

Further details on the Group's pension arrangements can be found in note 32 on page 94.

Amounts charged to the income statement in respect of employee share schemes during the year amounted to £2.5 million. Following consultation with major shareholders, the remuneration committee has determined that the awards made under the Company's Long Term Incentive Plan with a vesting date of March 2012 will vest in full. This gives rise to an additional IFRS2 fair value accounting charge of £5.3 million in the financial year to 30 June 2012, which has no incremental effect on either cash or the balance sheet. Further details are in the Remuneration Report on page 50 and in note 30 on page 92.

Capital management and investment

In 2010 I reported that the Group had maintained a strong focus on cash management, and that remained the case operationally throughout the financial year to 30 June 2011. As outlined above construction continued to maintain significant cash balances whilst housebuilding requires net investment, and the combination of the two businesses minimises the need for external finance.

In May 2011 the Group successfully completed the refinancing of its bank facilities, agreeing a four year £325 million revolving credit facility with HSBC Bank plc, Barclays Bank plc and The Royal Bank of Scotland plc. The new facility replaced the facility entered into in 2007, which was due to expire in February 2012. The new facility provides long term finance and bonding facilities at market competitive rates, providing working capital with a comfortable margin over the Group's projected requirements until 2015. The new facility is subject to covenants over interest cover, gearing, adjusted gearing taking account of land creditor debt and minimum consolidated tangible assets as well as security against the Group's housebuilding development sites. Interest is calculated by aggregating margin, LIBOR and relevant costs. The refinancing extends the Group's debt maturity profile substantially, from February 2012 to May 2015.

Construction's strong underlying cash position partially offsets housebuilding's increased investment in land, resulting in the Group holding net cash of £36 million as at 30 June 2011 (2010: £77 million). Overall debt levels do fluctuate throughout the year with average debt of around £40 million. As highlighted above, the Group has significant headroom within its new facility and continues to operate well within the covenants of that facility.

The board has confirmed its intention that in future the total dividend will represent around one third of profits before tax. The projected increases in dividend payments are necessarily expected to distribute a greater proportion of the Group's retained earnings, and associated cash outflows are forecast to increase. However, we continue to anticipate that Group gearing will remain at acceptable levels and within the parameters established by the board.

Treasury management and risks

The Group operates within and through treasury policies and procedures approved by the board. The Group's financial instruments principally comprise bank borrowings together with cash and liquid resources that arise directly from its operations. Throughout the period under review and in line with the Group's policy, no trading in financial instruments has been undertaken.

The Group finances its operations through a mixture of retained profits and bank borrowings. The contracting operations of the Group 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 offset arrangements and interest rate.

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 remains party to a swap agreement which had the effect of fixing £33 million (2010: £45 million) of borrowings at a rate of 5.7% for the duration of the previous bank facility. The agreement falls away in February 2012. The difference between the swap rate and the previous borrowing rate has been fully expensed in the income statement.

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 had no material currency exposure as at 30 June 2011.

Critical accounting policies and assumptions

Goodwill and intangibles

The Group's carrying values for goodwill and intangibles were £115 million (2010: £115 million) and £9.0 million (2010: £6.9 million) respectively as at 30 June 2011. The finance team carry out annual impairment tests in relation to these amounts and any other carrying values. The calculations use pre-tax cash flow projections based on three year financial budgets approved by divisional management teams based on past performance and its expectation of market developments. The key assumptions within these budgets relate to the discount rate, revenue growth and the future profit margins achievable. The calculations were carried out following the year end and did not find there was a need to record any impairment of these assets. Further information regarding the impairment testing performed during and since the financial year is provided in note 10.

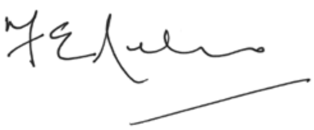
Shared equity

The Group's carrying value for shared equity receivables, shown within available for sale financial assets, amounted to £20.0 million at 30 June 2011 (2010: £13.7 million). The shared equity receivables are largely with non fixed repayment dates and variable repayment amounts, provided as part of the sales transaction and are secured by a second legal charge on the related property. They are stated at fair value as described in note 14 and in determining the fair value, the key assumptions, which are largely dependent on factors outside the control of the Group, are the date of final repayment of the receivable, house price inflation and the discount rate used. The Group monitors these on a regular basis to ensure that changes in the assumptions are made if required.

There have otherwise been no significant changes to the Group's critical accounting policies or assumptions, and these are considered in greater detail in note 1 to the financial statements on page 64.

Going concern

The Group's statement of going concern, together with further related information, can be found in the Directors' Report on page 57. The key risks and uncertainties potentially affecting the Group's future financial performance are detailed on page 32.



Frank Nelson
Group Finance Director

Advantage through diversity

Galliford Try is a housebuilder and provider of construction services. It is a UK based business, with construction activities carried out across the whole of the country, and housebuilding focused across the South of England and the Eastern counties.

Our business model

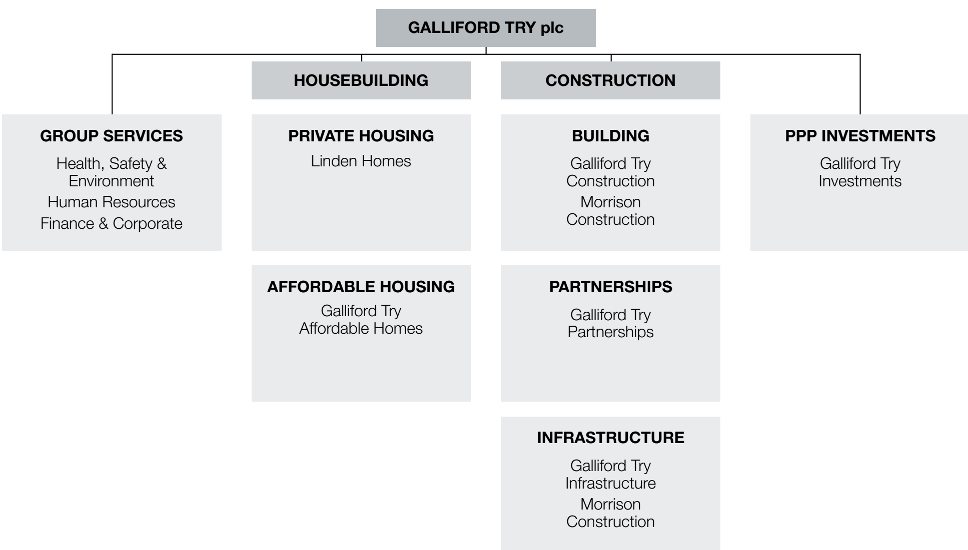
Our activities are spread across two complementary, but different, industry sectors. This gives us a number of financial and operational advantages, and mitigates business risk in a number of ways:

- Housebuilding and construction serve different markets. Housebuilding sells homes direct to the public and affordable homes to housing associations and local authority providers. Construction services are business to business, with our client base ranging from major Government departments, through the regulated utilities to private sector commercial companies. The financing that supports our home purchasers and construction clients comes from different finance models and sources. Our reliance on the market in any one sector is therefore reduced.

- The businesses have different and complementary financial profiles. Housebuilding requires cash for investment initially in land and then to pay for the development costs of bringing sites to the market before the homes can be sold, generating income and profit. An effectively run construction business will generate cash balances, with monthly or milestone payments from clients for work completed. A housebuilding business therefore plans to generate attractive profit margins while controlling the cash locked up in the business and a construction business produces relatively low margins but generates cash balances for investment. The overall business therefore minimises its requirement for external debt finance.

- The model gives a competitive advantage in the range of services we offer clients based on the skill sets of our people.

Outline structure and major operating businesses



UK market data, 2010

Housebuilding

	Market size 2010		Completions		New home starts	
Sector	£bn	% change	000's	% change	000's	% change
Private Housing	14.7	17%	97	-12%	93	27%
Public Housing	4.9	47%	28	-13%	28	8%
Total	**19.6**	**23%**	**125**	**-12%**	**121**	**22%**

	2008	2013	2018
Forecast UK households	26.1m	27.4m	28.9m

The 23% increase in the overall size of the housebuilding market in 2010 followed a 28% fall in 2009. Private and public housebuilding completions fell but the number of UK housing starts increased markedly.

In the first half of 2011, private housing completions registered by the National House-Building Council were up 6% to 40,700 in comparison with 2009 (38,389), and public housing completions rose by 15% from 20,182 to 23,132 over the same period.

Gross mortgage lending in 2010 was £135.9 billion, down 5.4% from 2009. 2011 gross lending was £63.7 billion in the six months to June, essentially unchanged from 2010. The CML forecasts both gross and net lending to be broadly flat at £140 billion and £9 billion respectively in 2011, rising to £150 billion and £12 billion in 2012.

Construction

	Market size 2010		New orders	
Sector	£bn	% change	£bn	% change
Infrastructure	13.5	26%	9.2	-17%
Public	14.4	21%	13.6	-7%
Industrial & Commercial	27.4	-6%	16.4	6%
Total	**55.3**	**7%**	**39.2**	**-5%**

Sources: ONS, CML, Land Registry, HCA, BoE.

The infrastructure and public sector markets continued to grow through 2010. Conversely, the industrial and commercial sector declined, as in 2009, although at a significantly reduced annualised rate of 5.6%.

However, new orders placed in 2010 show both the infrastructure and public sectors seeing reductions in future workloads, with the effect of the Government's comprehensive spending review starting to affect public expenditure reduction on capital projects. On the other hand, orders for private work in the industrial and commercial sectors increased by 5.8%, albeit this is following a 41% decrease in the previous year.

Over recent years, there has also been an increase in the opportunities arising that require a full range of construction and development services. The diversity of our businesses enables us to offer whole life solutions to major projects. We can remediate land, put in the site infrastructure and design and construct public or commercial buildings. Our housebuilding business can then develop homes for sale or supply to the affordable housing market on the same site, thereby offering a complete package to a commissioning agency. Our business model, as well as our track record, was an important element of securing a place as one of only six developers on all three of the Homes and Communities Agency's delivery partner panels. Earlier in 2011, it led to our appointment as preferred bidder for the £347 million Gateshead regeneration project which is expected to provide both construction and development work for over 10 years.

- The construction and housebuilding markets operate in different economic cycles. Housebuilding is an early cycle business, with the market adapting quickly to changes in the wider economy. Construction is late cycle, as clients purchasing decisions are typically made over a much longer timeframe, with most contracts lasting for periods well in excess of a year. The benefits of this difference were clearly illustrated during 2008/09 where our housebuilding business felt the effects of the downturn early on its sales and pricing, while our construction business continued to generate profits and cash. In 2011, the housebuilding business has recovered from the earlier low point with profits increasing, while construction is in a more challenging position as contracts secured earlier have completed and new work is procured in a more competitive market.

The business model therefore provides Galliford Try with operational and financial diversity that gives it the flexibility to maintain and develop its business through economic cycles, putting it in a position to grow its business when appropriate and retrench when necessary while optimising its overall performance in delivering returns to shareholders.

Our markets

Demand and supply drives the housing market. The UK housing shortage is well documented by Government and other forecasting agencies, estimating that there is a requirement for between 220,000 and 250,000 additional homes per year to meet the underlying rising demand. Against this, total industry completions in 2009 and 2010 were 90,000 and 100,000, substantially down from the peak of 185,000 in 2007. Long term demand is being driven by demographic changes with an increased population in the UK, the longevity of the population rising and the proportion of multi person households falling. The market is geographically sensitive, with the strongest demand in areas where the economy is performing well, such as in London and the South East. At present, there is less demand for homes in those areas of higher unemployment and where there is reliance on the public sector.

Against these factors supporting demand, supply is constrained. The availability of land for development is finite, and competition for alternative use will be highest where the economy is strongest. The process for securing planning consents for residential development is complex, lengthy and expensive, as well as being subject to delays and uncertainties caused by political factors. Government policy, and the provision of support for affordable homes to meet regeneration objectives, changes both demand and the regulatory framework within which the industry works. The availability and the terms of finance, whether through mortgage facilities for individual purchasers, or through grant or other methods of financing affordable housing providers, affects demand.

The operation of the market during the period under review is further discussed in the housebuilding review on page 18.

Business review: Overview continued

The construction market is driven by the investment programmes of the client base. In the public sector, the drive to improve the country's infrastructure, and how plans dovetail with Government financing objectives, prescribes the volume of work available to the industry. Many projects are long term, such as the recently awarded Forth Road Crossing project which will provide work for the Group until 2016. Specific initiatives, such as the Government's objective to reduce the propensity of the country's rivers to flood, drive expenditure through the Environment Agency, with whom we have a long term framework. Health, education and custodial facilities require replacement and refurbishment, with a mix of models being used to finance plans, including public private partnerships. Our PPP investments business is dependent on the requirement for private sector financing to deliver public investment plans.

The investment plans of the regulated utilities are driven both by requirements to deliver an agreed level of service to their customers, their respective regulators and by European policy directives. Much is delivered through long term asset management programmes such as in the water industry.

Private sector work will depend both on the confidence of organisations to invest and the availability of development finance. Large organisations, such as those in the property, retail and leisure sectors will have long term development plans that seek the consistent, quality, standard of delivery that Galliford Try can meet. There is some recovery in the London market, where international finance plays a part, although across the UK the market for one-off buildings has reduced significantly since the financial crisis in 2008/09, due to a fall in economic confidence of smaller businesses and their continuing shortage of cost effective finance.

The current state of and outlook for the building, infrastructure and affordable housing contracting markets are discussed in the construction section of this report.

Strategy

The Group's vision is to become one of the top five in both housing and construction in the UK. The Group laid out its strategy in 2009 to work towards this aim. The key elements are:

- To double the size of housebuilding – Over a three year period from 2009 to 2012 the Group's objective is to double the size of the business to deliver around 3,000 homes per annum. Supported by the £119 million raised by the rights issue in October 2009, the Group is now two years into delivering the strategy which aimed, by the third year in 2012, to deliver a material increase in earnings per share.

  Delivering the strategy is by:
  - Increasing the landbank with higher margin land, initially over a period of reduced competition for land.
  - Increasing the capacity of our existing housebuilding regions, and opening new offices to improve coverage across our southern biased business.
  - Boosting our management and employee resources from the available pool of quality people.
  - Maintaining our reputation for individually designed developments and quality across a larger business.

- To maintain construction as cash positive and profitable – We will maintain our emphasis on delivering an upper quartile profit margin and industry leading cash balances, accepting that during the downturn in the economic cycle revenues will be lower. During this period our aim is to maintain the structure and resources of the business at a level to be able to resume growth when markets improve.

  The construction business will therefore:
  - Focus on profit and cash, not revenue
  - Aim to maintain a sustainable and well spread order book
  - Ensure robust risk management across the business
  - Focus on emerging private sector opportunities as public work falls
  - Develop further our existing long term client relationships

Significant factors underpinning the delivery of the Group's strategy are as follows:

Financial strength
The Group has a balance sheet with total equity of £455 million, of which £331 million is represented by tangible net assets. This, together with its recently renewed four year bank facility, means its housebuilding business has the ability to invest in the land and work in progress required to deliver its expansion plan, and provides the strength of covenant that qualifies the construction business to undertake the significant projects that will provide the best opportunities for delivering our profit and cash objectives.

Effective supply chain management
As a project based business the relationships with, and our management of, consultants, sub-contractors and suppliers are crucial in maintaining continuity and quality in the services we provide.

Innovation and sustainability
Our agenda for sustainability encompasses working with clients in the construction business to deliver their environmental and sustainability objectives and in our housebuilding business, working towards delivering more sustainable homes to either meet or exceed the sustainability standards being required from the industry.

Client focus
We understand the importance of maintaining our position as a leader in customer satisfaction levels across our housebuilding business, and in construction to have a track record in building long term relationships with clients across our markets. We aim to develop further our strong links with organisations that look for best value services, and that will work with us to deliver the best outcomes for their projects, which are rarely delivered through selection solely by lowest cost competitive tendering.

Performance measurement

The board measures performance against strategy through regular reporting of a number of financial and non financial metrics. The key financial performance indicators are pre exceptional profit before tax and earnings per share, with the dividend demonstrating progress in delivering a return to shareholders. As is evident from our business model, cash management is vital and we measure construction cash balances and housebuilding's use of capital. Health and safety is a top priority and our key non financial performance indicator is the measure of our accident frequency rate. Staff churn is a measure of employee retention that underpins our need for quality, motivated people to deliver our strategy.

Group Key performance indicators

Objective	Measure	2011 Performance	Comment
Health and safety			
To ensure our operations are carried out safely and without causing injury.	The accident frequency rate, which is the total number of reportable accidents in the year per 1,000 hours worked.	Improvement by 14%. 09: 0.24 10: 0.22 11: 0.19	We are rolling out our behavioural safety programme across the entire Group, and all of our incentive schemes now take account of health and safety performance.
Profit before tax			
To achieve increases in profit before tax each year.	Profit on ordinary activities in £m, excluding exceptional items, stated before tax.	Up by 34%. 09: 24.5 10: 26.1 11: 35.1	Housebuilding profits rose as our expansion plan delivered more homes at a higher profit margin. Construction profits delivered a better than expected profit margin on revenues higher than forecast.
Earnings per share			
To provide long term growth in earnings per share, with a material enhancement in 2012 on delivery of the housebuilding expansion plan.	Earnings per share in pence based upon profit attributable to ordinary shareholders before exceptional items, divided by the average number of shares in issue during the year.	Up by 31%. 09: 35.8 10: 24.6 11: 32.2	The Group is on track to deliver its objective in 2012, and the increase in 2011 reflects housebuilding earnings rising during the second year of the three year expansion plan.
Dividend per share			
The board has adopted a policy of working towards a total dividend representing one third of profits before tax.	The sum of the interim dividend and the final proposed dividend in pence per share.	Up by 28%. 09: 10.9 10: 12.5 11: 16.0	The 2011 dividend represents 37% of profit before tax and reflects the Group's performance and prospects as we reach the end of the second year of the three year housebuilding expansion plan.
Cash/capital management			
Construction to generate optimum cash balances and housebuilding to control investment in developments to minimise Group net debt.	Net cash/debt in £m at year end, monitored during the year on a weekly basis.	Improvement over plan. 09: 34.1 10: 76.5 11: 36	The investment in housing land and work in progress continued with a total of £571 million in developments and joint ventures at the year end, when the cash balance in construction was 23% of revenue, an excellent performance.
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.	Up by 1.4%. 09: 12.3 10: 7.4 11: 8.7	We have significantly increased employee numbers in housebuilding and have had some reductions in construction, with staff churn currently moving up from the low point following the recession.

Business review: Housebuilding

Housebuilding: Setting standards in design

As we increase the size of our business towards delivering 3,000 homes each year, our concentration remains on location, design and quality.

Ian Baker Group Managing Director, Housebuilding

Our track record differentiates us in meeting the aspirations of purchasers for our new homes. We use local architectural styles, individually design our developments, do not rely on standard house types and deliver industry leading customer satisfaction.

2011 Achievements

- Homes completed
  2,170
- Sales in hand
  £247m
- Average private sales price
  £227,000
- Landbank
  10,250 plots

Individually designed homes on award winning developments

Little Eaves at Holberton in Devon is a development of 14 homes incorporating local stone and a thatched property in a range of new and converted buildings. The development won a ‘Best Development’ award at the 2010 ‘What House’ awards.

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

Business review: Housebuilding continued

Overview

Galliford Try develops homes across the South and East of the UK. Our development activities encompass both private housing for direct sale to the public and 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.

Housebuilding is a local business, and Galliford Try operates on a regional basis with local management teams that have an in depth knowledge of their markets and the factors that drive the requirement for homes within them. During the year we adopted our Linden Homes brand across all of our housing activities, providing a consistent, higher profile presence throughout our business.

	2011	2010
Revenue (£m)	**388.5**	316.0
Profit from operations (£m)	**31.6**	17.6
Operating profit margin (%)	**8.1**	5.6
Completions	**2,170**	1,705

Attractive homes in sought after locations

Boxgrove Gardens in Guildford is a development of 199 homes using a mix of modern and traditional materials to provide varied streetscapes. From a village green at the heart of the development, pedestrian paths lead through a series of landscaped squares and spaces that make the most of the mature trees that envelop the site.

Market

The housing market during the financial year went through two distinct phases. Up until December 2010, purchasers' confidence was poor and sales were low although prices remained stable. The particularly bad weather across our operational areas in the South of England in late November and during December prevented access to our developments and further reduced sales. However, in January 2011 there was a significant upturn in visitor levels and then sales rates, which then continued throughout the spring selling season. The market was, and continues to be, strongest in the South East of England, reflected in both sales rates and prices achieved.

From the position early in the financial year, when mortgage availability was extremely restricted and lenders were seeking significant deposits, there has been some easing during 2011 although affordability remains dependent on the ratio of the size of the loan to the property value.

There was a significant pause in the development activities of housing associations following the Government's comprehensive spending review in the autumn of 2010. However, they have started to recommence developments based on the new financial model of up to 80% of market rent being classified as affordable. This will enable housing associations to plan on increased revenues in the future to compensate for reduced levels of direct Government grant. There is a historic under supply of affordable homes across the south of the country, our strongest area of operation where the effect of the change in the financing model will have the most positive effect.

Strategy

We have reached the end of year two of our three year expansion strategy. Our objective, set out in 2009, was to double the size of the business by 2012, delivering around 3,000 homes annually and materially increasing the profits and return on capital of the business. We will have then set a new baseline for the business, and will thereafter grow the business at a sustainable rate over the medium term towards 4,000 homes. Our strategy to achieve this was:

- To increase the size of the landbank, starting during a period where land prices had reduced significantly and competition for land was limited.

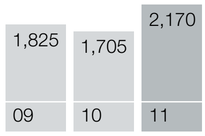
Housebuilding Key performance indicators

Completions

Objective: To increase the number of completions to around 3,000 in 2012.

Measure: Total number of homes that have been legally completed, including completions from joint ventures represented by our share of ownership.

2011 Performance: Up by 27%.



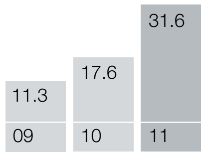
Comment: As the number of selling sites increased in line with our expansion plan, we made more sales, particularly during the second half of the year. 2,170 homes completed, 1,988 net of our joint venture partners' shares.

Profit from operations

Objective: To significantly increase profit from operations under the three year expansion plan to 2012.

Measure: Profit on ordinary activities in £m stated before finance costs, exceptional items, amortisation and share of joint ventures' interest and tax.

2011 Performance: Up by 80%.



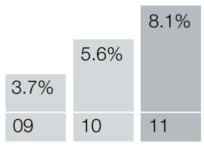
Comment: The number of active selling sites, on land acquired in current market conditions rose significantly during the second year of our expansion plan, resulting in increased sales and higher profit margins.

Operating margin

Objective: To deliver upper quartile operating margin for our sector.

Measure: Profit from operations in £m divided by revenue, expressed as a percentage.

2011 Performance: Up by 45%.



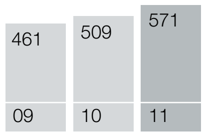
Comment: A greater proportion of sales were made from land acquired at current market values on which there are higher profit margins.

Capital employed/net debt

Objective: To control the capital invested in developments in line with the Group's strategy.

Measure: Total investment in developments and housebuilding joint ventures in £m. Investment and debt targets are monitored monthly.

2011 Performance: Up by 11%.



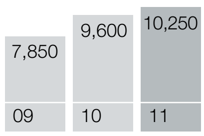
Comment: Investment in land and work in progress grew as we delivered the second year of the expansion plan.

Landbank

Objective: To acquire the increased landbank required to meet the expansion plan.

Measure: The total number of owned and controlled plots in the landbank.

2011 Performance: Up by 7%.



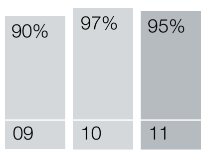
Comment: The land required to deliver the production forecast for the third year of our expansion plan has been secured.

Customer satisfaction

Objective: To maintain and, where practical, improve customer satisfaction scores.

Measure: The percentage of our home buyers who would recommend the Company to their best friend.

2011 Performance: Maintained.



Comment: The research is carried out by an independent external research company that contacts every customer after they have purchased one of our homes.

PERFORMANCE

Business review: Housebuilding continued

What House Bronze Awards
Best Large Housebuilder
Best Developments
Best Partnership Scheme

Regeneration with a contemporary feel

Phoenix Quay is a key part of the regeneration of Millbay on the waterside at Plymouth. The development of 123 town houses and apartments, with a mix of private sale and affordable properties, has been designed to make the most of a contemporary waterfront location.

- To make the land acquisitions on a forecast profit margin of 20% (blended between private sales and affordable homes) and a return on capital of over 20%.
- To supplement our regional operating bases with additional offices to improve coverage across the South and East of England.
- To recruit the additional management and staff required to deliver the growth from the pool of quality people available, as our competitors significantly downsized.

The larger proportion of new land in our landbank will drive increased profits as sales volumes rise, and the proportion of sales taken from land acquired pre July 2008, when land prices were higher, falls.

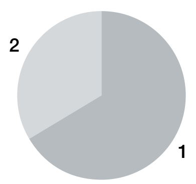
In delivering our strategy we have continued to focus on the middle market of traditional family housing which will remain a mixture of houses as well as apartments in appropriate urban areas, particularly in the South East of England. We have an enviable reputation for producing individually designed developments and non standard house types that maximise the attractiveness of our homes. Our industry leading experience in developing brownfield sites as well as in the refurbishments of existing buildings, often part of mixed refurbishment/new build developments, remains important in generating opportunities and maintaining our market position. We will concentrate on prime sites in prime locations, keeping to a minimum our involvement in multi developer consortium sites where similar homes are offered by a number of housebuilders.

Performance

Substantial progress has been made as we complete the second year of our three year expansion plan. Profit from operations was up 80% with operating profit margin up 45% as completions started to rise during the second year of the plan. We achieved a gross margin during the year of 16.1%, with both gross and operating margins expected to increase further in the new financial year as the proportion of completions from new land continues to rise and the cost base already in place delivers a significantly increased planned output.

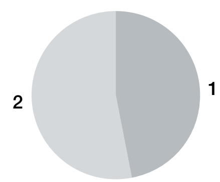
The housing market during the financial year went through two distinct phases. Until December 2010, purchaser confidence was poor and sales levels disappointing although prices remained stable. However, in January 2011 there was a significant upturn in visitor levels and then sales rates which continued throughout the spring selling season. The market was, and continues to be, strongest in the South East of England, reflected in both sales rates and prices achieved. From the position early in the financial year, when mortgage availability was extremely restricted and lenders were seeking significant deposits, there has been some easing during 2011 although affordability remains dependent on the ratio of the size of the loan to the property value.

Completions analysis – 2,170 homes



By sector

1 Private	**1,446**
2 Affordable	**724**



By landbank

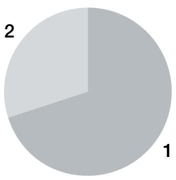
1 From post July 2008	**1,020**
2 Legacy	**1,150**

By area of operation

South	**1,614**
Midlands/East	**556**

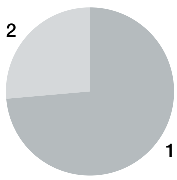
Housebuilder Awards
Best Large Housebuilder
Best low or zero carbon initiative

Landbank analysis – 10,250 plots



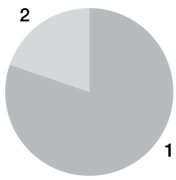
By aquisition period

1 Post July 2008	**7,200**
2 Legacy	**3,050**



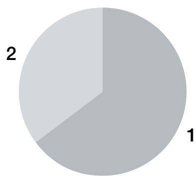
Geographical split

1 South	**7,550**
2 Midlands/East	**2,700**



By sector

1 Private	**8,250**
2 Affordable	**2,000**



Private sector mix

1 Houses	**5,350**
2 Apartments	**2,900**

Following the improvement in the market during the second half of the year when a number of new sites came on stream, completions rose bringing the total to 2,170, 1,988 net of the proportionate share of our partners in joint venture developments (2010: 1,705 and 1,624). Private housing completions accounted for 1,446 of the total, with an average selling price, reflecting an increased proportion of sales in the South East of England of £227,000 (2010: £207,000). Affordable housing completions were 724 with an average selling price of £106,000 (2010: £124,000).

The number of active selling sites increased during the year from 59 to 78. Although less than originally forecast, we completed a number of legacy sites earlier than anticipated by selling stock in hand at a faster rate than expected during the second half of the financial year. We have opened new offices in Guildford and the Thames Valley and have recruited additional staff across our existing regions so that we now employ 770 people compared to 650 a year ago.

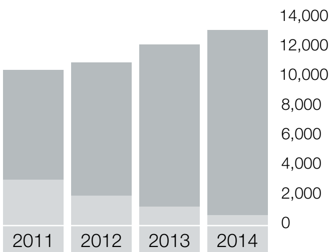
On 30 June our landbank stood at 10,250 plots, up 7% on a year ago. Importantly, 70% is held at current market prices, up from 56% a year ago. The proportion of land remaining at historic prices, on which profit margins and return on capital are lower, is therefore steadily reducing. Our strategic land holdings stand at 1,200 acres.

Affordable housing and regeneration

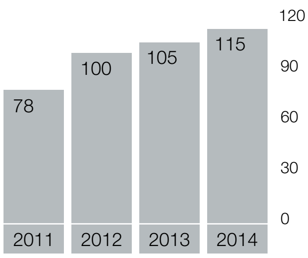
The affordable housing market has gone through a fundamental restructuring since the Government's comprehensive spending review changed the financing model from capital subsidy to capitalised revenue streams. This has the effect of significantly reducing public sector capital investment over the next four years, although using the new rental model the Government now expects 170,000 affordable homes to be delivered from 2011 to 2015. Housing associations have recommenced their development programmes using the flexibilities of the new regime. We have secured partner status on the Homes and Communities Agency's 2011 to 2015 framework and have been awarded £3 million for delivery of 200 homes under the Government's new FirstBuy direct scheme. Public land disposals are expected to continue, with authorities using the delivery partner panel, on which we are represented in all three regions, to select private sector partners using a wider range of delivery models.

Delivering these homes will remain heavily dependent on private sector involvement and Galliford Try is well placed to grow its affordable housing business. We have a leading sector

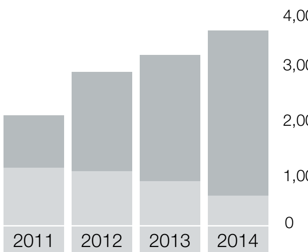
Future landbank/completions – forecasts to 2014



Landbank by acquisition period
- Acquired post July 2008
- Legacy



Sales outlets



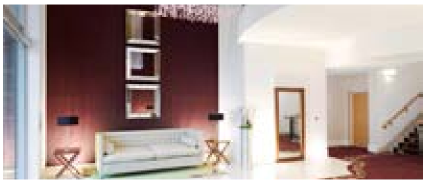
Completions by period
- From post July 2008 landbank
- Legacy

Business review: Housebuilding continued

Building for Life Awards 2010
Gold Standard: be: Newhall; Fairfield Park, Bedfordshire; Watercolour, Redhill

Partnerships create new inner city life

Evolve at Devonport is a development of 400 homes to be constructed over several years in partnership with affordable housing provider Westco Properties as part of the Devonport regeneration community partnership. A 21st century design complements the historic Grade I listed buildings to create a vibrant new community out of a failing 1960's inner city environment.



Evening Standard Awards
Best Conversion, Highly Commended: The Royal Apartments, Henley-on-Thames

Brownfield and conversion expertise

Kingston Mills, a stunning riverside location in Bradford-on-Avon, Wiltshire, consists of 170 new and converted houses alongside shops, restaurants and office space. 90% of our total homes sold in 2011 were on brownfield sites.

position and excellent relationships with the Homes and Communities Agency, with a track record of delivering affordable and regeneration projects through our ability to provide development, contracting and ongoing support services to the sector. The affordable rent model now being worked into housing associations' development plans will enable us to build on the partnerships and joint ventures we have carried out to date, delivering homes for the various tenures required by the affordable sector.

We are in a prime position to access the public sector land disposal programme as one of only six delivery partners on all three Homes and Communities Agency's delivery partner panels.

Projects worked on during the year included the redevelopment of a former hospital site at Fairmile in Oxfordshire with the Homes and Communities Agency, where we are developing 353 homes within 90 acres of listed parkland as part of a public sector land release. 30% will be affordable under a four year build and maintain contract. At Graylingwell in Chichester, we are in the second year of developing an 800 home site in joint venture with Affinity Sutton, the largest net zero carbon scheme in the UK where we are providing development, construction and facilities management as well as development-wide energy services through a central combined heat and power plant.

In the second half of our financial year we were appointed preferred bidder for the Gateshead Evolution project which is a strategic joint venture with Home Group and Gateshead Council under which 2,400 homes will be created over 15 years as 19 sites are released for development in portfolios.

Looking forward, we anticipate housing associations recommencing their development programmes as they adjust to the new flexible rent regime and secure funding from the capital markets. Public land disposals are expected to continue, with authorities using the delivery partner panel to select private sector partners using a wider range of delivery models. Galliford Try's track record of diverse service offering puts it at the forefront of being able to secure the opportunities we need to support our housebuilding expansion plan.

Customer satisfaction

A regular independently conducted survey of customer satisfaction levels is carried out throughout the year. Overall, 95% of our customers said that they would recommend us to their family and friends when asked, maintaining our industry leading performance.

In the Home Builders Federation annual customer satisfaction survey we achieved a four star award for the quality of our new homes and are aiming to secure the top five star level.

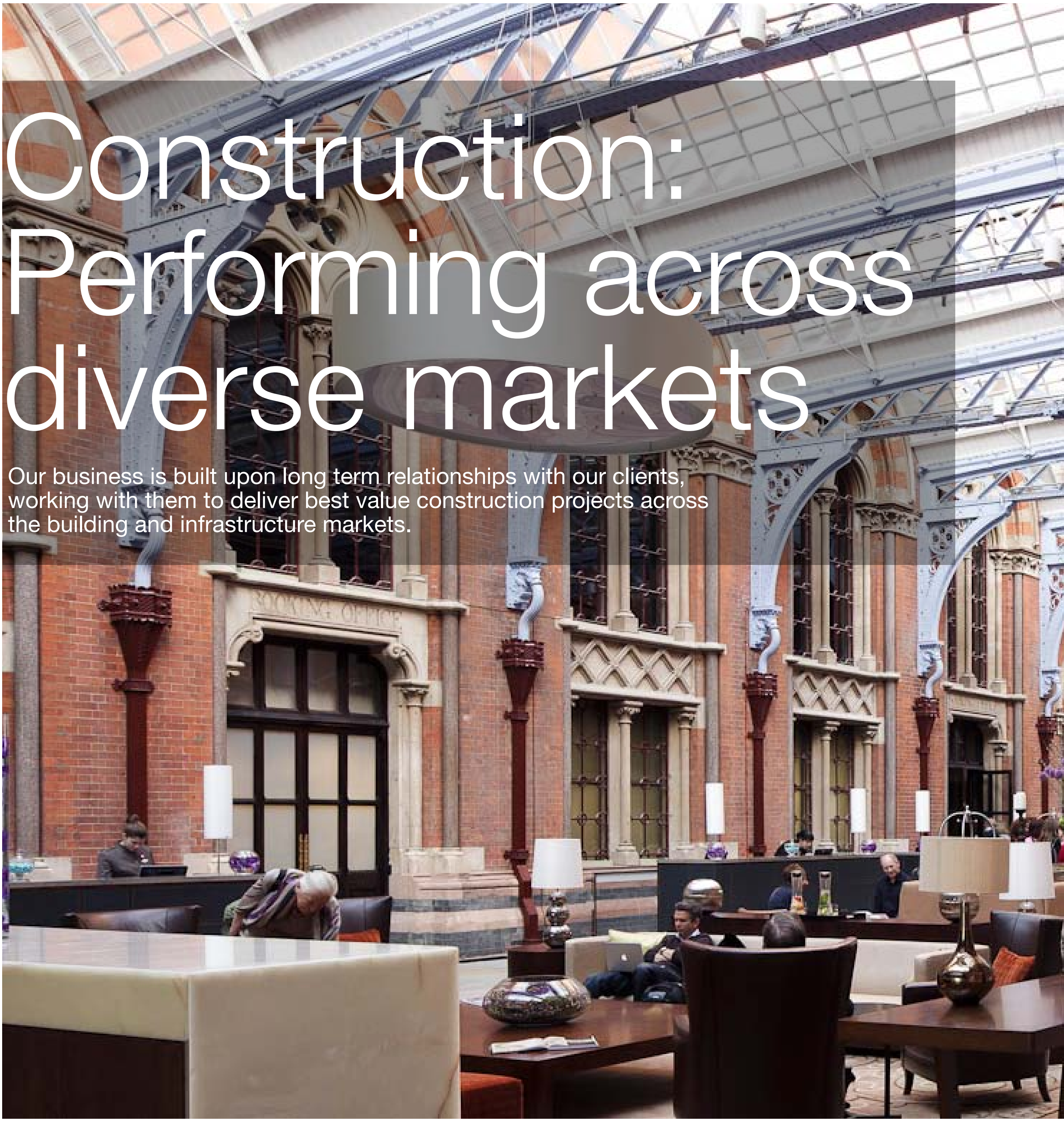
Outlook

We entered our new financial year with £247 million of sales carried forward, 23% up on last year. The level and value of sales achieved since the start of the year have been resilient, with sales reserved, contracted or completed now standing at £328 million, up 25% compared to last year, with £254 million for the current financial year. The current number of sales outlets is 81 with sales per week per site since 1 July averaging 0.43 and the cancellation rate remaining broadly similar at 18%.

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

Construction: Performing across diverse markets

Our business is built upon long term relationships with our clients, working with them to deliver best value construction projects across the building and infrastructure markets.



Ken Gillespie Group Managing Director, Construction

We have maintained a well balanced order book across our building, partnerships and infrastructure divisions, with a number of long term contracts secured that provide visibility to our future workload.

2011 Achievements

- Profit margin
  2.4%
- Cash
  £217m
- Order book
  £1.75bn
- Work secured for new year
  80%

National coverage with specific sector expertise

In a contract worth over £100 million, we transformed the derelict St Pancras Chambers, one of London's most iconic buildings, into a luxury 244 bedroom hotel and 67 apartments. The project is a prime example of how we can bring together heritage based refurbishment skills with a major new build element to create a building that has become a destination in its own right since its opening in May 2011.

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

Business review: Construction continued

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 provides a national service to the health, education and private commercial markets from operating centres in London, the South West, the Midlands, the North of England and Scotland.

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.

	2011	2010
Revenue (£m)	**936.9**	936.5
Profit from operations (£m)	**22.2**	22.8
Operating profit margin (%)	**2.4**	2.4
Order book (£bn)	**1.75**	1.8

Market

The construction market in the UK has remained challenging throughout the financial year. The Government's comprehensive spending review in the autumn of 2010 has had a significant effect on reducing the pipeline of future public sector work, particularly in England and Wales. However, an ongoing programme in Scotland, particularly in health, education and in major infrastructure projects such as the Forth Road Crossing, remains in place.

Private sector opportunities for building projects are showing early signs of improvement, albeit primarily focused on London and the South East of England. Work for the retail, leisure and hospitality sectors is continuing, there are opportunities in affordable housing contracting across the country, and some commercial office investment is evident. However, across all our markets competition for new work is intense, particularly where specific sector skills are not required and one off projects can be put to pure price competitive tender.

Strategy

The long term strategic objective is to grow the business to become a top five contractor when the economic and market conditions improve. During the current downturn, the Group is concentrating on delivering an optimum margin and generating cash balances, accepting that absolute revenue levels will fall as we consciously turn away work at unsustainable prices or with an unrealistic risk profile.

Award winning infrastructure projects

A £60 million contract for the Highways Agency to completely rebuild junction 15 of the M40 with an associated bypass was completed ahead of schedule and to a standard that achieved the 2011 'Best Large Highways and Transportation' award.

Construction News Awards
Best Project over £50 million – M74 Completion project

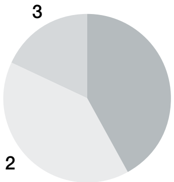
Construction Key performance indicators

Objective	Measure	2011 Performance	Comment
Profit from operations			
To achieve optimum profits at each stage of an economic cycle.	Profit in £m stated before finance costs, exceptional items, amortisation and share of joint ventures' interest and tax.	Maintained. 09: 27.9 10: 22.8 11: 22.2	Profit has been maintained on consistent revenue.
Operating profit margin			
To deliver a sustainable operating margin for the relevant stage of the economic cycle.	Profit from operations in £m divided by revenue, expressed as a percentage.	Maintained. 09: 2.4% 10: 2.4% 11: 2.4%	Profit margins have been maintained as we reduced costs in anticipation of revenues falling. 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.	Net cash at the year end in £m. Targets are set for each construction business and monitored weekly.	Maintained. 09: 237.1 10: 206.8 11: 216.7	The business delivered substantial cash balances throughout the year. The ratio of cash held to revenue has been maintained at circa 20% despite more competitive conditions.
Revenue			
To maintain revenue at a level that will deliver our profit and cash objectives.	Value of work carried out in the year, measured in £m.	Maintained. 09: 1,176 10: 936.5 11: 936.9	In the market downturn, we will not take on work at unsustainable prices and have adjusted our revenues and cost base to maintain optimum profit levels and cash balances.
Order book			
To secure a balanced visible stream of future profitable workload.	The size of the order book in £bn which is the total revenue expected to be generated from orders received.	Maintained. 09: 1.7 10: 1.8 11: 1.75	We maintained a diverse spread of work across our market sectors, securing a number of large projects in the second half of the year to replace completing contracts.

Business review: Construction continued

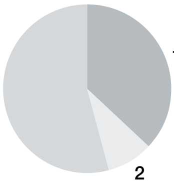
Saltire Society Awards 2010
A830 Arisaig to Loch nan Uamh Improvement project

Order book by sector



	%
1 Public	42
2 Regulated	40
3 Private	18

Order book by activity



	%
1 Building	38
2 Partnerships	9
3 Infrastructure	53

Our strategy can be currently summarised as:

- Retain focus on client service
- Maintain emphasis on profit margin, not volume of work
- Ensure robust risk management and a prudent profit taking policy
- Achieve industry leading cash performance
- Maintain order book with diverse spread of work
- Maintain resources at a level to grow again when market improves

In this market, our strong reputation for long term framework contracting and repeat business client relationships continues to demonstrate its worth. Our order book is spread across the regulated, public and private sectors. We have continued with the increased level of risk management implemented in the previous financial year, which included new processes to ensure our project selection remains vigorous.

Performance

The division delivered a strong trading performance with a maintained margin on unchanged revenue. We achieved excellent cash balances that stood at £216.7 million at 30 June 2011 (2010: £206.8 million), representing 23% of revenue.

The construction market in the UK remained challenging throughout the financial year. The Government's comprehensive spending review in the autumn of 2010 has had a significant effect on reducing the pipeline of future public sector work, particularly in England and Wales. However, we have continued to secure projects through our LIFT (Local Improvement Finance Trust) frameworks in health, limited Building Schools for the Future work and a number of other education projects. In Scotland an ongoing programme in health, education and in major infrastructure projects such as the Forth Road Crossing, recently secured in a four party consortium, remains in place. With a significant amount of work already let under long term frameworks in the infrastructure sector, specifically in the water industry, there is more visibility to future opportunities, and we have been successful in supplementing our five year AMP5 work with additional projects.

Private sector opportunities for building projects are showing signs of improvement, albeit primarily focused on London and the South East of England. Work for the retail, leisure and hospitality sectors is continuing, there are opportunities in affordable housing contracting across the country, and some commercial office investment is evident. However, across all our markets competition for new work is intense.

Our objective is to target work in sectors where we have specialist expertise and where clients work with their construction partners to develop best value solutions. This focus on markets where there are barriers to entry reduces the proportion of work that we secure on the basis of price competition alone. Of our total £1.75 billion year end order book 42% is in the public sector, 40% in the regulated and 18% in the private sector. Importantly, 50% of our order book is in frameworks and 63% has been secured on a basis other than through pure price competition. Since the year end our order book has reduced marginally to £1.7 billion, in line with our policy of focusing on work that will support our profit and cash objectives, not on maintaining past revenue levels.

Building

	2011	2010
Revenue (£m)	**436.5**	445.3
Profit from operations (£m)	**10.4**	10.8
Operating profit margin (%)	**2.4**	2.4
Order book (£m)	**673**	638

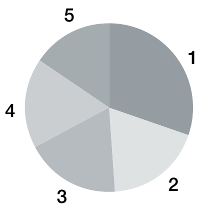
Major projects completed during the year included the £103 million St Pancras Chambers refurbishment and conversion into a luxury hotel which has rapidly become an iconic London destination. We also completed the latest phase of our long term work at Wimbledon, with the new number 3 court completed for the 2011 championships. Work continues on our Athletes' Village block project at Olympic Park.

Health and education projects continued to provide work during the year. In Scotland we are working on the £300 million ten year framework for the Scottish NHS Trust, new contracts were awarded under our LIFT primary care frameworks in the Midlands and North West of England and we secured the

Expertise in energy from waste

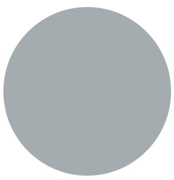
Galliford Try has developed a track record in the growth market for energy from waste plants. A £22 million contract for Biffa was recently completed to process food waste into biogas that provides heat and electricity generation.

Order book by division – total £1.75bn



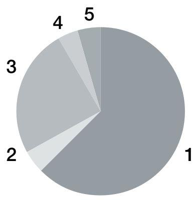
Building – £673m

	£m
1 Commercial	**204**
2 Education	**126**
3 Facilities management	**123**
4 Health	**117**
5 Other public	**103**



Partnerships – £156m

	£m
Affordable homes	**156**



Infrastructure – £921m

	£m
1 Water	**577**
2 Civil engineering	**40**
3 Transport	**228**
4 Communications	**37**
5 Renewables	**39**

Business review: Construction continued

Green Apple Awards 2010 Winners
Whitelee Windfarm, Forres Flood Alleviation Scheme and M74 Completion project

£58 million schools investment programme for the Orkney Islands Council. We also won the £50 million Halton schools BSF project which we are carrying out in joint venture.

From a low base the previous year, we have seen signs of limited improvement in the private sector market particularly in the commercial and hospitality sectors. Examples of work secured are £9 million of work for Moto Hospitality on the M40, a £39 million commercial and apartments scheme in Wandsworth for Fraser Projects and a £16 million hotel in Birmingham for Hotel de la Tour. We have established a new base in Bristol which has secured its first contracts including a £7 million project to refit the Bristol Old Vic theatre. Going forward we see some further recovery in the London commercial market.

Partnerships

	2011	2010
Revenue (£m)	**123.9**	93.8
Profit from operations (£m)	**1.9**	1.3
Operating profit margin (%)	**1.5**	1.4
Order book (£m)	**156**	198

The affordable housing contracting market started to improve as, following the Government's comprehensive spending review, the housing associations adjusted their development models to their new affordable rent funding regime. The limited recovery in the opportunities available is most evident in the South East as southern based housing associations in particular will benefit from the new funding regime.

In the North East, we were successful in securing the £347 million Gateshead regeneration programme in joint venture with Home Group, one of the country's largest housing associations. Over the period to 2026, 19 sites across the Gateshead area will be regenerated, providing Galliford Try with both contracting and development revenues.

We opened a new office in the South West of England, taking advantage of the opportunities arising from the demise of a competitor. In Birmingham, we have been appointed on the £9 million Public Land Initiative South to create 79 homes. We added to our frameworks by selection as one of the delivery partners on the £400 million L&Q framework in London and the South, the £144 million 'Create' framework in North London for three affordable housing providers and for the £40 million Estuary Housing Association framework to the South East of London. We see the use of local asset backed vehicles by public sector bodies to deliver development as an area of growth and our objective is to build on our contracting and framework skills with the Group's development expertise to generate opportunities.

Infrastructure

	2011	2010
Revenue (£m)	**376.5**	397.4
Profit from operations (£m)	**9.9**	10.7
Operating profit margin (%)	**2.6**	2.7
Order book (£m)	**921**	922

Having secured the largest proportion of any contractor of the five year AMP5 water programmes in 2010 on which we work for seven water utilities, and additional frameworks from the Environment Agency, we have both visibility of future work and a base that qualifies us for securing projects let outside the frameworks. Examples of work secured by our water joint ventures included the £200 million Liverpool waste water scheme as part of our process alliance framework with United Utilities in the year, and £90 million of additional waste water treatment works for Thames Water. Revenues in water started to build up during the second year of the AMP programmes, with £597 million of water and flood alleviation work in our order book at the year end.

We have built on our expertise in water treatment processes to develop a business in energy from waste schemes and during the year completed a £22 million project for Biffa Waste in Cannock. We have also secured a £33 million project for Northumbrian Water to construct an energy from waste scheme at Howden in Northumberland. Our highways business completed the £55 million M40 junction ahead of schedule, and our four party consortium constructing the £445 million M74 interlink contract in Glasgow handed over the project in June, ahead of programme and within budget. In April, again in a four party joint venture, we secured the £790 million Forth Road Crossing scheme which will provide revenues for the next five years.

We completed the Rothes flood alleviation scheme in Scotland, following which we were awarded a further £50 million scheme at Elgin for Moray Council, handed over the first Olympic Park venue to be completed, the white water canoe centre at Broxborne and secured a £50 million contract to construct the infrastructure for Petrofac's gas plant in Shetland. We are on track to complete our £22 million Halley 6 research station for the British Antarctic Survey in Antarctica during the forthcoming winter weather window. New work for our telecommunications infrastructure clients has been secured and we have won our first contract at Gatwick Airport, providing security infrastructure.

Client satisfaction

We want our clients to achieve their objectives in working with us and are increasingly becoming a key part in how they meet their growing sustainability objectives. Further details on how we measure and are improving our performance are in the corporate responsibility section of the business review.

Outlook

The construction market is expected to remain challenging for the foreseeable future. The pipeline of work from the public sector is down, although there are some essential projects being resurrected. Private sector work remains dependent on economic confidence and the availability of finance, with London and the South East standing out from the rest of the country as showing some signs of recovery.

We continue to be encouraged by the work we have secured in the regulated sector, where our five year AMP5 frameworks for the water sector are generating anticipated levels of revenue and providing opportunities over and the above framework projects. We will therefore continue to maintain a tight control over work secured, maintaining our resources at the right level to carry out a lower workload, while retaining the spread of skills required to grow again when markets improve.

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

Business review: PPP Investments

Overview

We deliver major building and infrastructure projects through Public Private Partnerships (PPPs). We lead bid consortia and arrange project finance, take direct equity investment and manage construction through to operations.

	2011	2010
Revenue (£m)	**9.6**	3.5
Profit from operations (£m)	**(1.0)**	2.4
Directors' valuation (£m)	**4.4**	6.9

Market

It has taken a significant period of time for the Coalition Government to consider its spending priorities and procurement strategies and the result has been a slowdown in projects coming to market and a reduction in deal flow. However, a stronger pipeline is anticipated in the coming year, particularly in Scotland.

The development and use of asset backed finance models is expected to grow through public and private sector joint ventures, demonstrating how the public sector is adapting to the changing market.

Renewable energy remains a growth sector as the Government seeks to achieve the 2020 target of satisfying 15% of the UK electricity demand through renewable energy generation.

Strategy

Galliford Try's strategy is to bid for PPP projects that create both investment opportunities and provide the ability to secure construction and maintenance contracts for the Group. Due to the significant timescales and costs of bidding and developing projects, we are focused on those sectors where there is an acceptable balance between risk and reward.

To date, we have arranged and financed 29 PPP projects across a wide range of sectors with a total funding requirement in excess of £1.6 billion, including two of the largest multi-school PPP projects in the UK.

In addition to education, we are strong in affordable housing, waste and wastewater, transport, accommodation and health.

We are also investing in the renewable energy sector to create a portfolio of project financed wind turbine projects and a series of Energy Services Companies (ESCo's) through community and district energy schemes.

Performance

The directors' valuation of the Group's PPP portfolio as at 30 June 2011 was carried out, as in previous years, on a discounted cash flow basis. The result showed a valuation of £4.4 million, which compares to the value invested of £1.9 million (2010: valuation of £6.9 million and value invested of £2.8 million).

During the year we sold our interest in the Worcester Library and History Centre to release funds for future bidding and further investment. We are on the shortlist of two on both the Kent "Excellent Homes for All" project and the Brunswick Neighbourhood Regeneration project in Manchester. We also formalised our position as the private sector partner for the development of £300 million of community facilities across South East Scotland over the next 10 years under the Scottish Futures Trust's hub initiative as part of the SPACE consortium. Financial close on the £50 million Halton BSF was achieved by our consortium and we are now carrying out the redevelopment of two schools.

Our renewables business secured its first community and district energy scheme, which is a combined gas and biomass energy centre for 800 homes. We now have option agreements covering over 250 megawatts of wind generation.

Outlook

We remain in a strong position to take advantage of the opportunities in the sectors where the Group has the track record and resources. We will be maintaining our focus on the growing and evolving renewable energy market alongside our existing PPP sectors, where we see infrastructure, specifically roads and bridges, and mixed use schemes delivered though asset backed vehicles having a higher profile.

Proactive risk management

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, 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.
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 equity and bank borrowings. We constantly monitor levels of available funding and compliance with our bank covenants, and have renewed our facilities until 2015.

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 registers at Group and divisional level 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. The registers then show the levels of residual risk, enabling the board to judge its acceptability. The process is developing to incorporate risk registers at business unit level.

During the year the Group embarked on a comprehensive review of its risk assessment process under the control of its newly appointed Head of Risk and Internal Audit. The objective is to drive further improvements in the assessments of probabilities and impact, the identification and implementation of mitigating strategies and the more effective integration of the risk processes at the different levels in the Group.

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 when 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 42.

Type of risk	Possible impact	Mitigation
The level of public sector spending	Public sector spending and 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 approach to those sectors and clients 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.	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 through an authorities matrix covering our capabilities and resources, as well as the terms under which we carry out the work.
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 optimise career satisfaction.
Sustainability	Failure to meet increasing sustainability regulations on homes for sale or being unable to deliver sustainable solutions in line with our construction clients' requirements will affect our ability to sell homes or secure projects.	We have a programme to develop sustainable homes in accordance with projected requirements and a strategy to improve our understanding of construction clients' changing aspirations.

Delivering a sustainable future

The six fundamentals of our sustainable business

Strategy

Galliford Try's approach to CR and sustainability is focused on ensuring the long term success of the Group through the appropriate consideration, prioritisation and management of environmental, social and community factors in the Group's strategic planning and operational activities.

The Group's key strategic CR aim remains 'to be leaders in the construction of a sustainable future' and the Group has developed core values to support the delivery of this aim across its operating divisions and markets:

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

The Group has identified six fundamentals of sustainable business, outlined in the chart opposite. They are: health and safety, environment and climate change, our people, community, customers and supply chain.

We define them within an annual Group policy statement, which also communicates the CR performance expectations for the Group for any forthcoming financial year. Group performance is in turn measured by reference to key performance indicators (KPIs) specific to each.

Performance

Our KPIs demonstrate our performance in our six fundamentals of a sustainable business.

Supply chain

Wood supplied with chain of custody certification, as a proportion of total orders	**2011**	**93%**
	2010	93%

Health and safety

Accident frequency rate (number of accidents per 100,000 hours worked)	**2011**	**0.19**
	2010	0.22

Environment

Waste diverted from landfill, as a proportion of total waste produced – six months to year end	**2011**	**74%**
	2010	39%
Operational carbon emissions metric tonnes CO_2/£100,000 revenue	**2010***	**3.63**
	2009	3.74

* Latest available – to December 2010

Our people

Staff churn – staff leaving voluntarily	**2011**	**8.7%**
	2010	7.0%
Training days completed	**2011**	**2,964**
	2010	2,171

Customers

Customer satisfaction:

Housebuilding – "Would you recommend a friend to buy one of our homes?"	**2011**	**95%**
	2010	97%
Construction – Overall satisfaction	**2011**	**79%**
	2010	83%

Economic sustainability:

Housebuilding – Sales in hand	**2011**	**£247m**
	2010	£201m
Construction – Forward order book	**2011**	**£1.75bn**
	2010	£1.8bn

Community

Average overall score in the Considerate Constructors Scheme	**2011**	**33.6/40**
	2010	33.2/40

Governance

The Chief Executive ultimately has delegated authority from the Group board for all CR matters, and takes direct responsibility for the annual CR policy statement.

The Group has an effective CR board reporting mechanism, through which the CR manager updates the executive board on both performance against KPIs and progress made on a monthly basis. There are also regular presentations to the executive board, and reporting to, and interaction with, the divisional boards to ensure that CR issues specific to those businesses are communicated and prioritised in line with the Group approach. Appropriate CR risks are included in the Group risk register which is subject to regular review by the Group audit committee.

A Group CR steering committee, chaired by the company secretary and consisting of director level representatives, meets quarterly to discuss company specific and industry relevant CR matters and best practice, and to advise on the future direction of CR across the Group. The steering committee recommends changes to the Group's CR KPIs. During the financial year, the key issues considered by the steering committee included the development of non-financial KPIs, the Group's Carbon Strategy and a programme of internal CR communications.

The Group's share retention policy, detailed further on page 52, ensures that the executive directors retain significant shareholdings in the Company, and therefore aligns their long term interests with those of shareholders.

Progress

During the financial year we made progress against the six strategic objectives for the period 2009/11 identified in the table on page 36. Progress was also made against the three point action plan for 2010/11 which was to encourage the divisional ownership of CR; improve information capture and storage and to communicate our approach to CR more effectively to employees.

For 2012 our key target is to demonstrate progress against our 15% reduction in carbon objective for 2013. In addition, divisional KPI targets have been set. For example, those established for the housebuilding division include: 70% of waste to be diverted from landfill, a divisional average Considerate Constructors Scheme target score of 33/40 and for 50% of homes to be built at Code for Sustainable Homes Level 3 or above.

Business review: Corporate responsibility continued

Investors in People
Entire Group accredited

People

Strategy and policies

People are recognised as crucial to the success of the Group. Accordingly the Group has continued to adopt and refine its human resources (HR) management strategy, focusing on work organisation, employee development, performance management and management development. The aims of the strategy remain to strengthen employee relations, generate greater flexibility and maximise performance from the Group's teams.

The Group remains committed to equal opportunities for all employees, regardless of race, gender, nationality, age, disability, sexual orientation, religion or background, and seeks to provide opportunities for all individuals to develop to their full potential. There are policies and practices in place which ensure fair opportunities in respect of employment, entry to employment, benefits, training, placements and promotion. Those policies and practices have been supplemented during the financial year by the development and roll-out of comprehensive e-learning courses aiming to facilitate diversity and counteract discrimination across the Group. The Group also acknowledges Lord Davies's report on 'Women on Boards' and the subsequent Financial Reporting Council consultation 'Gender Diversity on Boards', both of which are addressed by the e-learning courses and will also be taken into account in the formulation of future HR policy. The Group already supports initiatives aimed at raising the profile of civil engineering as a career among women.

Performance

The Group retained its Investors in People accreditation across each of its divisions in 2011, which continues to provide external verification of HR practices across the Group. The annual employee survey, completed in July 2011, further confirmed that 85.1% of staff were 'satisfied or very satisfied' with their job (2010: 83.9%).

The total number of employees, divisional employment profiles and related Group costs are all detailed in note 3 to the financial statements on page 72. Of the total number of employees 79% are male and 21% are female. The Group continues to recognise long service through its long service awards, and currently there are 867 employees who have ten years or more service with the Group and 314 with over 20 years' service.

Training and development

The Group continues to invest significantly in training and career development, in particular management development programmes and the Galliford Try Academy. Courses have been specifically aligned with Group strategy and as such focus on strategy, leadership, managing change and maintaining competitive positions in challenging markets. A total of 1,541 management development training days were completed during the financial year. The Group has a long-standing relationship with the Henley Business School, and a number of directors and senior managers attended courses at the School during the financial year.

The Galliford Try Academy also remains integral, and 35 further trainees and graduates were accordingly enrolled in 2010. There are 96 trainees and graduates currently registered under approved structured training frameworks. The Group is separately working with Construction Skills to develop a programme compatible with the requirements of the National Apprenticeship Scheme. The Graduate Development programme, endorsed by the Institute for Leadership and Management, has been integrated into, and has further consolidated, the Group's suite of people development tools. The Group has also established an e-learning platform to improve accessibility for all employees to training and development resources, and is developing a library of courses tailored to the specific needs of its divisions. A total of 2,964 training days were completed during the financial year.

HR Governance

The Group considers that it has effective relationships with its employees and accordingly it has not been necessary for the Group to develop a trade union negotiating framework. For example, an employee communication forum has been

Progress

In 2009 we identified six strategic objectives for CR for the period 2009 to 2011. Progress on those objectives is detailed below.

No	Objective	Progress to date
1	Enhance the profile of CR across the Group	The Constructing a Sustainable Future visual identity has been launched and promoted.
2	Record and evaluate current CR practices	Monthly CR executive board reports provide regular updates on performance against the key CR KPIs.
3	Identify a suite of CR key performance indicators	The Group and divisional KPIs have been embedded, and KPI data continues to be collected and reviewed.
4	Develop a road map to support CR contribution across the business	Divisional policy statements, objectives and action plans are in place and performance monitoring is ongoing.
5	Develop our capacity to offer sustainable choices	Programme identified in 2010 is ongoing: **Housebuilding**, sustainability training for sales executives, sustainability data capture on all live projects. **Infrastructure**, working group on KPI and project information capture and sharing. **Building**, working group on KPIs, Considerate Constructors Scheme and BREAAM.
6	Form partnerships with sector and governmental organisations	Ongoing participation in: Construction Excellence, Next Generation, Homes and Communities Agency Forums, UK Contractors Group and the Home Builders Federation.

Scottish Chamber of Safety
'Lord Cullen Trophy' for producing hard-hitting safety DVD, 'Buried Alive'

integrated within the Group's Infrastructure division to consolidate and complement existing communication channels, and to provide a regular platform for employees to share opinions. The Group continues to publish 'Evolve', its six monthly employee magazine. The Group issues a monthly briefing note that covers matters of interest for employees, including the financial and economic factors relevant to the Group and its performance. The chief executive held a third annual roadshow explaining the Group's performance, strategy and progress to employees across the UK. The Group has also completed thorough due diligence to ensure compliance with relevant aspects of the Agency Worker Regulations due to come into effect on 1 October 2011.

The Company Secretary has responsibility for Group HR matters at executive board level, with the Group HR Director having immediate day-to-day responsibility. The key Group HR risk is identified in the consideration of principal risks and uncertainties on page 32. The Group issued a comprehensively updated Employee Handbook in February 2011, and implemented new procedures to comply with the 2010 Bribery Act which include policy and guidelines, transparency and rules on corporate hospitality. The Employee Code of Conduct, in operation since 2009, continued to be applied.

Health and safety

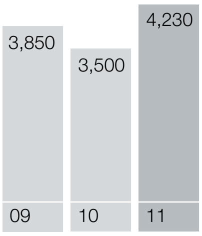
Overview

Health and safety (H&S) remains of paramount importance to Galliford Try, and the Group is committed to a policy of effectively managing all aspects of health, safety and welfare. Recognising that construction operations are acknowledged as involving inherently high risk activities, for example through working at height, in confined spaces or as a result of piling operations or demolition works, the Group's divisions and business units each prioritises health and safety and efficiently embeds health and safety policies, procedures and practices within their operations.

The Group has developed and operates a bespoke health, safety and environment management reporting system based on the H&S Executive's HS(G)65 framework, and which further complies with the OHSAS 18001 and EMS 14001 standards.

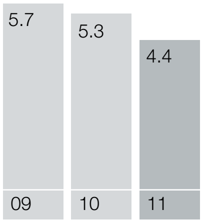
Number of employees

As at 30 June



Accident incidence rate

Per 1,000 people



Performance

The total number of reportable accidents, which fell by 18% over the 12 months to June 2010, again reduced by 5.1% to 59 in 2011. The Group accident frequency rate also decreased from 0.22 to 0.19, and again met the Group key performance indicator established for the financial year. The Group accident incidence rate also reduced, for the fourth consecutive year, to 4.37 (2010: 5.3).

Key statistics

	2011	2010
Reportable accidents	**59**	62
Accident frequency rate	**0.19**	0.22
Accident incidence rate	**4.37**	5.3
RoSPA Health and Safety Awards	**16**	18

The Group received two prohibition notices during the financial year (2010: six). No improvement notices or letters of intent to prosecute were received, while the Group was subjected to 204 enforcement visits (2010: 217).

The Group continues to focus attention on reducing the number of times utility services are struck, and has maintained challenging targets of 20% annualised reductions.

During the year the Group introduced health and safety performance measures into every incentive scheme operated throughout the Group in the form of a deduction matrix, thereby directly linking remuneration to performance. For the second consecutive year a 'stop the job' day was held across the entire Group to focus attention on health and safety initiatives.

Governance

Ken Gillespie, Managing Director of the Construction division has responsibility for health and safety at executive board level. The Group Director of Health, Safety and Environment (HS&E) has direct responsibility for all related matters, the Group HS&E team and is also a member of the CR steering committee.

The executive board prioritises consideration of the monthly H&S report, and there is a robust schedule of meetings from site level through the management structure to ensure that H&S performance is reviewed and discussed, thereby ensuring that Group policies, procedures and practices remain effective and 'fit for purpose'. Senior management reviews also periodically consider Group H&S performance and identify areas meriting greater attention.

Risk management

Health and safety is integrated effectively into business planning processes using established risk assessment methodologies, appropriate control measures, and set key performance indicators and targets. The Group HS&E Director agrees annual safety management thresholds with divisional Managing Directors, and applicable management teams, which are in turn monitored on a monthly basis and subjected to internal audit.

The Group also operates a detailed HS&E annual action plan which identifies a number of objectives, forward looking rolling targets and related actions for any forthcoming financial year, and communicates the HS&E key performance indicators across Group management.

On-site H&S tours, completed by all business leaders up to and including the Chief Executive, form a key HS&E risk management mechanism. Over the last two financial years over 950 such visits have been organised and completed.

Business review: Corporate responsibility continued

Considerate Constructors Award
Eight national awards in the year

Another key risk management mechanism is the now established behavioural programme 'challenging beliefs, affecting behaviour'. The programme aims to create and maintain an environment where care for our people, and those that work with us, is our top priority, and in which the belief that all accidents are preventable prevails. Under the programme, over 400 of the senior management population, including executive board members, have participated in the Senior Management Leadership Workshop, while ahead of expectations over 1,500 operational managers have attended the equivalent Operational Management Workshop. The Group intends that a further 1,000 operational managers will attend the latter course under the programme in 2011/12, and to also develop more on-site forums and coaching. The programme will remain a key H&S initiative over the next financial year.

Environment

Strategy and policies

The Galliford Try environmental policy continues to prioritise the Group delivering, as far as reasonably possible, to its clients and customers in an environmentally responsible manner which does not expose the natural environment or any site neighbours to unacceptable risks. Consequently, in addition to complying with all environment legislation, the Group's divisions are required as a matter of policy to:

Assess	Complete an assessment of the risks to the environment and any site neighbours from the Group's projects or activities.
Arrange	Have effective arrangements in place for planning, organising, controlling, monitoring and reviewing our preventative and protective measures.
Appoint	Appoint competent persons at project and Group level to commit to the measures needed to comply with environmental law.
Advise	Provide employees with the appropriate guidance on environmental risks and the preventative and protective measures necessary to mitigate those risks.

The environmental policy forms a central tenet of the Group's environmental strategy, which is supported by objectives and rolling targets which have been developed to facilitate a continual improvement in environmental performance. The environmental team is designated with ensuring sustainable environmental considerations are incorporated into the Group's design standards and construction practices, in particular improving energy and water consumption, promoting the use and reuse of low impact materials, and designing Group waste processes.

Performance

No environmental notices were received, or environmental prosecutions pursued, against the Group in the financial year.

The Group continues to monitor the quantities of construction, demolition and excavation waste generated. The percentage of waste diverted from landfill rose to 60% in the calendar year 2010 (2009: 56%), and excluding soil and stones (muckaway) performance improved further to 76% (2009: 54%). This key environmental performance indicator measured progress against the Group's stated objective to contribute to halving the amount of construction, demolition and excavation waste going to landfill between 2008 and 2012. The Group continues to work closely with the Government's Waste and Resources Action Programme (WRAP) to identify further related opportunities.

The Group completed its third annual submission to the Carbon Disclosure Project, and CO_2 emissions further reduced to 46,131 tCO_2e in 2010 (2009: 49,106). The emissions intensity measure (as £100,000 of turnover) reduced from 3.74 to 3.63 over the same period. A number of initiatives, to reduce average fleet emissions, energy saving practices for offices, the use of a new range of eco-work cabins and a consolidation of energy procurement practices, are all being developed under the remit of a new Group Carbon Task Force to further improve related Group performance. The Task Force will primarily be implementing a new strategy to reduce Group carbon emissions per unit of turnover by 15% by the end of 2013. The Group also continues to develop its carbon data collection systems with the intention of meeting any future extension of the Environment Agency's Carbon Reduction Commitment.

The Group has continued to increase attendance levels on the four day course accredited by the Institute of Occupational Safety and Health 'Managing Environmental Responsibilities'. A further 147 employees benefited from the course during the financial year, which amounts to a further 588 training days. Tailored environmental training has also been provided internally to 327 employees, which represents a further 137 environmental training days.

Third party ISO 14001:2004 certification for all business units remains a key Group objective, and following a rationalisation of the Group's business units, 17 of a maximum 25 units have now been accredited at that standard.

The Group's housebuilding division has completed a study in conjunction with WRAP which found that 79.3% of total waste from individual housebuilding sites was waste wood. As a result the Group has given its support to the National Community Wood Recycling Project during the financial year, the project employs those from disadvantaged backgrounds to collect waste wood. Of the collected wood approximately 85% is recycled and the remainder is prepared for reuse, either as wood products or as firewood.

Governance

An environmental management system (EMS) has been developed that is compliant with the requirements of ISO 14001: 2004, and which has been subject to independent third party certification audits by the British Standards Institute. The EMS defines and communicates key Group environmental standards which are required to be adopted on each construction site, and includes both process and technical standards. Examples include, but are not limited to, accident and incident reporting, environmental design management, environmental risk assessment, ecological management, hazardous materials management and water management.

Significant relationships

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

GOLD MEDAL

ROSPA
16 Health and safety awards.

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 4% of revenue during the year major clients, both during the year and currently, include:

- The seven regulated water utilities for whom we are working under five year framework contracts for their asset management programmes.
- Lend Lease, for whom we are carrying out accommodation building works for the Olympic Games in 2012.
- Manhattan Loft Limited, for whom we completed a £103 million contract to redevelop St Pancras Chambers in London.
- Transport Scotland for whom we carry out highways projects and who is the client for the recently awarded Forth Road Crossing project.

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. During the year we secured the £790 million Forth Road Crossing project in a consortium with Dragados, Hochtief and American Bridge. In housebuilding we develop a number of sites under joint venture agreements with housing associations and other house-builders. Significant relationships in our housebuilding business include our partnership with the Homes and Communities Agency. We have major projects with Affinity Sutton and the Devon and Cornwall Housing Associations together with developers Wates and Crest Nicholson with whom we have joint ventures. Going forward the Home Group is our joint venture partner on the £347 million Gateshead evolution regeneration project for Gateshead Council on which we were appointed preferred bidder during the year.

Supply chain and service providers
The Group continues to prioritise developing long term relationships with established and new product suppliers 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 our 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.

A new procurement initiative has involved our Group Procurement forum members visiting external businesses in different sectors to gain insights into alternative procurement approaches and purchasing systems.

The Group procurement team has maintained efforts to ensure the integrity of the housebuilding divisional timber supply chain, and accordingly 93% of timber orders in the financial year were chain of custody certified.

Community engagement

The Group necessarily contributes to, invests in, and creates communities through its projects. The Group approach to CR ensures that sustainability is actively prioritised in project design and planning, which is reflected in their resultant impact on communities. The Group engages with communities and individuals wherever necessary and appropriate in connection with its operations, particularly keeping local residents and organisations informed about construction plans and progress. A wide variety of safety campaigns, education programmes including school visits, and community based projects have been developed and were completed by the Group through the year.

The Group became an associate member of the Considerate Constructors Scheme in 2011, which demonstrates a continuing commitment to improving the interaction with communities in the localities where construction works are being carried out. Competent management, efficiency and awareness of local environmental issues are required by the scheme's 'Site and Company Codes of Considerate Practice'. Eight of the Group's projects have been awarded national awards under the scheme during the year.

The Group is a patron of CRASH, the UK registered practical charity that focuses on improving the buildings used by homeless people, and set up a Group volunteering scheme with the charity during 2011.

Further details of the Group's charitable donations during the financial year are disclosed with other statutory information on page 57, in the Directors' Report.

CR report 2011
A more detailed consideration of our CR activities during the financial year, and plans for the future, can be found in our separately published 2011 CR report 'Positive Impact', and on our website at www.gallifordtry.co.uk/corporate-responsibility, where more CR data is also provided.

Directors and Executive Board

Top row
Ian Coull, Greg Fitzgerald, Frank Nelson

Middle row:
Andrew Jenner, Amanda Burton, Peter Rogers

Bottom row:
Ken Gillespie, Richard Barraclough, Ian Baker

Directors

Ian Coull FRICS ‡
Non-Executive Chairman
Ian Coull was appointed to the board as a non-executive director and chairman designate on 8 November 2010 and became Chairman on 1 July 2011. Until April 2011 Ian was Chief Executive of SEGRO plc. He was also previously a main board director of J Sainsbury plc with responsibility for all property and construction activities. He is a non-executive director of Pendragon PLC and London Scottish International Limited, a Senior Adviser to Oaktree Capital Management and a member of the Government's Property Advisory Panel. Age 61.

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 NHBC, the National House-Building Council. Age 47.

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 60.

Amanda Burton † ‡
Non-Executive Director and Senior Independent Director
Amanda Burton was appointed to the board in July 2005. She is currently Chief Operating Officer at 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 52.

Peter Rogers CBE † ‡
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. Peter is also President of ADS, the trade organisation advancing the interests of UK aerospace, defence, security and space industries. Age 63.

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 42.

Executive Board

Ken Gillespie *
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 46.

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 56.

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 41.

* 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.

GOVERNANCE

Committed to the highest standards of governance

Compliance statement

The Group believes the highest standards of corporate governance are integral to the delivery of its strategy, providing the means by which the Board manages the expectations of stakeholders to optimise sustainable performance.

The UK Corporate Governance Code, in force for all premium listed companies with accounting periods commencing on or after 29 June 2010 (the "Code") is the governance code to which the Group is now subject.

Galliford Try has committed to complying in full with all provisions of the Code, including those aspects only strictly relevant to FTSE 350 companies, in seeking to both support and foster the highest standards of corporate governance. The extended provisions are proportionate, and the Group accordingly complied in full with all provisions of the Code throughout the financial year.

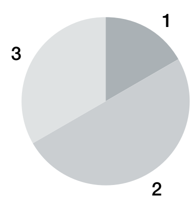
Key governance policy developments

In reflection of its formal adoption of the Code, the Board has determined that all serving directors will stand for re-appointment at the 2011 Annual General Meeting (AGM) to be held in November, and annually going forward. The directors have further agreed to commit to externally facilitated performance evaluations on a rolling three yearly basis, with the first external evaluation to be held before 2014. Going forward the Group will also operate clawback provisions in connection with all executive incentive plans, thereby permitting performance related elements of remuneration to be reclaimed in the event of subsequent material misstatement or misconduct.

Board: composition

The Company is led by a board which comprises the non-executive chairman, two executive directors, the senior independent director and two further independent non-executive directors.

Balance of non-executive and executive directors



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

Ian Coull was appointed as a non-executive director and chairman designate with effect from 8 November 2010. He subsequently became chairman and a member of the nomination and remuneration committees on 1 July 2011 following the retirement of David Calverley from the board on 30 June 2011. These were the only changes to the board during and since the financial year; further information regarding the appointment of Ian Coull is included in the nomination committee report on page 45.

Biographical summaries for each of the current directors, their respective committee responsibilities and their external directorships are set out on page 41. All of the directors serving throughout the financial year made significant contributions to the Group. They all continue to demonstrate commitment to their roles. Amanda Burton's continuing term as a non-executive director extended to six years as at 1 July 2011, and her reappointment has therefore been subject to particularly rigorous review this year taking into account the need for the progressive refreshing of the board. The board is particularly keen to maintain the continuity she brings to the board, particularly in light of the change of chairman, and the valuable roles she continues to perform as senior independent director and chairman of the remuneration committee.

Each of the non-executive directors serving during the financial year is considered to be independent, with the exception that David Calverley did not meet the independence criteria set out in the Code on his appointment as chairman in 2005, having previously been the chief executive of the Company. At least half of the board comprised independent non-executive directors throughout the financial year.

The roles of the chairman and the chief executive are separate, clearly defined and documented. The Chairman takes responsibility for board matters encompassing induction and training, governance and information, leadership and effectiveness, and shareholder relations. 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 Group's performance, operations and any matters arising that merit the attention of the wider board.

Amanda Burton continues to be the Group's senior independent director and as such remains available to shareholders if they have concerns which contact through normal channels has failed to resolve, or for which such contact is inappropriate. She was not approached during the year.

The role and responsibilities expected of a non-executive director are detailed in their individual letters of appointment, and each non-executive confirms prior to appointment that they have sufficient time to commit to the Group. The letters of appointment are available for inspection at the Company's registered office during normal office hours and prior to the annual general meeting.

Board: attendance

The board meets regularly through any financial year, with a total of ten meetings held in 2011. Attendance of the individual directors is detailed in the following table; however, the directors attend other meetings throughout the year and the board believes their contributions should be measured beyond simple attendance records. Ian Coull also attended the two meetings immediately prior to his appointment as a director, at the invitation of the board.

Board of directors

Number of meetings held during the year 10

Members	Meetings attended
Ian Coull	5
Greg Fitzgerald	10
Frank Nelson	10
Amanda Burton	10
Peter Rogers	9
Andrew Jenner	9
David Calverley	10

The chairman held additional meetings with the non-executives during the financial year without the executives present, and the Company Secretary also attended part of these meetings by invitation. The senior independent director meets separately with the non-executives to assess the performance of the chairman without him being present.

Board: remit

There is a formal schedule of matters reserved for prior authorisation by the board. The board takes responsibility for the Group's business plan; overall Group strategy; all material investments, acquisitions and disposals; all human resource, environmental and health and safety policies; all significant capital expenditure, financial matters and reviewing the Group's system of internal control.

The board has established reporting mechanisms which simultaneously ensure that it receives timely and appropriate reports and proposals from senior management in advance of its scheduled meetings, and is immediately informed of significant developments affecting the business. Ad hoc matters considered by the board during the financial year included the successful refinancing of the Group's banking facilities in May.

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 financial year.

Board: information and advice

The Company Secretary, at the request of the chairman, ensures that all directors receive appropriate and timely information and briefing papers in advance of board and committee meetings.

All directors have access to the advice and services of the Company Secretary, and there is an agreed procedure whereby directors can take independent professional advice, if necessary, at the Company's expense in furtherance of their duties. No directors sought independent advice during the financial year.

Board: insurance and indemnity

In accordance with the requirements of the Code, the Company maintains an appropriate directors' and officers' liability insurance policy, and similarly provides an indemnity to the directors and company secretary which is a qualifying indemnity for the purposes of s.234 Companies Act, 2006.

Board: performance evaluation

The process of monitoring and evaluating the performance of the board and its committees was reviewed and updated during the financial year to reflect the application of the Code. All directors completed confidential questionnaires reformatted to rigorously address themes including board mechanics and effectiveness; Group performance and strategy; governance and corporate social responsibility, and incorporate a separate review of the evaluation process. The questionnaires invited any recommendations regarding any areas of concern or potentially meriting greater board attention.

The tailored committee questionnaires covered areas such as committee mechanics and effectiveness; committee governance; communication; risk and internal controls, and external audit. Each aspect of the questionnaire sought to gauge opinion on detailed aspects of the committee's workings, recent Group developments and market practice.

The Company Secretary collated 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 wider board, with a number of related actions then being agreed.

Executive board report

The executive board comprises the Group chief executive, Group finance director, Group company secretary, and the managing directors of the Group's construction

Governance continued

and housebuilding divisions. Executive management is the responsibility of the chief executive who chairs the executive board, which in turn takes responsibility for the operational management of the Group under terms of reference delegated by the main board. There are regular performance and operational related reports and presentations from divisional management. The Assistant Company Secretary acts as secretary to the executive board.

The executive board meets on a monthly basis and more frequently when circumstances require, by way of example several board meetings were convened during the year to specifically finalise the terms and related content of the Group's involvement in key project bids.

Executive board

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

Audit committee report

At the year end the audit committee comprised Andrew Jenner, who is chair, Amanda Burton and Peter Rogers, all three independent non-executive directors who served throughout the financial year.

Having qualified as a chartered accountant with Deloitte & Touche LLP, and now as Finance Director of Serco Group plc, Andrew Jenner has a strong financial background which fulfils the Code requirement that the committee's membership has recent and relevant financial experience.

The committee meets at least three times a year, this number being deemed appropriate to the audit committee's role and responsibilities. The committee also meets with the internal and external audit teams in the absence of executive management. The terms of reference are available on the Group website.

Audit committee

Number of meetings held during the year	3

Members	Meetings attended
Chair: Andrew Jenner	3
Amanda Burton	3
Peter Rogers	3

The committee has delegated responsibility for:

- *financial reporting*, to include monitoring the integrity of the annual and half year financial statements and any formal announcements relating to the Group's financial performance; approving any significant reporting judgements contained therein; and authorising changes to any critical accounting policies and practices;
- *external audit*, to include overseeing the relationship with the external auditor; reviewing the effectiveness of the audit process at the end of the external audit cycle; making recommendations to the board, for submission to shareholders for their approval in general meeting, regarding the appointment, re-appointment and removal of the external auditor; approving the external auditors' remuneration and terms of engagement; and assessing the independence and objectivity of the external auditor, taking into consideration relevant UK professional and regulatory requirements, and which encompasses maintaining a policy on their engagement to supply non-audit services to the Group;
- *internal audit*, *risk and controls*, to include monitoring and reviewing the role and effectiveness of the internal audit function; receiving regular reports on the results of the internal audit team's work; monitoring executive and senior management responsiveness to any findings; keeping under review the integrity of the Group's internal control framework and recommending changes as necessary; assessing the annual internal audit plan; and reviewing elements of the Annual Report and Financial Statements relating to risk and controls;
- *whistleblowing*, reviewing arrangements by which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other matters.

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

- agreeing the terms of engagement and fee of the external auditor for the half and full year audits;
- receiving and approving regular reports on the findings of, and actions arising from, the internal audit team's review programme;
- considering the potential impact on the Group's financial statements of significant corporate governance and accounting matters;
- reviewing the appropriateness of the methodology used to assess the carrying value of the Group's land and work-in-progress;
- reviewing the accounting and financing arrangements with respect to any associate and joint venture entities;
- reviewing the Annual Report disclosure items relevant to the committee's remit including any revisions made to the Group's statement of accounting policies;
- meeting prior to the board meetings at which the Annual Report and Financial Statements and the Interim Report were approved, in particular to approve significant accounting policies, financial reporting issues and any judgements together with related reports from the external auditor;
- reviewing any findings of the external auditor, their management letters on accounting procedures and internal finance controls, and their audit representation letters;
- meeting with the external auditor separately in the absence of any executives or the internal audit team;
- reviewing the effectiveness of the external audit process, the strategy and plan for the forthcoming statutory audit, and the qualifications, expertise, resources and independence of the external auditor;
- reviewing arrangements for the testing of the financial and non-financial covenants within the Group's banking facilities;
- reviewing the Group's whistleblowing policy and procedures;
- reviewing the implementation and effectiveness of the Group's measures to comply with the 2010 Bribery Act;
- reviewing the committee's own terms of reference.

The committee also approved an updated policy on the provision of non-audit services by the external auditor during the financial year, also in line with its terms of reference. The updated policy reflected the recommendations of the Financial Reporting Council's (FRC) Guidance on Audit Committees published in December 2010 and applies de minimis limits on both individual engagements for which the external auditor can be appointed without committee pre-approval and total group expenditure on non-audit services. The external auditor is excluded from providing specific services in accordance with the FRC Guidance.

Where significant non-audit related services were provided during the financial year, the committee satisfied itself beforehand that the services were most efficiently provided by the external auditor. A report is also made to the committee outlining all the non-audit services provided by the external auditor during the year together with fees charged, and is ratified as appropriate. Details of the fees incurred by the external auditor during the financial year are given in note 5 to the financial statements on page 74.

The committee separately operates a policy to safeguard the objectivity and independence of the external auditors. The policy sets out certain disclosure requirements by the external auditors to the audit committee, restrictions on the employment of the external auditors' former employees, and partner rotation requirements. It is committee policy to review the need to enter into a competitive tender for the external audit engagement, which would include the incumbent, 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 at least every five years. The committee remains satisfied with the performance of PricewaterhouseCoopers LLP (PwC) and the audit partner appointed in 2010, and accordingly recommended to the board that a resolution to reappoint PwC be proposed at the forthcoming AGM. There are no contractual obligations that restrict the committee's choice, and the committee is satisfied that PwC remains independent.

Following a review conducted by the committee in 2010, a Head of Risk and Internal Audit was appointed during the financial year, on the specific recommendation of the committee, to improve the Group's risk, audit and control functions. A more detailed consideration of the developments made in that area can be found in the consideration of audit, risk and internal control matters on page 47.

Nomination committee report

At the year end the nomination committee comprised Peter Rogers, who is chair, Amanda Burton and Andrew Jenner, all three independent non-executive directors who served throughout the financial year. Ian Coull was appointed as a committee member with effect from 1 July 2011.

Nomination committee

Number of meetings held during the year	2

Members	Meetings attended
Chair: Peter Rogers	2
Amanda Burton	2
Andrew Jenner	2

The committee has delegated responsibility for reviewing the size, structure and composition of the board; evaluating the balance of skills, knowledge and experience both on the board and as required for any new appointments; overseeing and recommending the recruitment of any new directors to include preparing descriptions of the role and capabilities required, ensuring appointments are made on merit against objective criteria, and the use of external consultants and/or open advertising as appropriate; and also keeping the leadership and succession requirements of the Group under review. The terms of reference are available on the Group website.

The committee took direct responsibility for the processes which led to the appointment of Ian Coull as a non-executive director and chairman designate on 8 November 2010. A detailed job specification was prepared by the committee and external consultants were appointed to provide advice on the availability of suitable candidates before commencing a thorough and formal selection process, which included interviewing a shortlist of diverse potential candidates, which included men and women. The committee then recommended that the board approve the appointment of Ian Coull, having established that he met the independence criteria imposed by the Code, confirmed his external commitments and that he had sufficient time to commit to the role. On appointment Ian undertook a detailed personal induction programme in anticipation of becoming chairman on 1 July 2011.

Each director brings different experience and skills to the operation of the board and its committees. Board composition is kept under review by the committee and when a new appointment is to be made appropriate consideration is given to the specific skills and experience any potential new director could add. Newly appointed directors receive formal induction and appropriate training on the role and responsibilities of being a director of a publicly listed company as soon as practicable after appointment. The induction for non-executive directors includes meetings with senior management across the Group and visits to operational sites.

Individual development plans, and the progress made by potential internal candidates for key executive roles, were also reviewed during the financial year to ensure continual development of effective contingency and succession planning.

Remuneration committee report

At the year end the remuneration committee comprised Amanda Burton, who is chair, Peter Rogers and Andrew Jenner, all three independent non-executive directors who served throughout the financial year. Ian Coull was appointed as a committee member with effect 1 July 2011.

Remuneration committee

Number of meetings held during the year	4

Members	Meetings attended
Chair: Amanda Burton	4
Peter Rogers	3
Andrew Jenner	4

The committee has delegated responsibility for determining all elements of remuneration of the executive directors and senior management, who comprise the members of the executive committee. The committee oversees all aspects of the performance related elements of executive remuneration. In authorising executive remuneration, the committee is sensitive to the structure and level of remuneration elsewhere in the Group and general remuneration levels within the Group's different markets. The committee also reviews its terms of reference annually and is responsible for approving the remuneration related aspects of the Group's Annual Report and Financial Statements.

Further information regarding the work of the committee during the financial year can be found in the Remuneration Report on page 48.

Governance policies

Bribery Act 2010 – on publication of the Government's Guidelines on Bribery Act compliance in March 2011, the Group finalised its related policy, procedures and training schedules in consultation with specialist legal advisers. The Group initiated a risk assessment exercise, and developed an appropriate and proportionate compliance programme ensuring adequate procedures across its operating divisions to ensure compliance with the new law. The adequate procedures were in place ahead of implementation of the Act on 1 July 2011. Related information has been provided to all employees and training and awareness programmes are in place.

Whistleblowing – the Group'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 then investigate fully and take whatever corrective action is deemed to be appropriate. During the financial year the Group put in place a confidential external whistleblowing hotline which provides alternative means for employees to raise concerns directly to specialist independent advisers. The audit committee reviews both these arrangements regularly. It also has responsibility for ensuring independent investigation of such matters and appropriate follow-up action where necessary.

Competition Policy – in March 2011 the Competition Appeal Tribunal reduced the quantum of the £8.33 million fine imposed by the Office of Fair Trading (OFT) in September 2009 for three breaches of the Competition Act 1988 between 2001 and 2004 relating to cover pricing. The fine was reduced by 83% from £8.33 million to £1.395 million. 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 input from the Group's competition law advisers. In addition the Group continues to operate its web-based training modules which are undertaken by employees involved in areas of the Group that are most likely to be affected by competition law.

Consumer credit and anti-money laundering – the Group is subject to consumer credit licence (CCL) and anti-money laundering (AML) legislation as a result of the credit provision activities of its housebuilding division, Linden Homes. The Group therefore established an Anti-Money Laundering Committee during the financial year to develop and oversee related policies and procedures, and complies with the obligation as a consumer credit financial institution to maintain current CCL and AML registrations with the OFT.

Shareholder relations

The board welcomed the Financial Reporting Council's implementation of the UK Stewardship Code in December 2010, and supports its broad principles of disclosure, engagement and collaboration.

The Company continues to prioritise maintaining effective relationships with all its shareholders and seeks to frame its communications accordingly. The chief executive and the finance director have programmes of regular meetings with all major shareholders and potential investors. Feedback from such meetings, and shareholder views generally, are communicated to the board as a whole, and brokers' reports are regularly circulated to all directors for consideration. The non-executive directors attended a meeting with the Company's brokers to receive updates on the views and objectives of major shareholders during the financial year, thereby ensuring that they further develop their awareness and understanding of any changes in the views of the Group held by major shareholders. The chairman is available to discuss governance and strategy with major shareholders, and the non-executives, including the senior independent director, will also attend meetings on request. 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 in accordance with the requirements of the FSA's Listing and Disclosure & Transparency Rules.

The Company Secretary takes responsibility for communications with private shareholders and has regular meetings with private client fund managers and other investors and/or potential investors. When appropriate the Group takes specific investor relations advice to ensure that its investor communications are as effective as possible.

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 in accordance with the requirements of the Code. All directors were available at the 2010 annual general meeting. It is customary for opportunities to answer questions to follow a presentation from executive management on operational performance during the financial year. The Notice of annual general meeting is sent to shareholders at least 20 working days in advance of the meeting and includes a substantially separate resolution on each item of business to be considered. The proxy form includes options to vote for or against any resolution, or for this to be withheld, making it clear that any votes withheld will not be counted in the calculation of votes for and against any resolution. Voting at the AGM in November 2011 will be conducted by way of a poll.

The Company has a comprehensive investor relations area of its Group website to provide all current and prospective shareholders with relevant information, including institutional presentations, webcasts, financial reports and statements, and related frequently asked questions in an effort to ensure they are well informed. The investor relations section of the website is kept under regular review and is continuously updated.

Reporting, risk, internal audit and controls

In presenting this report and having monitored and reviewed, or approved all key shareholder communications during the financial year, the board is confident it has consistently presented a balanced and understandable assessment of the Group's performance.

The board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The board regularly reviews the major areas of risk that the Group faces in its operations and the management controls and processes that are in place to manage them. Such systems are designed to manage rather than eliminate the risk of failure and do not provide absolute assurance against misstatement or loss. The board reviewed the operation and effectiveness of the material internal controls during the financial year and has taken any necessary action to remedy any significant weaknesses or findings identified. The controls have remained in place throughout the period under review and up to the date of the approval of the Annual Report and Financial Statements.

The material controls, and key foundations, of the Group's established internal control framework are:

- *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 led by a managing director and team. Clear reporting lines and delegated authorities are in place. Accordingly, the management of performance, and monitoring and reporting of risk, occurs at different levels across the Group with key issues being escalated by and through management to the board;
- *contractual review and commitments*, the Group has clearly defined policies and procedures for entering into contractual commitments which apply across its business units and operations. 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 and control or risk management aspects of the potential contractual obligations.
- *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 thorough appraisal and review requirements to be complied with through the acquisition process. The policies and procedures are subject to rigorous review and authorisation;
- *operational activity*, there are established frameworks to manage and control all site operations that take account of the specific requirements of the type of site that is being operated. These include extensive health, safety and environmental procedures, regular performance monitoring, and external accountability to clients or customers where relevant;
- *operational and financial reporting*, the Group reviews and redevelops its business plan on an annual basis, following specific board meetings held to consider strategy. A detailed annual budget is prepared for each financial year which is approved by the board. An exacting profit and cash reporting and forecasting regime is in place across the Group, with monthly reporting and approval mechanisms against both budget and forecast in place at divisional, Group and board levels. As well as the emphasis placed on cash flow, income and balance sheet reporting, health, safety and environmental matters form key aspects of the operational reports included with the monthly reports;
- *pension plan administration*, the administration of the Group's fully closed final salary and defined contribution pension plans are outsourced to professional service providers. Each of the Group's final salary schemes have an independent scheme secretary and a proportion of independent trustees to provide additional layers of external scrutiny;
- *assurance provided by non-audit functions*, a number of other Group functions provide assurance in areas including, but not limited to, health, safety and environment; legal contract review and compliance; construction industry regulation; and quality management tools including ISO 9001.

The Group risk register has been redeveloped during the financial year in conjunction with a revised annual risk assessment and a programme of divisional workshops. The register is continuously reviewed and updated as significant risks develop or are anticipated and includes, but is not limited to, key risks associated to the divisional operations of the group, as well as environmental, social, governance, financial and human resource factors, and those related to the evolving markets in which the Group operates. The additional controls initiated in 2010, in particular the lowering of the thresholds at which contractual commitments are considered by management to take account of the increased competitive pressures in construction, and more rigorous land acquisition controls, were maintained during the financial year.

During the financial year, a programme of internal audits was completed across the Group's operations and progress checks were completed against previous recommendations. All significant internal control failings or weaknesses have been rectified during the financial year. Following the appointment of a new Head of Risk and Internal Audit, the scope of the function has been reviewed with detailed short and medium term internal audit plans having been agreed with the audit committee. The internal audit team is aligning its reviews and recommendations more closely with the divisional operations and strategies of the Group, in line with the recommendations of the external review which preceded the recent changes. The Head of Risk and Internal Audit reports directly to the audit committee on the team's findings and recommendations.

The Group Corporate Manual, which details the policy, procedures and authority matrices by which the central functions and divisions operate, and which was redeveloped in 2010, continues to be applied. It is the responsibility of relevant directors to ensure compliance with the provisions of the manual, which is in turn subject to internal audit.

For and on behalf of the board
Richard Barraclough
Company Secretary

14 September 2011

Supporting the delivery of our strategy

The following remuneration report has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Financial Services Authority's Listing Rules. 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 had been properly prepared in accordance with relevant provisions of the Companies Act, 2006 (as amended). This report is therefore divided into separate sections comprising the unaudited report and audited information on pages 53 and 54.

The remuneration committee (the "committee") has reviewed the Group's compliance with remuneration related elements of the UK Corporate Governance Code, which is now formally applicable to the Group for the first time. It is the opinion of the committee, and following consideration of the committee's recommendations all board directors, that the Group complied with all remuneration related aspects of the UK Corporate Governance Code during the financial year.

Committee

The committee has delegated responsibility from the board for Group remuneration strategy, remuneration policy and for determining the specific remuneration packages of executive directors. The committee is governed by formal terms of reference agreed by the board and is and has been composed solely of non-executive directors, each of whom the board considers are independent. The terms of reference are available on the Group's website.

The committee is chaired by Amanda Burton, the senior independent director, and during the financial year the other members were Peter Rogers and Andrew Jenner. Ian Coull was appointed as a member of the committee with effect 1 July 2011. The Company Secretary acts as Secretary to the Committee and the chief executive has a standing invitation to attend committee meetings. No director is present when his or her own remuneration is being considered.

In addition to determining executive remuneration, the committee has delegated responsibility for making recommendations concerning the remuneration of the level of senior management immediately below the executive directors. 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 scheme for all employees of 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.

During the year the committee conducted a review of its remuneration adviers and, having finalised a shortlist, appointed Hewitt New Bridge Street (HNBS) as the committee's primary external adviser on remuneration matters. MM&K Limited (MM&K) have continued to provide advice to the committee and the wider Group in connection with the operation of the Company's existing share plans. Neither HNBS nor MM&K provide any other services to the Group, although HNBS is now a part of the Aon Corporation (Aon). Aon have provided services to the Group on private medical insurance and to the trustees of two of the Group's closed final salary pension schemes during the financial year, but the committee remains satisfied that the services provided by Aon did not impinge on the independence of HNBS. The Company Secretary also advises the committee as necessary and makes arrangements for the committee to receive independent advice at the request of the committee chairman.

Strategy

The Group's remuneration strategy is to appropriately incentivise future executive performance, reward successful delivery and strengthen retention all within a framework of relative comparator group benchmarking and sensitivity to other mitigating factors.

Policy

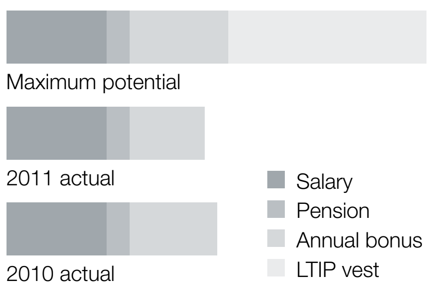
During the year the committee restated the following Group remuneration policy, which will apply for the following financial year unless and until subjected to further review:

- 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 shareholder value;
- a significant proportion of total executive pay should be delivered through performance-related remuneration;
- performance related elements of remuneration should deliver upper quartile reward only in circumstances where outstanding results, and if applicable peer sector outperformance, have been delivered.

The committee continues to take account of environmental, social and governance issues in determining incentive structures for executive directors and senior management, thereby ensuring that irresponsible behaviour is not encouraged. The committee is not restricted in any way from applying these and related factors when determining remuneration issues or incentive structures. It has also been determined that should any unforeseen issues arise that would make any outcome unjustifiable, particularly in the context of the Group's bonus and incentive schemes, then the committee would use its discretion under the respective plan rules, or otherwise, to address such outcomes. The committee has resolved that going forward clawback provisions will apply to the operation of all the Group's executive incentive plans. Further related information is available in the key policy developments section of the Corporate Governance report on page 42.

In line with the third element of the remuneration policy, the committee's objective is to design performance related elements of pay that represent two thirds of executive remuneration (excluding pension contributions). For the year ended 30 June 2011 average individualised performance related pay represented 42% of total remuneration (2010: 43%).

Executive directors' remuneration policy



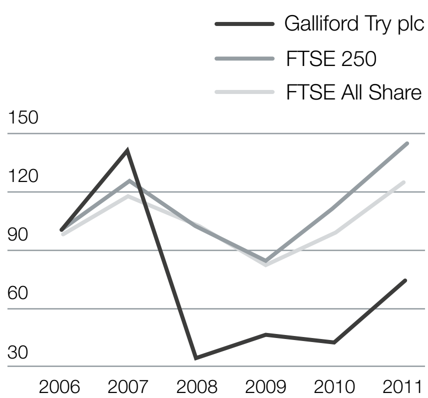
Performance

The closing mid-market quotation for the Company's shares on 30 June 2011 was £5.17 (2010: £3.1425). The range, high and low, during the financial year were £5.17 and £2.765 respectively (2010: £5.14 and £2.85).

Earnings per share for the financial year were £0.322 per share (2010: £0.246 per share on a pre-exceptional basis), representing an increase of 31% against the prior year. The total dividend per share for the financial year was £0.16 (2010: £0.125 per share), representing an increase of 28% against the prior year.

The Group's Comparative Total Shareholder Return (TSR) over the last five financial years relative to the FTSE 250 and FTSE All Share indices, based on 30 trading day average values, is shown below. The Company is currently a member of the FTSE Small Cap index but, as there is no directly applicable sector index that includes both construction and housebuilding groups, the Group believes that the FTSE 250 and FTSE All Share indices are the most directly relevant comparators as these encompass all of the Group's key listed competitors, provide a full cross-section of other FTSE companies and separately reflect companies of similar and immediately larger market capitalisation respectively.

Comparative TSR performance



Non-performance related remuneration

Executive directors' base salaries again remained unchanged during the financial year, not having been augmented since 1 July 2007. The 5% salary reduction that the executive directors agreed to take in 2009 also remained in force throughout the financial year. In applying both these restrictions the directors carefully monitored pay and employment conditions across the Group, continuing to note in particular the salary reductions imposed on staff across the Group to varying extents since 2009.

At the 2011 salary review, completed in June, the 5% salary reduction applying to executive directors and the Group and construction division senior management

Remuneration report continued

teams since 1 July 2009, was restored with effect from 1 July. Following the same review, basic salaries for those not impacted by the salary reductions will increase by an average of 2.7% across the Group.

Benefits
Benefits provided to executive directors comprise entitlements to a company car or a cash equivalent allowance, private medical and permanent health insurance and life assurance. The company car or cash equivalent allowance and private medical insurance benefits were taxable during the financial year.

Pensions
The executive directors receive salary supplements equivalent to 20% of basic salary in lieu of company pension contributions. The rate of pension contribution applied during the financial year was calculated on the relevant gross salary prior to the salary reduction applied since 2009.

Greg Fitzgerald was previously entitled to deferred benefits under the Galliford Try plc Final Salary Pension Scheme (the "scheme") but transferred all his benefits out of the scheme during the year and is therefore no longer a scheme member.

Performance related remuneration

Executive
Long Term Incentive Plan
Under the rules of the Company's 2006 Long Term Incentive Plan (LTIP), the committee is authorised to grant awards to selected participants annually. The maximum value of an award that may be granted in any financial year to any individual must not exceed 100% of their basic annual salary as 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 Company's mid-market closing share price for the 30 dealing days immediately prior to the date of grant. The vesting of any award depends on the achievement of performance conditions linked to specific grants over an associated three year plan cycle.

The LTIP awards granted in September 2007 lapsed on 10 September 2010 following performance testing, which determined that the associated earnings per share underpin had not been met.

The LTIP awards granted in March 2009 were subject to a two part performance underpin which involves (1) an absolute share price target equivalent to ten percent per annum compound growth from the commencement of the performance period on 1 July 2008; and (2) 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 were awarded dependent on the extent to which cash performance exceeds targets with points deducted if any target is missed. If cash fell below a predetermined amount at any time between the measurement points, the underpin would fail in its entirety. The basic underpin would be achieved if a predetermined total of points is obtained, but for performance between the 75th and 100th percentiles, a points total greater than 133% of the underlying target must have been achieved.

Following the share consolidation and rights issue that took place in October 2009, the committee adjusted the absolute share price underpin for the award from the original target of 66.25p (based on ordinary shares of 5p) to a target of £4.59 (based on the new ordinary shares of 50p) by using a calculation based on the theoretical ex-rights price.

Subject to the achievement of the underpins, the proportion of the award to vest would depend on the Company's total shareholder return (TSR) performance. This required that the Company be placed at the 75th percentile over the three year plan cycle in order for 100% of the award to vest. If the Company's performance placed it below the 51st percentile the award would not vest and would lapse in its entirety. 30% of the awards would vest if the 51st percentile is achieved, rising on a straight line basis to the 75th percentile. On the achievement of exceptional performance that places the Company above the 75th percentile, an additional element of vesting would occur. If this was achieved and the TSR performance of the Company placed it at the 100th percentile when compared to the comparator group, then the level of vesting increased to 150% of the original award. For performance between the 75th and 100th percentiles, vesting was on a straight line sliding scale between 100% and 150%.

A report prepared by the Company's external independent consultants on the Company's total shareholder return comparative performance shows that the Company achieved top position in the comparator group with a TSR return during the performance period to 30 June 2011 of 105% compared to the second ranked company's TSR of 70% and the median return of 20%. This exceptional relative performance entitles award holders to the maximum 150% vesting, subject to achievement of the underpins.

The Company significantly bettered its cash management underpin targets throughout the performance period, with the maximum number of points, 66% ahead of the targets set, having been achieved. The assumed methodology for assessing performance against the absolute share price underpin, which was used for the calculation of the IFRS2 valuation for the award at the original grant date, was a three month average of the share price to 30 June 2011. Assessed on this basis, the share price target was missed by approximately 2%. However, the Committee, having consulted with the Group's major shareholders, has exercised its discretion to alternatively assess average share price performance over the last 30 days of the performance period to 30 June 2011, as it provides consistency with the averaging period used for the relative TSR performance measure. This was 489p, which meant that the share price underpin was also satisfied. As a result, the Committee has approved the vesting of the awards on the third anniversary of grant, 10 March 2012, which will incur an accounting charge under IFRS2 as noted in the finance review on page 10 with further detail in note 30 on page 92.

The LTIP awards granted in September 2009 are subject to a performance underpin whereby the Company must achieve compound growth in earnings per share at least equivalent to the growth in the retail prices index plus 2% per annum over the plan cycle before any awards are considered for vesting. If the earnings per share underpin is met, then the Company is then measured by reference to its TSR performance on the same basis as the March 2009 grant. If earnings per growth exceeds 5% and TSR performance is between the 75th and 100th percentiles, vesting is on a straight line basis between 100% and 200%.

The comparator group companies for the March and September 2009 grants 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

The latest LTIP grant was made on 28 September 2010. The committee, having consulted with the Group's major shareholders and as outlined in the 2010 remuneration report, made the awards subject to two separate performance measures, under which:

- Earnings per share performance is required to achieve an absolute aggregate target of 140p for the three year plan cycle commencing on 1 July 2010. The threshold for vesting is 10% below the target, whereby 15% of the award will vest, and a higher stretch target has been set at 10% above, where 50% of the award will vest:
- TSR performance over the plan cycle must exceed the median of two separate comparator groups drawn from the housebuilding and construction sectors. Median performance in either of the sector groups will result in 7.5% of the total award vesting and above median to upper quartile performance in either sector will result in between 7.5% and 25% vesting on a straight line basis.
- A super performance target, which enables up to 200% vesting of the total award, requires the Company to meet the stretch EPS target and outperform the TSR comparator groups in the upper quartile. Above upper quartile to the top company TSR performance in both sectors will result in straight line vesting up to 75% of the award. 200% of the original award would therefore vest only if the stretch EPS target is achieved and the Company is top in both sector TSR comparator groups.

The comparator group companies for the September 2010 grant were:

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

These performance measures were applied by the committee for the plan cycle to align executive incentives with, and reinforce, the Group strategy that requires the effects of the rights issue completed in 2009 to be materially earnings enhancing from the 2012 financial year onwards.

The committee monitors all performance measures and continues to believe that they represent a stretching requirement over the relevant plan cycle. The vesting of all future awards under the plan will now be subject to clawback provisions. The committee intends to make a further award in the new financial year on the same basis as in 2010, but with an increased aggregate earnings per share target to 30 June 2014 of 190p.

Annual Bonus Plan

The 2007 Annual Bonus Plan enables executive directors and a selected senior management population to earn a maximum annual bonus of 100% of basic salary dependent on the achievement of stretching financial targets set by the committee at the beginning of each financial year. Where the bonus earned and payable equates to over 50% of the recipient's basic salary in any financial year, two thirds of the bonus earned in excess of that 50% salary threshold is required to be deferred into restricted shares. Although beneficially held by the participants, the allocated restricted shares are legally retained by the trustee of the Galliford Try plc Employee Benefit Trust for a period of three years. The restricted shares are subject to forfeiture provisions if the participant's employment with the Group terminates before the end of the three year deferral period, unless otherwise agreed by the committee in certain clemency situations. Subject to continued employment, the restricted shares are legally transferred to participants on the third anniversary of allocation. Participants receive dividend payments throughout the deferred period in recognition of their beneficial ownership.

During the financial year the trustees allocated deferred shares to executive directors and senior management in respect of the annual bonuses paid for the financial year ended 30 June 2010. Accordingly on 28 September 2010 a total of 151,417 deferred shares were allocated to participants in accordance with the plan rules, of which Greg Fitzgerald received 47,286 deferred shares and Frank Nelson 30,306 deferred shares. Assuming the forfeiture provisions are not activated, these restricted shares will be released to participants on 28 September 2013.

The committee also determined that for the financial year ended 30 June 2011 the applicable annual bonus financial targets for executive directors should again be 70% profit based with 30% attributable to monthly cash management targets. If performance on either measure exceeds budget then the bonus is calculated on a straight line basis, up to a predetermined target. Senior management are subject to similar targets which are applied to their respective divisional or business unit performance. The committee approved these annual bonus targets as the most effective means of aligning the Group's short term executive incentive with improving the Group's key financial metrics.

In the financial year to 30 June 2011, the Group demonstrably improved performance with a 34% increase in profit before tax and significantly exceeded cash management targets. On 1 July 2010 the committee introduced health, safety and environmental targets which impose a reduction in bonus for executive directors if the Group does not achieve externally measured targets formalised in a matrix. The matrix applied across the financial year, and its application resulted in a reduction of 3.5% of bonus. The executive directors' net annual bonus for the financial year was 94% of basic salary, of which amount two thirds over 50% of participants' basic salary will be allocated as shares deferred for three years. The committee has decided to make no changes

Remuneration report continued

to the annual bonus scheme for 2012, with the exception of applying clawback provisions.

All-employee
All staff throughout the Group participate in an annual bonus scheme, with targets linked to 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 businesses may have been. The health, safety and environmental matrix and principles applying to the executive directors have been adopted for all bonus schemes covering staff across the Group.

The Group separately operates an HM Revenue & Customs approved sharesave scheme for the benefit of all staff, including the executive directors. Under the scheme, participants make regular savings with a company nominated building society under three or five year contracts, and are granted an option to buy shares in the Company on contract completion. The option prices can reflect a discount of up to 20% of the market value at grant. There are no performance conditions attached to the options under the rules of the scheme. On 19 November 2010 the Company made a further grant of options under the scheme at a discount of 10% of the then applicable market value.

Employee benefit trust and dilution

The Company continues to operate an Employee Benefit Trust (EBT) for the purposes of providing the shares required to satisfy its executive incentive plans, which are primarily settled using market purchase shares. During the financial year the EBT purchased a further 380,500 shares in the market at an average price of £4.06, which resulted in a balance held at 30 June 2011 of 690,689 shares. The Company accordingly provided net additional funds to the EBT during the financial year of £1.556 million by extending the existing EBT loan facility. In not issuing any new shares during the financial year, and only 330 shares since, the Company has complied with dilution guidelines of the Association of British Insurers. Applying the guidelines, when adjusted to take account of the 2009 rights issue, the Group has 8.43% headroom against 'the ten percent in ten years' rule and 4.36% headroom against the 'five percent in five years' rule for discretionary plans.

Share retention policy

The Company continues to operate a share retention policy which requires executive directors to build a shareholding in the Company over a five year period equivalent in value to 100% of basic salary or, in the case of the Chief Executive, 150% of basic salary. As at 30 June 2011 both the executive directors met this policy requirement. The committee maintains that the policy remains appropriately aligned with shareholders' interests, and commensurate with prevailing market practice.

Directors' share interests

As at 30 June 2011, the then current directors held the following beneficial interests in the Company's ordinary share capital:

	As at 30 June 2011	As at 30 June 2010
Ian Coull	10,000	[a] nil
Greg Fitzgerald	[bc] 748,285	664,610
Frank Nelson	[c] 162,440	162,440
Amanda Burton	17,885	17,885
Peter Rogers	27,083	27,083
Andrew Jenner	13,433	13,433
David Calverley	232,609	232,609

[a] As at the date of appointment on 8 November 2010.

[b] Greg Fitzgerald also has a beneficial interest in 425,402 shares (2010: 425,402 shares) held by Crownway Builders Limited, a company in which he owns 37.5% of the issued share capital.

[c] Greg Fitzgerald and Frank Nelson also have respective beneficial interests in 47,286 and 30,306 shares held by the Galliford Try Employee Benefit Trust in connection the Group's Annual Bonus Plan. The shares will vest, subject to the directors satisfying an associated employment condition, on 28 September 2013.

There were no changes in the directors' interests from 30 June 2011 to the date of this report.

Directors' service contracts

The service contracts and letters of appointment for the board directors serving since the end of the financial year and as at the date of this report are as follows:

	Contract date	Notice (months)
Non-executive directors		
Ian Coull	8 November 2010	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 directors' initial contract as an executive director or non-executive director of the Company. Executive directors have a rolling notice period as stated. Non-executive appointments are reviewed after a period of three years, their appointment is subject to a rolling notice period as stated. As outlined in the corporate governance report, the board has determined that all serving directors will stand for re-election at the 2011 Annual General Meeting and annually going forward.

2 There are no contractual provisions requiring payments to directors on loss of office or termination. The committee will seek to mitigate as and where appropriate.

Chairman appointment and non-executive fees

Ian Coull was appointed on 8 November 2010 as an independent non-executive director and chairman designate, at an annual salary of £38,000. On 1 July 2011 he became Chairman, and was appointed as a member of the nomination and remuneration committees with immediate effect. At that time his annual salary rose to £105,000; he receives no other benefits in connection with his position.

The standard non-executive fee remained £38,000 per annum during the financial year, reflecting the 5% fee reduction agreed by the relevant directors in 2009. The 2009 fee reductions were reinstated with effect from 1 July 2011. Amanda Burton receives a £4,000 fee supplement in recognition of her appointment as the Company's senior independent director. The non-executives have been benchmarked against market rates during the financial year.

External directorships

With the prior written approval of the board in each case, executive directors are permitted to accept external appointments as a non-executive director and retain any associated fees. Greg Fitzgerald was appointed as a non-executive director of NHBC (the National House-Building Council) on 1 June 2010 for which he receives an annual fee of £33,600, during the year he received £33,600. Summary details of the non-executives' other commitments are provided in their biographies on page 41.

Audited information

Directors' remuneration

The remuneration of the directors serving during the financial year, and appointed as at the balance sheet date, was as follows:

Director	Salary and fees £000s	Annual bonus £000	Benefits £000	Pension £000	Total 2011 £000	Total 2010 £000
Executive						
Greg Fitzgerald	451	424	33	95	1,003	1,020
Frank Nelson	296	278	22	62	658	671
Non-executive						
Ian Coull	25	–	–	–	25	–
Amanda Burton	42	–	–	–	42	42
Peter Rogers	38	–	–	–	38	38
Andrew Jenner	38	–	–	–	38	38
Former						
David Calverley	100	–	–	–	100	101

The salary supplement paid to the directors by the Company in lieu of direct pension contributions is shown in the column headed "Pension".

Directors' interests in long term incentive plan

The directors' interests over shares as a result of their participation in the Group Long Term Incentive Plan are:

Executive director	Award date	Market price at award date	Award quantum at 1 July 2010	Shares awarded during the financial year	Shares vested during the financial year	Shares lapsed during the financial year	Award quantum at 30 June 2011	Financial value of awards vested during the financial year	Anticipated vesting date
Greg Fitzgerald	10.09.07	£10.61	45,409	–	–	45,409	nil	–	n/a
	10.03.09	£2.50	172,316	–	–	–	172,316	–	10.03.12
	11.09.09	£5.07	107,105	–	–	–	107,105	–	11.09.12
	28.09.10	£3.025	nil	149,170	–	–	149,170	–	28.09.13
Totals				**149,170**		**45,409**	**428,591**		
Frank Nelson	10.09.07	£10.61	29,826	–	–	29,826	nil	–	n/a
	10.03.09	£2.50	113,184	–	–	–	113,184	–	10.03.12
	11.09.09	£5.07	70,345	–	–	–	70,345	–	11.09.12
	28.09.10	£3.025	nil	97,983	–	–	97,983	–	28.09.13
Totals				**97,983**		**29,826**	**281,512**		

All awards were granted under the Galliford Try plc 2006 Long Term Incentive Plan, further information regarding which can be found on page 50.
Financial value of awards vested during the financial year would detail the equivalent gain made on vesting of the relevant award.
The Company's share price performance during the financial year is summarised in the performance section above.
The award quantum and market price data shown for the 2007 and 2009 grants were previously adjusted in accordance with the rules of the plan to reflect the share consolidation and rights issue that took place in 2009. Further related information can be found in the 2010 remuneration report which is available on the Group website.

Remuneration report continued

Directors' interests in annual bonus plan

The directors' interests over shares as a result of their participation in the Group Annual Bonus Plan are:

Executive director	Award date	Market price at award date	Award quantum at 1 July 2010	Shares awarded during the financial year	Shares vested during the financial year	Shares lapsed during the financial year	Award quantum at 30 June 2011	Financial value of awards vested during the financial year	Anticipated vesting date
Greg Fitzgerald	28.09.10	£3.04	nil	47,286	–	–	47,286	–	28.09.13
Totals				**47,286**			**47,286**		
Frank Nelson	28.09.10	£3.04	nil	30,306	–	–	30,306	–	28.09.13
Totals				**30,306**			**30,306**		

All awards were granted under the Galliford Try plc 2007 Annual Bonus Plan, further information regarding which can be found on page 51.

Financial value of awards vested during the financial year would detail the equivalent gain made on vesting of the relevant award.

Shares awarded during the financial year were in respect of annual bonus for the year ending 30 June 2010, the value of which was included in the directors' remuneration disclosures under annual bonus in the 2010 remuneration report.

Directors' interests in Group sharesave scheme

The executive directors' interests in the sharesave scheme as at 30 June 2011 were:

Executive director	Date of grant	Options outstanding as at 1 July 2010	Granted in the year	Exercised in the year	Lapsed in the year	Options outstanding as at 30 June 2011	Grant exercisable from	Grant exercisable to	Exercise price
Greg Fitzgerald	19.11.10	n/a	1,700	–	–	1,700	01.02.14	31.07.14	£2.71
Totals			**1,700**			**1,700**			
Frank Nelson	20.12.05	519	–	–	–	519	01.02.11	31.7.11	£4.96
	02.11.07	151	–	–	151	nil	n/a	n/a	n/a
	19.11.10	n/a	1,434	–	–	1,434	01.02.14	31.07.14	£2.71
Totals		**670**	**1,434**		**151**	**1,953**			

The option grant and exercise prices shown for the 2005 and 2007 grants were previously adjusted in accordance with the rules of the scheme to reflect the share consolidation and rights issue that took place in 2009. Further related information can be found in the 2010 remuneration report which is available on the Group website.

For and on behalf of the board
Amanda Burton
Senior Independent Director and Chairman of the Remuneration Committee

14 September 2011

Directors' report

The directors present their Annual Report and audited Financial Statements of the Group for the year ended 30 June 2011.

Principal activities

Galliford Try is a housebuilding and construction group primarily operating in the United Kingdom. Galliford Try plc, registered in England and Wales with company number 00836539, is the Group parent company. More detailed information regarding the Group's activities during the year under review, and its future prospects, is provided on pages 2 to 39. The principal subsidiaries and associates operating within the Group's divisions are shown in note 12 to the financial statements on page 79.

Enhanced business review

The Group is required to include an enhanced Business Review within its directors' report, which provides the information and further analysis required under s.417 Companies Act 2006. The directors consider that these requirements are fulfilled by the inclusion in this Annual Report and Financial Statements of the chief executive's, finance and business reviews, the corporate governance report and the remuneration report, which all form part of this directors' report by reference. The corporate governance report is a statement for the purposes of Disclosure and Transparency Rule 7.2.1.

The Annual Report and Financial Statements use financial and non-financial key performance indicators wherever possible and appropriate.

Further information on the Group's employees and employment practices, including its policies on equal opportunities for disabled employees and employee involvement, and its approach to health and safety, environmental, social and community matters, including a consideration of the impact of the Company's business on the environment, is provided in the corporate responsibility section of the business review on pages 34 to 39.

Results and dividends

The profit for the year, net of tax and exceptional items, of £32.8 million is shown in the consolidated income statement on page 60. The directors have recommended a final dividend of 11.5 pence per share, which together with the interim dividend of 4.5 pence declared in February results in a total dividend for the financial year of 16.0 pence. The total dividend for the financial year will distribute a total of £13.1 million. Subject to approval by shareholders in general meeting, the final dividend will be payable on 18 November 2011, to shareholders on the register at close of business on 7 October 2011.

Directors' report
and other statutory information continued

Share capital, authorities and restrictions

The Company has one class of ordinary share capital, having a nominal value of 50 pence. The ordinary shares rank pari passu in respect of voting and participation. The shares are in registered form, are fully paid up and are listed for trading on the London Stock Exchange. At 30 June 2011, the Company had 81,849,466 ordinary shares in issue, which remained unchanged throughout the financial year. A further 330 shares have been issued in the current year, as at the date of this report.

The directors are authorised on an annual basis to issue shares, to allot a limited number of shares in the Company for cash other than to existing shareholders, and to make market purchases of shares within prescribed limits. Resolutions to be proposed at the 2011 Annual General Meeting (AGM) will renew all three authorities, which are further explained in the Notice of AGM sent separately to shareholders. No shares have been purchased by the Company under the relevant authority either during the financial year or to the date of this report.

There are no restrictions on the transfer of the Company's shares, with the exceptions that certain shares held by the Galliford Try Employee Benefit Trust (the EBT) are restricted for the duration of applicable performance periods under relevant Group share plans, and directors and persons discharging managerial responsibility are periodically restricted in dealing in the Company's shares under the Group Dealing Code, which reflects the requirements of the Model Code published by the Financial Services Authority under its Listing Rules. In certain specific circumstances the directors are permitted to decline to register a transfer in accordance with the Company's articles of association. There are no other limitations on the holding of securities, and no requirements to obtain the approval of the company, or other holders of securities in the Company, prior to share transfers. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or voting rights.

There are no securities carrying special rights with regard to control of the Company, with the exception that the EBT holds shares in the Company in connection with Group share plans which have rights with regard to control of the Company that are not exercisable directly by the employee. The EBT abstains from voting in respect of any shares so held. 0.84% of the issued share capital of the Company is currently held within the EBT for the purposes of satisfying employee share options or share awards.

Articles of association

The Articles of Association, which were adopted in 2009 to reflect provisions of the Companies Act 2006, set out the internal regulations of the Company, and define various aspects of the Company's constitution including the rights of shareholders, procedures for the appointment and removal of directors, and the conduct of both directors and general meetings.

In accordance with the Articles, directors can be appointed or removed either by the board or shareholders in general meeting. Amendments to the Articles require the approval of shareholders in general meeting expressly by way of special resolution. Copies of the Articles are available by contacting the Company Secretary at the registered office.

Significant direct and indirect holdings

As at 14 September 2011, being the date of this report, the Company had been made aware, pursuant to the FSA's Disclosure & Transparency Rules, of the following beneficial interests in 3% or more of the Company's ordinary share capital:

Shareholder

	Interest	% capital
Standard Life Investments Ltd	11,497,801	14.05%
Aberforth Partners LLP	5,846,969	7.14%
F&C Asset Management	4,976,447	6.08%
Legal & General Group	2,912,212	3.55%

Change of control provisions

The Group has entered into certain agreements that potentially alter on a change of control. The only agreements likely to have a material impact on the Group's operations in the event of any change relate to the £325 million Group revolving credit facility and the Group's surety arrangements, details of which are discussed in the finance section of the Business Review and are detailed in the guarantees and contingent liabilities note to the financial statements on page 98.

All of the Group's share plans contain provisions relating to a change of control. The respective plan rules permit outstanding awards and options to vest on a proportional basis and then become exercisable in the event of a change of control, subject to the satisfaction of any applicable performance conditions and the prior approval of the Company's remuneration committee.

The agreements governing the Group's joint ventures all have appropriate change of control provisions, individually none of which is material in the context of the wider group.

No compensation is contractually payable to directors on loss of office on any change of control of the Company.

Board and directors' interests

Summary biographies of the board directors as at the date of this report are on page 41. The Group Finance Director, Frank Nelson, has been appointed as the Group's Senior Accounting Officer and Greg Fitzgerald, the Group Chief Executive, and Frank Nelson both act as the Group's chief operating decision-makers, further details of which are provided in note 2 to the financial statements on page 69. Further information regarding changes to the board, and the governance policy determining directors' appointment and replacement, both during and since the financial year, can be found in the board composition section of the Corporate Governance Report on page 42.

The interests of the directors in the share capital of the Company are set out in the Directors' Remuneration Report on pages 48 to 54, where details of executive directors' service contracts and non-executive directors' letters of appointment can also be found.

The Company continues to operate 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 and further authorised, if appropriate, by the board on an annual basis.

Significant agreements

Excepting the agreements underpinning the Group's recently refinanced revolving credit facility, there are no persons with whom it has contractual or other arrangements which are essential to its business.

Charitable and political donations

Contributions for charitable purposes during the year amounted to £57,000 (2010: £91,000). Charities that benefited included those carrying out potential projects to assist homeless people, those providing benefit to workers in the industry who are in need, and a significant number of small local charities in the areas within which the Group operates.

It is Group policy to avoid making political donations of any nature and accordingly none were made during the year. The Group notes the wide application of Part 14 of the Companies Act 2006, but does not consider the housebuilding and construction industry bodies of which it is a member to be political organisations for the purposes of the Act.

Creditor payment policy

Group policy regarding creditor payment is to agree payment terms contractually with suppliers and land vendors, ensure the relevant terms of payment are included in contracts, and to abide by those terms when satisfied that goods, services or assets have been provided in accordance with the agreed contractual terms. Galliford Try plc, as the Group parent company, did not have any amounts owing to trade creditors as at 30 June 2011 (2010: nil). Trade creditors for the Group as at 30 June 2011 represented an average of 36 days (2010: 29 days).

Financial instruments

Further information regarding the Group's financial instruments, related policies and a consideration of its liquidity and other financing risks can be found in the finance review on page 8, and in note 28 to the financial statements on page 88.

Important developments since year end

There have been no material events or developments affecting the Company or any of its operating subsidiaries since 30 June 2011.

Going concern

In accordance with the Financial Reporting Council's Guidance on Going Concern and Liquidity published in 2009, the requirements of the UK Corporate Governance Code and Listing Rule 9.8.6R (3), the directors have conducted a rigorous and proportionate assessment of the Group's ability to continue in existence for the foreseeable future. This has been reviewed during the financial year, taking into account the successful refinancing of the Group's core revolving credit facility in May, and the directors have concluded that there are no material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Furthermore, the Group has adequate resources and visibility as to its future workload, as explained in this Annual Report. It is therefore justified in using the going concern basis in preparing these financial statements.

External auditor

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the auditor is unaware; and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution is to be proposed at the forthcoming AGM for the re-appointment of PricewaterhouseCoopers LLP as auditor of the Company, at a rate of remuneration to be determined by the audit committee.

AGM

The AGM will be held at the offices of The Royal Bank of Scotland plc, 3rd Floor Conference Centre, 250 Bishopsgate, London EC2M 4AA on 11 November 2011 at 11.15 a.m. The notice convening the AGM, sent to shareholders separately, explains the items of business which are not of a routine nature.

Approval of report

This Directors' Report, including by reference the Business Review from page 6 to 39 and the Corporate Governance and Remuneration Reports, was approved by the board of directors on 14 September 2011.

For and on behalf of the board
Richard Barraclough
Company Secretary

14 September 2011

Directors' report and other statutory information continued

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and parent company's 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's financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and International Financial Reporting Standards, as adopted by the European Union and as applied in accordance of the Companies Act 2006. The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent company 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 financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the Group financial statements comply with both the Companies Act 2006 and Article 4 of the International Accountancy Standards Regulation; and that 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 corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the board directors (who are identified on pages 40 and 41) confirms that to the best of his and her knowledge:

- the Group financial statements, set out on pages 60 to 98, 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 6 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 2011 Annual Report and Financial Statements satisfy the requirement to prepare an annual financial report under the FSA's Disclosure & Transparency Rules.

For and on behalf of the board
Ian Coull
Chairman

14 September 2011

Forward looking statements

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.

Independent auditors' report to the members of Galliford Try plc

We have audited the financial statements of Galliford Try plc for the year ended 30 June 2011 which comprise the consolidated income statement, consolidated statement of comprehensive income, Group and Company balance sheets, consolidated statements of changes in equity, Group and Company statements 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 58, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 and 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. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2011 and of the Group's profit and Group's and parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on page 42 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:

- 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 57, in relation to going concern;
- the parts of the Corporate Governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Pauline Campbell (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
14 September 2011

Consolidated income statement for the year ended 30 June 2011

	Notes	2011 Before exceptional items £m	2011 Exceptional items £m	2011 Total £m	2010 Before exceptional items £m	2010 Exceptional items £m	2010 Total £m
Continuing operations							
Group revenue	2	**1,284.2**	**–**	**1,284.2**	1,221.9	–	1,221.9
Cost of sales		**(1,149.7)**	**–**	**(1,149.7)**	(1,104.6)	1.4	(1,103.2)
Gross profit		**134.5**	**–**	**134.5**	117.3	1.4	118.7
Administrative expenses		**(98.2)**	**6.6**	**(91.6)**	(87.1)	(8.3)	(95.4)
Share of post tax profits/(losses) from joint ventures	13	**0.5**	**–**	**0.5**	(0.8)	–	(0.8)
Profit/(loss) before finance costs		**36.8**	**6.6**	**43.4**	29.4	(6.9)	22.5
Profit/(loss) from operations	2	**43.6**	**6.6**	**50.2**	35.2	(6.9)	28.3
Share of joint ventures' interest and tax		**(5.8)**	**–**	**(5.8)**	(4.5)	–	(4.5)
Amortisation of intangibles		**(1.0)**	**–**	**(1.0)**	(1.3)	–	(1.3)
Profit/(loss) before finance costs		**36.8**	**6.6**	**43.4**	29.4	(6.9)	22.5
Finance income	4	**5.3**	**–**	**5.3**	4.4	–	4.4
Finance costs	4	**(7.0)**	**–**	**(7.0)**	(7.7)	–	(7.7)
Profit/(loss) before income tax	5	**35.1**	**6.6**	**41.7**	26.1	(6.9)	19.2
Income tax expense	6	**(8.9)**	**–**	**(8.9)**	(8.0)	(0.4)	(8.4)
Profit/(loss) for the year	32	**26.2**	**6.6**	**32.8**	18.1	(7.3)	10.8
Earnings per share							
– Basic	8	**32.2p**		**40.3p**	24.6p		14.7p
– Diluted	8	**31.5p**		**39.4p**	24.6p		14.7p

Consolidated statement of comprehensive income for the year ended 30 June 2011

	Notes	2011 £m	2010 £m
Profit for the year		**32.8**	10.8
Other comprehensive income:			
Actuarial gains recognised on retirement benefit obligations	33	**12.7**	4.8
Deferred tax on items recognised in equity	6	**(3.3)**	(1.3)
Other comprehensive income for the year net of tax		**9.4**	3.5
Total comprehensive income for the year		**42.2**	14.3

The notes on pages 64 to 98 are an integral part of these consolidated financial statements.

Consolidated balance sheet at 30 June 2011

		Group		Company	
	Notes	2011 £m	2010 £m	2011 £m	2010 £m
Assets					
Non-current assets					
Intangible assets	9	**9.0**	6.9	**–**	–
Goodwill	10	**115.0**	115.0	**–**	–
Property, plant and equipment	11	**8.4**	7.6	**–**	–
Investments in subsidiaries	12	**–**	–	**192.3**	191.8
Investments in joint ventures	13	**1.9**	2.1	**–**	–
Financial assets					
– Available for sale financial assets	14	**22.2**	15.7	**–**	–
Trade and other receivables	19	**44.8**	38.2	**–**	–
Retirement benefit asset	33	**3.2**	–	**–**	–
Deferred income tax assets	27	**5.5**	11.2	**0.8**	0.3
Total non-current assets		**210.0**	196.7	**193.1**	192.1
Current assets					
Inventories	16	**0.2**	1.1	**–**	–
Developments	17	**615.6**	528.9	**–**	–
Trade and other receivables	19	**259.9**	227.7	**51.7**	43.3
Current income tax assets	20	**–**	–	**0.1**	0.4
Cash and cash equivalents	21	**47.8**	166.7	**296.4**	344.5
		923.5	924.4	**348.2**	388.2
Non-current assets classified as held for sale	15	**–**	0.5	**–**	–
Total current assets		**923.5**	924.9	**348.2**	388.2
Total assets		**1,133.5**	1,121.6	**541.3**	580.3
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	25	**(11.5)**	(1.0)	**(0.6)**	(1.0)
– Derivative financial liabilities	28	**(0.8)**	–	**(0.8)**	–
Trade and other payables	22	**(624.5)**	(563.0)	**(119.1)**	(58.0)
Current income tax liabilities	23	**(6.8)**	(5.9)	**–**	–
Provisions for other liabilities and charges	24	**(2.5)**	(8.6)	**–**	–
Total current liabilities		**(646.1)**	(578.5)	**(120.5)**	(59.0)
Net current assets		**277.4**	346.4	**227.7**	329.2
Non-current liabilities					
Financial liabilities					
– Borrowings	25	**–**	(89.2)	**–**	(89.2)
– Derivative financial liabilities	28	**–**	(2.1)	**–**	(2.1)
Retirement benefit obligations	33	**–**	(17.3)	**–**	–
Other non-current liabilities	26	**(29.2)**	(10.7)	**–**	–
Provisions for other liabilities and charges	24	**(3.1)**	(0.6)	**–**	–
Total non-current liabilities		**(32.3)**	(119.9)	**–**	(91.3)
Total liabilities		**(678.4)**	(698.4)	**(120.5)**	(150.3)
Net assets		**455.1**	423.2	**420.8**	430.0
Equity					
Ordinary shares	29	**40.9**	40.9	**40.9**	40.9
Share premium	29	**190.8**	190.8	**190.8**	190.8
Other reserves	31	**5.3**	5.3	**3.0**	3.0
Retained earnings	32	**218.1**	186.2	**186.1**	195.3
Total equity attributable to owners of the Company		**455.1**	423.2	**420.8**	430.0

The notes on pages 64 to 98 are an integral part of these consolidated financial statements.

The financial statements on pages 60 to 98 were approved by the board on 14 September 2011 and signed on its behalf by:

Greg Fitzgerald
Chief Executive

Frank Nelson
Finance Director

Galliford Try plc
Registered number: 00836539

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Consolidated statement of changes in equity for the year ended 30 June 2011

	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
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:						
Dividends	7	–	–	–	(6.7)	(6.7)
Share based payments	30	–	–	–	1.8	1.8
Purchase of own shares	32	–	–	–	(0.1)	(0.1)
Issue of shares	29	22.0	–	–	97.3	119.3
At 1 July 2010		40.9	190.8	5.3	186.2	423.2
Profit for the year		–	–	–	32.8	32.8
Other comprehensive income		–	–	–	9.4	9.4
Transactions with owners:						
Dividends	7	–	–	–	(11.2)	(11.2)
Share based payments	30	–	–	–	2.5	2.5
Purchase of own shares	32	–	–	–	(1.6)	(1.6)
At 30 June 2011		**40.9**	**190.8**	**5.3**	**218.1**	**455.1**

Consolidated statement of cash flows for the year ended 30 June 2011

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**£m**	£m	**£m**	£m
Cash flows from operating activities					
Continuing operations					
Profit before finance costs		**43.4**	22.5	**0.6**	11.8
Adjustments for:					
Depreciation and amortisation	11 & 9	**3.3**	3.3	**–**	–
Profit on sale of property, plant and equipment	5	**–**	(0.1)	**–**	–
Profit on sale of investments in joint ventures and non-current assets held for sale	5	**(1.1)**	(4.4)	**–**	–
Profit on sale of available for sale financial assets	5	**(0.1)**	–	**–**	–
Dividends received from subsidiary undertakings		**–**	–	**(2.9)**	(13.1)
Share based payments	30	**2.5**	1.8	**2.5**	1.8
Share of post tax (profits)/losses from joint ventures	13	**(0.5)**	0.8	**–**	–
Movement on provisions		**(3.6)**	8.5	**–**	–
Other non-cash movements		**(4.9)**	(5.5)	**0.3**	0.7
Net cash generated from operations before pension deficit payments and changes in working capital		**39.0**	26.9	**0.5**	1.2
Deficit funding payments to pension schemes	33	**(6.9)**	(7.3)	**–**	–
Net cash generated from operations before changes in working capital		**32.1**	19.6	**0.5**	1.2
Decrease/(increase) in inventories		**0.9**	(0.2)	**–**	–
Increase in developments		**(86.7)**	(25.1)	**–**	–
Increase in trade and other receivables		**(37.3)**	(20.9)	**–**	–
Increase in payables		**81.3**	9.0	**0.3**	0.1
Net cash (used in)/generated from operations		**(9.7)**	(17.6)	**0.8**	1.3
Interest received		**1.1**	3.6	**–**	–
Interest paid*		**(8.6)**	(4.6)	**(1.4)**	(2.0)
Income tax (paid)/received		**(5.6)**	(7.5)	**0.4**	–
Net cash used in operating activities		**(22.8)**	(26.1)	**(0.2)**	0.7
Cash flows from investing activities					
Dividends received from joint venture	13	**0.3**	0.1	**–**	–
Dividends received from subsidiary undertakings		**–**	–	**2.9**	13.1
Acquisition of subsidiaries (net of cash and borrowings acquired)		**–**	(55.7)	**–**	–
Acquisition of investments in joint ventures	13	**(0.1)**	(2.4)	**–**	–
Acquisition of available for sale financial assets	14	**(0.3)**	(1.0)	**–**	–
Acquisition of non-current assets held for sale	15	**–**	(0.5)	**–**	–
Proceeds from investments in joint ventures and non-current assets held for sale	13 & 15	**2.1**	16.5	**–**	–
Proceeds from available for sale financial assets	14	**0.5**	0.2	**–**	–
Purchase of intangible assets	9	**(3.1)**	–	**–**	–
Loans from subsidiary companies		**–**	–	**60.8**	4.6
Loans to subsidiaries		**–**	–	**(8.4)**	(23.4)
Acquisition of property, plant and equipment	11	**(3.3)**	(1.6)	**–**	–
Proceeds from sale of property, plant and equipment		**0.2**	0.4	**–**	–
Net cash (used in)/generated from investing activities		**(3.7)**	(44.0)	**55.3**	(5.7)
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		**–**	119.3	**–**	119.3
Purchase of own shares	32	**(1.6)**	(0.1)	**(1.6)**	(0.1)
Repayment of borrowings	25	**(90.4)**	(35.2)	**(90.4)**	(35.2)
Dividends paid to Company shareholders	7	**(11.2)**	(6.7)	**(11.2)**	(6.7)
Net cash (used in)/generated from financing activities		**(103.2)**	77.3	**(103.2)**	77.3
Net (decrease)/increase in cash and cash equivalents		**(129.8)**	7.2	**(48.1)**	70.9
Cash and cash equivalents at 1 July	21	**166.7**	159.5	**344.5**	273.6
Cash and cash equivalents at 30 June	21	**36.9**	166.7	**296.4**	344.5

* Interest paid includes the new bank facility arrangement fee of £4.1 million

For the purpose of the cash flow statements, cash and cash equivalents are reported net of bank overdrafts. Bank overdrafts are excluded from the definition of cash and cash equivalents in the balance sheet.

The notes on pages 64 to 98 are an integral part of these consolidated financial statements.

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Notes to the consolidated financial statements

1 Accounting policies

General information

Galliford Try plc is a public limited company incorporated, listed and domiciled in England and Wales. 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 consolidated 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 consolidated 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 2010.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company income statement. The profit for the Parent Company for the year was £1.1 million (2010: £11.2 million).

The only new amendments to standards that became mandatory for the first time for the financial year beginning 1 July 2010 was IFRIC 19 – 'Extinguishing liabilities with equity instruments'. This amendment has no impact on the Group's results.

New standards, amendments and interpretations issued but not effective for the current financial year and not early adopted are as follows:

- IAS 24 (revised), 'Related party disclosures'
- Amendment to IFRS 7, Financial instruments: Disclosures
- Amendment to IFRS 1 on hyperinflation and fixed dates
- Amendment to IAS 1,'Presentation of financial statements' on OCI
- Amendment to IFRIC 14, 'Pre-payments of a Minimum Funding Requirement'

The new standard and amendments above are not anticipated to significantly impact the Group's financial statements.

New standards, amendments and interpretations issued but not effective and yet to be endorsed by the EU are as follows:

- IFRS 9, 'Financial instruments'
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosures of interests in other entities'
- IFRS 13, 'Fair value measurement'
- IAS 19 (revised 2011) 'Employee benefits'
- IAS 27 (revised 2011) 'Separate financial statements'
- IAS 28 (revised 2011) 'Associates and joint ventures'
- Amendment to IAS 12,'Income taxes' on deferred tax

IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its debt available for sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available for sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

IAS 19 (revised 2011) makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The changes will affect the Group and may also increase the volume of disclosures.

The Group has yet to assess the full impact of the remainder of these new standards and amendments. Initial indications are that they will not significantly impact the financial statements of the Group.

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 33.

(iv) Shared equity receivables

Shared equity receivables largely have repayment dates that can vary and variable repayment amounts, provided as part of the sales transaction and are secured by a second legal charge on the related property. They are stated at fair value as described in note 14. In determining the fair value, the key assumptions, which are largely dependent on factors outside the control of the Group are:

- date of final repayment of the receivable
- house price inflation
- discount rate

Details of the sensitivity analysis carried out in respect of the shared equity receivables are set out in note 28.

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 transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed to the income statement. 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.

1 Accounting policies continued

Revenue and profit are recognised as follows:

i) Housebuilding and land sales

Revenue from private housing sales 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.

(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. Costs that are carried on the balance sheet are included within amounts recoverable on contracts within trade and other receivables.

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 substantively 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 substantively 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 provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

1 Accounting policies continued

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.

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 and computer software developed by the Group. 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.

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.
(d) Computer software – amortisation of these assets will commence once the software is fully operational.

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
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 for up to 25 years. 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.

Notes to the consolidated financial statements continued

1 Accounting policies continued

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.

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.

1 Accounting policies continued

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.

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 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 equity.

2 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. As the Group has no material activities outside the UK, segment reporting is not required by geographical region.

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 as Housebuilding, Building, Partnerships, Infrastructure and PPP Investments.

The CODM assess the performance of the operating segments based on a measure of adjusted earnings before finance costs, amortisation, exceptional items and taxation. 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.

Notes to the consolidated financial statements continued

2 Segment 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 2011								
Group revenue and share of joint ventures' revenue	388.5	436.5	123.9	376.5	936.9	9.6	0.8	1,335.8
Share of joint ventures' revenue	(39.0)	(0.1)	–	(11.2)	(11.3)	(1.3)	–	(51.6)
Group revenue	349.5	436.4	123.9	365.3	925.6	8.3	0.8	1,284.2
Segment result:								
Profit/(loss) from operations before share of joint ventures' profit	26.4	10.4	1.9	9.9	22.2	(2.1)	(9.2)	37.3
Share of joint ventures' profit	5.2	–	–	–	–	1.1	–	6.3
Profit/(loss) from operations*	31.6	10.4	1.9	9.9	22.2	(1.0)	(9.2)	43.6
Share of joint ventures' interest and tax	(4.6)	(0.1)	–	–	(0.1)	(1.1)	–	(5.8)
Profit/(loss) before finance costs, amortisation, exceptional items and taxation	27.0	10.3	1.9	9.9	22.1	(2.1)	(9.2)	37.8
Net finance (costs)/income	(12.0)	1.0	(0.2)	(0.5)	0.3	–	10.0	(1.7)
Profit/(loss) before amortisation, exceptional items and taxation	15.0	11.3	1.7	9.4	22.4	(2.1)	0.8	36.1
Amortisation of intangibles								(1.0)
Profit before exceptional items and taxation								35.1
Exceptional items								6.6
Income tax expense								(8.9)
Profit for the year								32.8
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)
Group 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, 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, 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 exceptional items and taxation								26.1
Exceptional items								(6.9)
Income tax expense								(8.4)
Profit for the year								10.8

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

Inter-segment revenue eliminated from Group revenue above amounted to £61.7 million (2010: £30.6 million) of which £14.0 million (2010: £3.5 million) was in Building, £31.9 million (2010: £25.8 million) was in Infrastructure, £14.6 million (2010: Nil) was in Housebuilding, and £1.2 million (2010: £1.3 million) in Central costs.

2 Segment reporting continued

	Notes	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 2011									
Assets									
Net cash/(debt)	21	**(522.6)**	**138.4**	**24.9**	**53.4**	**216.7**	**(0.9)**	**343.1**	**36.3**
Other assets									**1,080.2**
Borrowings	25								**11.5**
Deferred income tax assets	27								**5.5**
Total assets									**1,133.5**
Year ended 30 June 2010									
Assets									
Net cash/(debt)	21	(467.9)	140.4	23.3	43.1	206.8	2.1	335.5	76.5
Other assets									943.7
Borrowings	25								90.2
Deferred income tax assets	27								11.2
Total assets									1,121.6
Other segment information									
Year ended 30 June 2011									
Investment in joint ventures	13	**1.0**	**0.9**	**–**	**–**	**0.9**	**–**	**–**	**1.9**
Contracting revenue		**5.9**	**430.9**	**104.8**	**344.7**	**880.4**	**2.6**	**–**	**888.9**
Capital expenditure (including acquisitions)									
– Property, plant and equipment	11	**0.4**	**–**	**–**	**1.9**	**1.9**	**–**	**1.0**	**3.3**
Depreciation	11	**0.1**	**0.1**	**–**	**1.2**	**1.3**	**–**	**0.9**	**2.3**
Impairment of receivables	5	**–**	**0.1**	**–**	**–**	**0.1**	**–**	**–**	**0.1**
Share based payments	3	**–**	**0.2**	**–**	**0.2**	**0.4**	**–**	**2.1**	**2.5**
Acquisition of intangible assets	9	**–**	**–**	**–**	**–**	**–**	**–**	**3.1**	**3.1**
Amortisation of intangible assets	9	**1.0**	**–**	**–**	**–**	**–**	**–**	**–**	**1.0**
Year ended 30 June 2010									
Investment in joint ventures	13	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
Acquisition of intangible assets	9	–	–	–	–	–	–	–	–
Amortisation of intangible assets	9	1.0	0.3	–	–	0.3	–	–	1.3

Notes to the consolidated financial statements continued

3 Employees and directors

	Group		Company	
Employee benefit expense during the year	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Wages and salaries	**139.3**	142.0	**–**	1.7
Redundancy and termination costs	**0.8**	–	**–**	–
Social security costs	**15.0**	15.1	**0.2**	0.2
Retirement benefit costs (see note 33)	**10.4**	12.8	**–**	0.2
Share based payments (see note 30)	**2.5**	1.8	**2.5**	1.2
	168.0	171.7	**2.7**	3.3

Average monthly number of people (including executive directors) employed	**2011 Number**	2010 Number	**2011 Number**	2010 Number
By business group:				
Housebuilding	**716**	554	**–**	–
Building	**964**	1,020	**–**	–
Partnerships	**282**	286	**–**	–
Infrastructure	**1,448**	1,416	**–**	–
Total Construction	**2,694**	2,722	**–**	–
PPP Investments	**21**	19	**–**	–
Group	**234**	233	**7**	6
	3,665	3,528	**7**	6

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.

	2011 £m	2010 £m
Salaries and short term employee benefits	**4.0**	3.9
Retirement benefit costs	**0.2**	0.3
Share based payments	**2.0**	1.2
	6.2	5.4

4 Net finance costs

Group	2011 £m	2010 £m
Interest receivable on bank deposits	**0.6**	0.6
Interest receivable from joint ventures	**1.7**	2.4
Unwind of discount on shared equity receivables	**1.3**	0.4
Fair value profit on financing activities – interest rate swaps	**1.3**	0.7
Other	**0.4**	0.3
Finance income	**5.3**	4.4
Interest payable on borrowings	**(5.0)**	(4.5)
Unwind of discounted payables	**(1.3)**	(1.1)
Net finance cost on retirement benefit obligations	**(0.5)**	(2.0)
Other	**(0.2)**	(0.1)
Finance costs	**(7.0)**	(7.7)
Net finance costs	**(1.7)**	(3.3)

5 Profit/(loss) before income tax

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

	Notes	2011 £m	2010 £m
Employee benefit expense	3	**168.0**	171.7
Depreciation of property, plant and equipment:			
– Owned assets	11	**2.3**	2.0
Amortisation of intangible assets	9	**1.0**	1.3
Profit on disposal of property, plant and equipment		**–**	(0.1)
Profit on sale of investments in joint ventures and non-current assets held for sale	13 & 15	**(1.1)**	(4.4)
Profit on sale of available for sale financial assets	14	**(0.1)**	–
Other operating lease rentals payable:			
– Plant and machinery		**29.5**	29.7
– Property		**4.5**	3.8
Inventories recognised as an expense		**8.7**	7.1
Developments recognised as an expense		**322.0**	263.8
Repairs and maintenance expenditure on property, plant and equipment		**0.7**	0.8
Impairment of receivables	19	**0.1**	0.4
Exceptional items		**(6.6)**	6.9

In addition to the above, the Group incurs other costs classified as cost of sales relating to labour, materials and subcontractors costs.

Exceptional items

On 24 March 2011 a Competition Appeal Tribunal judgement reduced the quantum of the fine imposed by the Office of Fair Trading in 2009 for cover pricing between 2001 and 2004 from £8.3 million to £1.4 million. The net £6.6 million reduction, after costs, is reflected in the Group's results as an exceptional item credited to profit before tax. The exceptional credit is non taxable as it is reversing the non deductible treatment of the exceptional loss in 2010.

The exceptional items in 2010 of £6.9 million comprised the original fine imposed by the Office of Fair Trading of £8.3 million and a net credit on reassessment due to market movements of the carrying value of housing related assets of £1.4 million where the original estimates were taken as an exceptional charge.

Notes to the consolidated financial statements continued

5 Profit/(loss) before income tax continued

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:

	2011 £m	2010 £m
Fees payable to Company's auditor for the audit of parent company and consolidated financial statements	0.2	0.2
The audit of financial statements of the Group's subsidiaries pursuant to legislation	0.3	0.3
Total audit services	**0.5**	0.5
Services relating to corporate matters	–	0.3
Services relating to taxation and accounting advice	0.1	0.3
Total non-audit services	**0.1**	0.6
Total	**0.6**	**1.1**

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

6 Income tax expense

	Notes	2011 Before exceptional items £m	2011 Exceptional items £m	2011 Total £m	2010 Before exceptional items £m	2010 Exceptional items £m	2010 Total £m
Analysis of expense in year							
Current year's income tax							
Current tax		8.0	–	8.0	8.7	0.4	9.1
Deferred tax	27	1.8	–	1.8	(0.6)	–	(0.6)
Adjustments in respect of prior years							
Current tax		(1.5)	–	(1.5)	(0.3)	–	(0.3)
Deferred tax	27	0.6	–	0.6	0.2	–	0.2
Income tax expense		8.9	–	8.9	8.0	0.4	8.4
Tax on items recognised in other comprehensive income							
Deferred tax expense on retirement benefit obligations		3.3	–	3.3	1.3	–	1.3
Total taxation		12.2	–	12.2	9.3	0.4	9.7

The total income tax expense for the year of £8.9 million (2010: £8.4 million) is lower (2010: higher) than the year end standard rate of corporation tax in the UK of 26% (2010: 28%). The differences are explained below:

	2011 Before exceptional items £m	2011 Exceptional items £m	2011 Total £m	2010 Before exceptional items £m	2010 Exceptional items £m	2010 Total £m
Profit/(loss) before income tax	35.1	6.6	41.7	26.1	(6.9)	19.2
Profit/(loss) before income tax multiplied by the year end standard rate in the UK of 26% (2010: 28%)	9.1	1.7	10.8	7.3	(1.9)	5.4
Effects of:						
Expenses not deductible for tax purposes	0.3	–	0.3	2.7	2.3	5.0
Non taxable income	(0.1)	(1.7)	(1.8)	(1.9)	–	(1.9)
Change in rate of current income tax	0.5	–	0.5	–	–	–
Adjustments in respect of prior years	(0.9)	–	(0.9)	(0.1)	–	(0.1)
Income tax expense	8.9	–	8.9	8.0	0.4	8.4

6 Income tax expense continued

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 27.5% and will be taxed at 26% in the future.

In addition to the changes in rates of corporation tax disclosed above a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. None of these further rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes expected to be enacted in the Finance Act 2011 would be to reduce the deferred tax asset provided at the balance sheet date by £0.2 million. This £0.2 million decrease in the deferred tax asset would decrease profit by £0.2 million with no change to other comprehensive income. This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 26% to 25% with effect from 1 April 2012.

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 23%, if applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by £0.4 million (being £0.2 million recognised in 2013 and £0.2 million recognised in 2014).

7 Dividends

Group and Company	2011 £m	2011 pence per share	2010 £m	2010 pence per share
Previous year final	**7.5**	**9.2**	4.0	7.6
Current period interim	**3.7**	**4.5**	2.7	3.3
Dividend recognised in the year	**11.2**	**13.7**	6.7	10.9

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

	2011 £m	2011 pence per share	2010 £m	2010 pence per share
Interim	**3.7**	**4.5**	2.7	3.3
Final	**9.4**	**11.5**	7.5	9.2
Dividend relating to the year	**13.1**	**16.0**	10.2	12.5

The directors are proposing a final dividend in respect of the financial year ended 30 June 2011 of 11.5p per share, bringing the total dividend in respect of 2011 to 16.0p per share (2010: 12.5p). The final dividend will absorb approximately £9.4 million of equity. Subject to shareholder approval at the Annual General Meeting to be held on 11 November 2011, the dividend will be paid on 18 November 2011 to shareholders who are on the register of members on 7 October 2011.

8 Earnings per share

a) Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings 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.

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.

Notes to the consolidated financial statements continued

8 Earnings per share continued

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

	2011			2010		
	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	**32.8**	**81,452,318**	**40.3**	10.8	73,598,363	14.7
Effect of dilutive securities:						
Options		**1,797,030**			–	–
Diluted EPS	**32.8**	**83,249,348**	**39.4**	10.8	73,598,363	14.7

b) Adjusted earnings per share

Adjusted earnings per share based on the earnings before exceptional items of £6.6 million (2010: £7.3 million) for the year are set out below:

	2011			2010		
	Earnings £m	**Weighted average number of shares**	**Per share amount pence**	Earnings £m	Weighted average number of shares	Per share amount pence
Basic EPS						
Adjusted earnings attributable to ordinary shareholders	**26.2**	**81,452,318**	**32.2**	18.1	73,598,363	24.6
Effect of dilutive securities:						
Options		**1,797,030**			–	–
Diluted EPS	**26.2**	**83,249,348**	**31.5**	18.1	73,598,363	24.6

9 Intangible assets

Group	**Computer software £m**	**Brand £m**	**Customer contracts £m**	**Customer relationships £m**	**Total £m**
Cost					
At 1 July 2009 and 1 July 2010	–	10.8	2.9	0.4	14.1
Additions	3.1	–	–	–	3.1
At 30 June 2011	**3.1**	**10.8**	**2.9**	**0.4**	**17.2**
Accumulated amortisation					
At 1 July 2009	–	(2.9)	(2.6)	(0.4)	(5.9)
Amortisation in year	–	(1.0)	(0.3)	–	(1.3)
At 1 July 2010	–	(3.9)	(2.9)	(0.4)	(7.2)
Amortisation in year	–	(1.0)	–	–	(1.0)
At 30 June 2011	**–**	**(4.9)**	**(2.9)**	**(0.4)**	**(8.2)**
Net book amount					
At 30 June 2011	**3.1**	**5.9**	**–**	**–**	**9.0**
At 30 June 2010	–	6.9	–	–	6.9

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

10 Goodwill

	£m
Cost	
At 1 July 2009, 1 July 2010 and 30 June 2011	115.7
Accumulated amortisation and aggregate impairment at 1 July 2009, 1 July 2010 and 30 June 2011	(0.7)
Net book amount	
At 30 June 2011	**115.0**
At 30 June 2010	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:

	2011 £m	2010 £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

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 the expectation in the divisions expansion strategy, which is based on increasing the number of house completions from around 3,000 in 2012 towards 4,000 at a sustainable rate thereafter.

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 pages 10 and 11 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. A pre tax discount rate of 14.3% (2010: 12.8%) in housebuilding, 10.9% (2010: 12.0%) in building, 11.2% (2010: 12.7%) in partnerships, 13.2% (2010: 13.1%) in infrastructure and 10.0% (2010: 11.8%) in investments has 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 26% (2010: 33%) in the pre tax discount rate or a reduction of 27% (2010: 40%) 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

Group	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
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 1 July 2010	3.2	4.6	8.9	16.7
Additions	–	1.7	1.6	3.3
Disposals	–	(0.6)	(0.5)	(1.1)
At 30 June 2011	**3.2**	**5.7**	**10.0**	**18.9**
Accumulated depreciation				
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 1 July 2010	0.9	2.1	6.1	9.1
Charge for the year	0.1	0.9	1.3	2.3
Disposals	–	(0.4)	(0.5)	(0.9)
At 30 June 2011	**1.0**	**2.6**	**6.9**	**10.5**
Net book amount				
At 30 June 2011	**2.2**	**3.1**	**3.1**	**8.4**
At 30 June 2010	2.3	2.5	2.8	7.6

There are no assets held under finance leases (2010: £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 (2010: £Nil).

12 Investments in subsidiaries

Company	2011 £m	2010 £m
Cost		
At 1 July	**193.4**	192.8
Capital contribution relating to share based payment	**0.5**	0.6
At 30 June	**193.9**	**193.4**
Aggregate impairment		
At 30 June	**1.6**	**1.6**
Net book value		
At 30 June	**192.3**	**191.8**

The capital contribution relating to share based payment relates to share options granted by the Company to employees of subsidiary undertakings in the Group (note 30).

The carrying value of investments has been reviewed and the directors are satisfied that there is no impairment.

The subsidiary undertakings that principally affected profits and net assets of the Group were:

Galliford Try Construction Limited *
Galliford Try Homes Limited *
Galliford Try Infrastructure Limited **
Galliford Try Investments Limited *
Galliford Try Partnerships Limited
Galliford Try Services Limited *
Linden Limited
Linden South West Limited
Linden Midlands Limited
Linden North Limited

* Shares of these subsidiary companies are owned directly by the Company.
** Incorporated in Scotland.

A full list of subsidiary undertakings is available on request from the Company's registered office.

13 Investments in joint ventures

Group	2011 £m	2010 £m
At 1 July		
– Net assets excluding goodwill	**2.1**	0.7
– Goodwill	**–**	–
At 1 July	**2.1**	0.7
Additions [(a)]		
– Net assets	**0.1**	2.4
Disposal [(b)]	**(0.5)**	(0.1)
Dividend received from joint ventures	**(0.3)**	(0.1)
Share of post tax profit/(losses)	**0.5**	(0.8)
At 30 June	**1.9**	2.1

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13 Investments in joint ventures continued

Joint ventures

At 30 June 2011 the Group held interests in the following joint ventures all of which are incorporated in England and Wales, except where stated:

Name	Year end	% shareholding	Principal activity
Friern Park Limited	31 December	50%	Building
Kingseat Development 2 Limited (Scotland)	30 June	50%	Building
Projco (St Andrews Hospital) Limited (Scotland)	31 March	50%	Construction and facilities management
gbconsortium2 Limited	31 March	50%	PPP Investment
Urban Vision Partnership Limited	31 December	30%*	Infrastructure
The Piper Building Limited	31 December	50%	Housebuilding
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
Wates Developments (Folders Meadow) Limited	31 December	50%	Housebuilding
Linden Wates Dorking Limited	31 December	50%	Housebuilding
Linden Homes Westinghouse LLP	31 March	50%	Housebuilding
Wilmington Regeneration LLP	31 March	50%	Housebuilding
Ramsden Regeneration LLP	31 March	50%	Housebuilding
Linden Wates Developments (Chichester) Limited	31 December	50%	Housebuilding
Linden Wates (West Hampstead) Limited	31 December	50%	Housebuilding

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

(a) Additions

On 30 September 2010, the Group subscribed for a further £0.1 million of subordianted debt in Projco (St Andrews Hospital) Limited.

(b) Disposals

On 17 December 2010, the Group disposed of its investment in WLHC ProjectCo Limited for £2.1 million giving rise to a profit of £1.1 million. As at 30 June 2010 it was the Group's intention to sell only 50% of this investment hence, half of this investment was classified as held for sale (see note 15) with the remainder within investments in joint ventures.

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

	2011 £m	2010 £m
Current assets	**137.4**	129.2
Non-current assets	**31.9**	28.3
Current liabilities	**(67.4)**	(78.9)
Non-current liabilities	**(100.0)**	(76.5)
	1.9	2.1
Amounts due from joint ventures	**62.1**	46.0
Amounts due to joint ventures	**1.5**	0.9
Revenue	**51.6**	34.5
Expenses	**(45.3)**	(30.8)
	6.3	3.7
Finance cost	**(5.9)**	(5.5)
Income tax	**0.1**	1.0
Share of post tax profits/(losses) from joint ventures	**0.5**	(0.8)

The Group's share of unrecognised losses of joint ventures is £13.2 million (2010: £8.0 million).

13 Investments in joint ventures continued

As at 30 June 2011, amounts due from joint ventures of £62.1 million (2010: £46.0 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 2011 (2010: £Nil).

The Group has no commitments (2010: £0.1 million) to provide further subordinated debt to its joint ventures.

The joint ventures have no significant contingent liabilities to which the Group is exposed (2010: £Nil). The joint ventures had no capital commitments as at 30 June 2011 (2010: £Nil). Details of related party transactions with joint ventures are given in note 36.

14 Available for sale financial assets

Group	2011 £m	2010 £m
At 1 July	**15.7**	9.4
Additions	**6.1**	6.1
Unwind of discount on shared equity receivables	**1.3**	0.4
Impairment	**(0.4)**	–
Disposals	**(0.5)**	(0.2)
At 30 June	**22.2**	15.7

The available for sale assets comprise PPP/PFI investments and shared equity receivables. The shared equity receivables largely have repayment dates that can vary and variable repayment amounts, provided as part of the sales transaction and are secured by a second legal charge on the related property. The assets are recorded at fair value, being the estimated future receivable by the Group, discounted back to present values. The fair value of the future anticipated receipts takes into account the Directors' view of future house price movements, the expected timing of receipts and credit risk. These assumptions are reviewed at the end of each financial reporting period. The difference between the anticipated future receipt and the initial fair value is credited over the estimated deferred term to finance income, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. Credit risk, which is largely mitigated by holding a second charge over the property is accounted for in determining the fair values and appropraite discount rates are applied. The directors review the financial assets for impairment at each balance sheet date.

During the year the Group's net investment in shared equity receivables increased by £6.2 million. £5.8 million related to new shared equity receivables and £1.3 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 impairment of £0.4 million arose due to the variation in current assumptions compared to the original calculations. Disposals in the year of £0.5 million relating to the repayment of shared equity receivables generated a profit on disposal of £0.1 million. None of the financial assets are past their due dates (2010: Nil) and the directors expect an average maturity profile of 10 years.

Further disclosures relating to financial assets are set out in note 28.

During the year additional subordinated loans of £0.3 million were made to various PPP/PFI investments. The fair value of these unlisted investments is based on future expected cash flows discounted using an average rate of 10% (2010: 8.5%) based on the type of investment and stage of completion of the underlying assets held.

15 Non-current assets classified as held for sale

Group	2011 £m	2010 £m
At 1 July	**0.5**	12.1
Additions	**–**	0.5
Disposal	**(0.5)**	(12.1)
At 30 June	**–**	0.5

On 17 December 2010, the Group disposed of its investment in WLHC ProjectCo Limited for £2.1 million giving rise to a profit of £1.1 million (see note 13).

Notes to the consolidated financial statements continued

16 Inventories

Group	2011 £m	2010 £m
Materials and consumables	**0.2**	1.1

No inventories have been written off during the year.

17 Developments

Group	2011 £m	2010 £m
Land	**408.6**	364.1
Work in progress	**207.0**	164.8
	615.6	528.9

18 Construction contracts

Group	2011 £m	2010 £m
Contracts in progress at balance sheet date:		
Amounts recoverable on construction contracts included in trade and other receivables	**160.4**	121.5
Payments received on account on construction contracts included in trade and other payables	**(68.5)**	(59.1)
	91.9	62.4

The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £1,495.9 million (2010: £1,995.9 million).

Retentions held by customers for contract work amounted to £38.8 million (2010: £37.0 million).

19 Trade and other receivables

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Amounts falling due within one year:				
Trade receivables	**51.5**	82.6	**–**	–
Less: Provision for impairment of receivables	**(0.6)**	(0.9)	**–**	–
Trade receivables – net	**50.9**	81.7	**–**	–
Amounts recoverable on construction contracts	**160.4**	121.5	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**51.7**	43.3
Amounts due from joint venture undertakings	**21.9**	8.9	**–**	–
Other receivables	**18.9**	8.8	**–**	–
Prepayments and accrued income	**7.8**	6.8	**–**	–
	259.9	227.7	**51.7**	43.3

	2011 £m	2010 £m	2011 £m	2010 £m
Amounts falling due in more than one year:				
Trade receivables	**0.1**	–	**–**	–
Less: Provision for impairment of receivables	**–**	–	**–**	–
Trade receivables – net	**0.1**	–	**–**	–
Amounts due from joint venture undertakings	**40.2**	37.1	**–**	–
Other receivables	**4.5**	1.1	**–**	–
	44.8	38.2	**–**	–

19 Trade and other receivables continued

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

	2011 £m	2010 £m
At 1 July	(0.9)	(0.5)
Provision for receivables impairment	(0.1)	(0.4)
Unused amounts reversed	0.2	–
Utilised during year	0.2	–
At 30 June	**(0.6)**	(0.9)

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 due from joint venture undertakings are set out in note 13. 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% (2010: 10%) 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.

The maturity of non-current receivables is as follows:

	2011 £m	2010 £m
In more than one year but not more than two years	10.7	0.7
In more than two years but not more than five years	9.7	15.2
In more than five years	24.4	22.3
	44.8	38.2

Of the amounts due in more than five years £0.4 million (2010: £0.3 million) is due within 12 years (2010: 18 years) and £24.0 million (2010: £22.0 million) is due within 8 years (2010: 6 years). These amounts are unsecured and interest rates vary from bank base rate plus 1.75% to 10%.

As of 30 June 2011, trade receivables of £10.8 million (2010: £7.3 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:

	2011 £m	2010 £m
Number of days past due date:		
Less than 30 days	7.8	2.9
Between 30 and 60 days	0.2	1.2
Between 60 and 90 days	0.2	0.3
Between 90 and 120 days	0.7	0.3
Greater than 120 days	1.9	2.6
	10.8	7.3

As of 30 June 2011, trade receivables of £2.5 million (2010: £5.4 million) were considered for impairment. The amount provided for these balances was £0.6 million (2010: £0.9 million). The allocation of the provision is as follows:

	2011 £m	2010 £m
Number of days past due date:		
Greater than 120 days	0.6	0.9

20 Current income tax assets

Company	2011 £m	2010 £m
Current income tax assets	**0.1**	0.4

21 Cash and cash equivalents

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Cash at bank and in hand	**41.0**	22.2	**296.4**	200.0
Short term bank deposit	**6.8**	144.5	**–**	144.5
Cash and cash equivalents excluding bank overdrafts	**47.8**	166.7	**296.4**	344.5
Bank overdrafts (note 25)	**(10.9)**	–	**–**	–
Cash and cash equivalents for cash flow purposes	**36.9**	166.7	**296.4**	344.5

The short term bank deposit above includes £6.8 million (2010: £7.5 million) which is held in escrow. The effective interest rate received on cash balances is 1.5% (2010: 0.4%).

Group Net cash	2011 £m	2010 £m
Cash and cash equivalents excluding bank overdrafts	**47.8**	166.7
Current borrowings (note 25)	**(11.5)**	(1.0)
Non-current borrowings (note 25)	**–**	(89.2)
Net cash	**36.3**	76.5

22 Trade and other payables

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Payments received on account on construction contracts	**68.5**	59.1	**–**	–
Trade payables	**124.1**	94.9	**–**	–
Development land payables	**80.2**	58.8	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**117.8**	57.0
Amounts due to joint venture undertakings	**1.5**	0.9	**–**	–
Other taxation and social security payable	**9.8**	16.0	**–**	–
Other payables	**17.7**	19.1	**–**	–
Accruals and deferred income	**322.7**	314.2	**1.3**	1.0
	624.5	563.0	**119.1**	58.0

23 Current income tax liabilities

Group	2011 £m	2010 £m
Current income tax liabilities	**6.8**	5.9

24 Provisions for other liabilities and charges

Group	Onerous leases £m	Other £m	Total £m
At 1 July 2010	0.9	8.3	9.2
Charged to income statement:			
– Unused amounts reversed during the year	–	(6.6)	(6.6)
Reclassification of provisions	3.5	–	3.5
Utilised in year	(0.5)	–	(0.5)
At 30 June 2011	**3.9**	**1.7**	**5.6**
Analysis of total provisions			
Current	0.8	1.7	2.5
Non-current	3.1	–	3.1
At 30 June 2011	**3.9**	**1.7**	**5.6**

Onerous leases

The onerous lease provision relates primarily to properties that continue to be occupied by the Group. During the year £3.5 million was reclassified from other payables to better reflect its nature as an onerous lease provision. The provision will be utilised over the remaining term of the leases which expire between 2020 and 2021.

Other

As explained in note 5, on 24 March 2011 a Competition Appeal Tribunal judgement reduced the quantum of the fine imposed by the Office of Fair Trading in 2009 for cover pricing. The remaining provision is expected to be utilised within the next year.

25 Financial liabilities – borrowings

	Group		Company	
Current	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Bank overdrafts	**10.9**	–	**–**	–
Unsecured – Loan notes [i]	**0.6**	1.0	**0.6**	1.0
	11.5	1.0	**0.6**	1.0

	Group		Company	
Non-current	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Bank loan – secured [ii]	**–**	89.2	**–**	89.2

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

(a) £0.5 million (2010: £0.7 million) of loan notes were issued in 1997 and 2002 as part of the acquisition of Linden South West Limited and Linden Devon 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 April 2012 and July 2012 respectively. The loan notes are guaranteed by a bank.

(b) £0.1 million (2010: £0.3 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.

(ii) The bank loans and overdrafts are secured by a fixed charge over certain of the Group's developments. They currently incur interest at 2.25-2.6% (2010: 0.9%) over LIBOR. The Group has entered into interest rate swaps as set out in note 28.

Notes to the consolidated financial statements continued

26 Other non-current liabilities

Group	2011 £m	2010 £m
Development land payables	**27.0**	6.8
Other payables	**0.6**	3.2
Accruals and deferred income	**1.6**	0.7
	29.2	10.7

27 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 26% (2010: 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:

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Deferred income tax assets	**6.4**	11.2	**0.8**	0.3
Deferred income tax liabilities	**(0.9)**	–	**–**	–
	5.5	11.2	**0.8**	0.3

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

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
At 1 July	**11.2**	(2.3)	**0.3**	0.1
Income statement				
Current year's deferred income tax	**(1.8)**	0.6	**0.5**	0.2
Adjustment in respect of prior years	**–**	(0.2)	**–**	–
Income recognised in equity	**(3.3)**	(1.3)	**–**	–
Change in rate of deferred income tax	**(0.6)**	–	**–**	
On acquisition of subsidiaries	**–**	14.4	**–**	–
At 30 June	**5.5**	11.2	**0.8**	0.3

27 Deferred income tax continued

Deferred income tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred income tax assets as 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 Group	Share based payments £m	Retirement benefit obligations £m	Fair value adjustments £m	Accelerated tax depreciation £m	Other £m	Total £m
At 1 July 2009	0.1	7.7	–	–	4.2	12.0
Income/(expense) taken to income statement	0.2	(1.5)	–	–	(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 1 July 2010	0.3	4.9	2.0	–	4.0	11.2
Income/(expense) taken to income statement	0.5	–	2.1	–	(2.6)	–
Transfer (to)/from deferred income tax liabilities	–	(4.9)	–	0.1	–	(4.8)
At 30 June 2011	**0.8**	**–**	**4.1**	**0.1**	**1.4**	**6.4**

Deferred income tax liabilities **Group**	Retirement benefit obligations £m	Fair value adjustments £m	Accelerated tax depreciation £m	Other £m	Total £m
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 1 July 2010	–	–	0.1	(0.1)	–
Income taken to income statement	(2.4)	–	–	–	(2.4)
Expense recognised in equity	(3.3)	–	–	–	(3.3)
Transfer from/(to) deferred income tax assets	4.9	–	(0.1)	–	4.8
At 30 June 2011	**(0.8)**	**–**	**–**	**(0.1)**	**(0.9)**

Deferred income tax assets **Company**	Share based payments £m
At 1 July 2009	0.1
Income taken to income statement	0.2
At 1 July 2010	0.3
Income taken to income statement	0.5
At 30 June 2011	**0.8**

28 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 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 2011 hence gearing was nil at that time (2010: 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 2011 (2010: Nil).

(ii) Price risk

The Group is affected by the level of UK house prices. These are in turn affected by factors such as mortgage availability, employment levels, interest rates, consumer confidence and availability of land with planning. Whilst it is not possible to fully mitigate such risks the Group continues to monitor its geographical spread within the UK concentrating its operations in areas that management believe minimise the effect of local microeconomic fluctuations. As at 30 June 2011, if UK house price inflation or the discount rate used had been 1% lower or higher respectively, and all other variables held constant, the Group's house price linked financial instruments, which consist entirely of shared equity receivables held as available for sale financial assets, would decrease in value, excluding any effect of current or deferred tax by £1.6 milllion or £1.7 million respectively.

The Group is not exposed to equity securities price risk as investments held by the Group are classified on the consolidated balance sheet either as available for sale or at fair value through the income statement. 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 £1.0 million (2010: £0.7 million) or decrease of £1.6 million (2010: £1.1 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, and Barclays Bank PLC, being three of the UK's leading financial institutions. Further details of credit risk relating to trade and other receivables are disclosed in note 19. No credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance of any counterparties.

28 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 land bank 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 21) 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 borrowings 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:

Group and Company	Liabilities £m
At 30 June 2011	
Current	(0.8)
At 30 June 2010	
Non-current	(2.1)

The notional principal amount of the outstanding interest rate swap contracts at 30 June 2011 was £33 million (2010: £45 million). At 30 June 2011, the fixed interest rate is 5.7% (2010: 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.

		2011		2010	
Fair value of non-current borrowings	Notes	**Book value £m**	**Fair value £m**	Book value £m	Fair value £m
Long term borrowings	25	–	–	89.2	86.9
Fair value of other financial assets and financial liabilities					
Primary financial instruments held or issued to finance the Group's operations:					
Short term borrowings	25	**11.5**	**11.5**	1.0	1.0
Trade and other payables	22	**546.5**	**546.5**	487.9	487.9
Trade and other receivables	19	**296.9**	**296.9**	259.1	259.1
Cash and cash equivalents	21	**47.8**	**47.8**	166.7	166.7
Other non-current liabilities	26	**29.2**	**29.2**	9.1	9.1

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 at June 2010 was 1.44% being the prevailing interest rate at that date. There are no long term borrowings at 30 June 2011.

28 Financial instruments continued

Maturity of financial liabilities

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

	2011			2010		
	Borrowings £m	Other financial liabilities £m	Total £m	Borrowings £m	Other financial liabilities £m	Total £m
In more than one year but not more than two years	–	–	–	89.2	–	89.2

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:

	2011 Floating rate £m	2010 Floating rate £m
Expiring:		
Within one year	–	30.0
Between one and two years	–	258.7
In more than two years	302.4	–
	302.4	288.7

In May 2011 the Group successfully completed the refinancing of its core bank facility, agreeing a four year £325 million revolving credit facility with HSBC Bank plc, Barclays Bank PLC and The Royal Bank of Scotland plc. The new facility provides long term finance and bonding facilities providing working capital with a comfortable margin for the Group's projected requirements until 2015. The new facility is subject to covenants over interest cover, gearing, adjusted gearing taking account of land creditor debt and minimum consolidated tangible assets as well as security against the Group's housebuilding development sites. Interest is calculated by aggregating margin, LIBOR and relevant costs. The refinancing extends the Group's debt maturity profile substantially, from February 2012 to May 2015.

Fair value estimation

The table on page 91 analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

28 Financial instruments continued

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2011.

	Level 2	Level 3	Total
Assets			
Available-for-sale financial assets			
– Shared equity receivables	20.0	–	20.0
– Equity securities	2.2	–	2.2
Loans and receivables			
– Trade and other receivables	–	296.9	296.9
– Cash and cash equivalents	–	47.8	47.8
Total	**22.2**	**344.7**	**366.9**

	Level 2	Level 3	Total
Liabilities			
Liabilities at fair value through the income statement			
– Derivatives used for hedging	0.8	–	0.8
Other financial liabilities			
– Borrowings	–	11.5	11.5
– Trade and other payables	–	575.7	575.7
Total	**0.8**	**587.2**	**588.0**

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2010.

	Level 2	Level 3	Total
Assets			
Available-for-sale financial assets			
– Shared equity receivables	13.7	–	13.7
– Equity securities	2.0	–	2.0
Loans and receivables			
– Trade and other receivables	–	259.1	259.1
– Cash and cash equivalents	–	166.7	166.7
Total	**15.7**	**425.8**	**441.5**

	Level 2	Level 3	Total
Liabilities			
Liabilities at fair value through the income statement			
– Derivatives used for hedging	2.1	–	2.1
Other financial liabilities			
– Borrowings	–	90.2	90.2
– Trade and other payables	–	498.6	498.6
Total	**2.1**	**588.8**	**590.9**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instruments is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Notes to the consolidated financial statements continued

29 Share capital and premium

Group and Company	Number of shares	Ordinary shares £m	Share premium £m	Total £m
At 1 July 2009	37,776,677	18.9	190.8	209.7
Proceeds from shares issued	44,072,789	22.0	–	22.0
At 1 July 2010 and 30 June 2011	81,849,466	40.9	190.8	231.7

At 30 June 2011 the total number of shares outstanding under the SAYE share option scheme was 1,079,230 (2010: 389,937) and under the long term incentive plans was 2,279,552 (2010: 1,573,506) as detailed below:

SAYE share option scheme

Shares under option	Year of grant	Exercise price per share	Exercise period ending
70,715	2006	496p	31.07.11
113,534	2007	738p	30.06.12
56,613	2008	912p	30.06.13
508,740	2011	271p	30.06.14
329,628	2011	271p	30.06.16
1,079,230			

Long term incentive plans

Shares awarded	Year of grant	Share price at grant	Vesting date
869,152	2009	250p	11.03.12
547,781	2010	507p	11.09.12
862,619	2011	329p	28.09.13
2,279,552			

30 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 £2.5 million (2010: £1.8 million), all of which related to equity settled share based payment transactions. After deferred tax, the total charge was £2.0 million (2010: £1.6 million).

The performance period for the awards made under the Company’s long term incentive plan on 10 March 2009 ended on 30 June 2011. This award was subject to a relative total shareholder return condition and two underpins based on cash performance and absolute share price performance. The Company achieved a 105% total shareholder return for the three year period placing it in first place against its peer group. It also significantly bettered its cash underpin targets for the period, however there was a 2% shortfall on the share price underpin target when measured on a three month average price basis, which was the assumed methodology when the IFRS 2 valuation for this award was carried out at the original grant date. Following consultation with major shareholders, the remuneration committee has exercised its discretion to alternatively use a 30 day average for the assessment of the share price target as this is consistent with the averaging period used for assessment of the relative total shareholder return condition. The share price underpin target was significantly exceeded on this basis which means that the awards will vest to the maximum level in March 2012. The decision to use an alternative averaging period to that originally envisaged in the grant date valuation gives rise to an additional IFRS 2 fair value accounting charge of £5.3 million in the financial year to 30 June 2012, which has no incremental effect on either cash or the balance sheet.

Savings related share options

The Company operates a 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, subsequent to November 2002, and the assumptions used in the calculation are as follows:

Grant date	Share price at grant date	Exercise price	Contract date	Expected volatility	Option life years	Risk free rate	Dividend yield	Employee turnover before vesting	Fair value per option
20.12.05	655p	496p	01.02.06	37%	5	4.3%	2.3%	10%	270p
09.11.06	1,086p	738p	01.01.07	33%	5	4.8%	1.7%	10%	501p
30.11.07	918p	912p	01.01.08	31%	5	4.6%	2.4%	10%	272p
19.11.10	280p	271p	01.01.11	55%	3	1.6%	4.5%	10%	93.5p
19.11.10	280p	271p	01.01.11	47%	5	2.4%	4.5%	10%	90p

30 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 2011 is shown below:

	2011 Number	2011 Weighted average exercise price	2010 Number	2010 Weighted average exercise price
Outstanding at 1 July	**389,937**	**759p**	799,372	710p
Awards	**849,767**	**271p**	–	–
Forfeited	**(316)**	**912p**	(15,200)	330p
Cancelled	**(70,972)**	**672p**	(67,195)	350p
Expired	**(89,186)**	**902p**	(327,040)	337p
Outstanding at 30 June	**1,079,230**	**369p**	389,937	759p
Exercisable at 30 June	**70,715**	**496p**	–	–

The weighted average fair value of awards granted during the year was Nil (2010: Nil). There were no share options exercised during the year ended 30 June 2011 (2010: Nil). The weighted average remaining contractual life is 3 years 2 months (2010: 1 year 3 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
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%	368p
28.09.10	328.5p	36	1.1%	3.8%	196p

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:

	2011 Number	2010 Number
Outstanding at 1 July	**1,573,506**	1,041,336
Granted	**862,619**	547,781
Forfeited	**(156,573)**	(15,611)
Outstanding at 30 June	**2,279,552**	1,573,506
Exercisable at 30 June	**–**	–

The weighted average fair value of awards granted during the year was 196p (2010: 579p). There were no options exercised during the year ended 30 June 2011 (2010: Nil). The weighted average remaining contractual life is Nil as the shares are exercised on the day that they vest (2010: Nil).

Notes to the consolidated financial statements continued

31 Other reserves

	Group Other reserves £m	Company Other reserves £m
At 1 July 2009, 1 July 2010 and 30 June 2011	5.3	3.0

The Group other reserves relates to a merger reserve amounting to £4.7 million (2010: £4.7million) and the movement on available for sale financial assets amounting to £0.6 million (2010: £0.6 million).

32 Retained earnings

	Notes	Group £m	Company £m
At 1 July 2009		79.6	91.8
Profit for the year		10.8	11.2
Actuarial gains recognised in the retirement benefit obligations	33	4.8	–
Deferred tax on movements in equity	6	(1.3)	–
Dividends paid		(6.7)	(6.7)
Share based payments	30	1.8	1.8
Purchase of own shares		(0.1)	(0.1)
Issue of shares		97.3	97.3
At 1 July 2010		186.2	195.3
Profit for the year		32.8	1.1
Actuarial gains recognised in the retirement benefit obligations	33	12.7	–
Deferred tax on movements in equity	6	(3.3)	–
Dividends paid		(11.2)	(11.2)
Share based payments	30	2.5	2.5
Purchase of own shares		(1.6)	(1.6)
At 30 June 2011		**218.1**	**186.1**

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9.5 million (2010: £9.5 million).

At 30 June 2011, the Galliford Try Employee Share Trust held 690,689 (2010: 310,189) shares. The nominal value of the shares held is £0.3 million (2010: £0.2 million). 380,500 shares were acquired during the year (2010: 101,772) at a cost of £1.6 million (2010: £0.1 million). The cost of funding and administering the Trust is charged to the income statement of the Company in the period to which it relates. The market value of the shares at 30 June 2011 was £3.6 million (2010: £1.0 million). No shareholders (2010: None) have waived their rights to dividends.

33 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 paid as employer contributions on their behalf.

Pension costs for the schemes were as follows:

	2011 £m	2010 £m
Defined benefit schemes – (income)/expense recognised in the income statement	**(0.9)**	2.0
Defined contribution schemes	**11.3**	10.8
Total included within employee benefit expenses (note 3)	**10.4**	12.8

Of the total charge for all schemes £6.2 million (2010: £5.9 million) and £4.2 million (2010: £6.9 million) were included, respectively, within cost of sales and administrative expenses.

33 Retirement benefit obligations continued

Defined benefit schemes

An independent actuary performs detailed triennial valuations together with periodic interim reviews. The most recent valuation of the Galliford Try Final Salary Pension Scheme was carried out as at 1 July 2009, using the projected unit method. The assumptions used which have the most significant effect on the results of the valuation were the investment return, which was assumed to be 5.4% per annum both in the period up to and after a member's retirement, and the rate of price inflation (RPI), which was assumed to be 3.5% per annum. The assumptions for mortality were based on actuarial tables S1PMA, medium cohort with 1.25% underpin for males and S1PFA, medium cohort with 1% underpin for females. At the date of the last valuation, the value of accrued benefits was £165.2 million. The aggregate market value of the scheme's assets at the valuation date was £117.2 million, representing 71% of the value of the benefits accrued. A deficit recovery funding plan was agreed with the Trustees to meet the funding shortfall which requires the Company to pay contributions of £583,333 per calendar month until 31 July 2013, and then £416,667 per calendar month until 28 February 2019. The next valuation of the scheme is due to be carried out as at 1 July 2012.

The most recent actuarial valuation of the Galliford Group Special Scheme was prepared using the attained age method as at 1 April 2010. The assumptions used which have the most significant effect on the results of the valuation were the investment return, which was assumed to be 4.4% per annum, and the rate of price inflation (RPI), which was assumed to be 3.7% per annum. At the date of the last valuation, the value of accrued benefits was £5.2 million. The aggregate market value of the scheme's assets was £4.6 million, representing 88% of the value of the benefits accrued. A deficit recovery funding plan was agreed with the Trustees to meet the funding shortfall which requires the Company to pay contributions of £16,000 per calendar month until 30 September 2013. The next valuation of the scheme is due to be carried out as at 1 April 2013.

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.

The valuation of the Group's pension schemes have been updated to 30 June 2011 and all information is consolidated for disclosure purposes below. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	2011	2010
Rate of increase in pensionable salaries	**n/a**	n/a
Rate of increase in pensions in payment	**3.55%**	3.25%
Discount rate	**5.50%**	5.45%
Retail price inflation	**3.65%**	3.30%
Consumer price inflation	**2.85%**	n/a

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 (2010: S1PMA, medium cohort with 1.25% underpin for males and S1PFA, medium cohort with 1% underpin for females). The average life expectancy at 65 for future male pensioners is 25.0 years (2010: 24.9 years) and for current male pensioners is 22.6 years (2010: 22.5 years). The average life expectancy at 65 for future female pensioners is 25.9 years (2010: 25.8 years) and for current female pensioners is 24.0 years (2010: 23.9 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:

			2011			2010
	Return	**Value £m**		Return	Value £m	
Equities	**8.00%**	**41.6**	**26%**	7.90%	51.3	35%
Gilts	**4.00%**	**52.8**	**33%**	3.90%	43.9	30%
Bonds	**5.50%**	**50.4**	**32%**	5.45%	46.0	31%
Cash and other *	**0.50% – 5.90%**	**13.6**	**9%**	5.45%	5.3	4%
		158.4	**100%**		146.5	100%
Present value of defined benefit obligations		**(155.2)**			(163.8)	
Surplus/(deficit) in scheme recognised as non-current asset/(liability)		**3.2**			(17.3)	

* Other assets includes monies held within a deposit administration policy held with Legal and General.

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.

Notes to the consolidated financial statements continued

33 Retirement benefit obligations continued

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 £3.3 million
Rate of inflation	Increase by 0.1%	Decrease by £2.4 million
Increase in pension payments	Increase by 0.05%	Increase by £0.5 million
Life expectancy	Increase by one year	Increase by £3.7 million

The amounts recognised in the income statement are as follows:

	2011 £m	2010 £m
Gains on settlement (Enhanced Transfer Value)	(1.4)	–
Finance cost	8.8	9.5
Expected return on scheme assets	(8.3)	(7.5)
Net finance costs	0.5	2.0
(Income)/ expense recognised in the income statement	(0.9)	2.0

The actual return on scheme assets was £19.0 million (2010: £22.5 million).

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

	2011 £m	2010 £m
Total amount of actuarial gains in the year	12.7	4.8
Cumulative actuarial losses	(17.2)	(29.9)

Movement in present value of defined benefit obligations	2011 £m	2010 £m
At 1 July	163.8	149.5
Interest cost	8.8	9.5
Experience gains/(losses)	0.6	(9.9)
Gains on settlements (Enhanced Transfer Value)	(10.1)	–
Impact of change in assumptions	(2.6)	20.1
Benefit payments	(5.3)	(5.4)
At 30 June	155.2	163.8

Movement in fair value of scheme assets	2011 £m	2010 £m
At 1 July	146.5	122.0
Expected return on scheme assets	8.3	7.5
Actual return less expected return on scheme assets	10.7	15.0
Employer contributions	6.9	7.4
Losses on settlements (Enhanced Transfer Value)	(8.7)	–
Benefit payments	(5.3)	(5.4)
At 30 June	158.4	146.5

The contributions expected to be paid to the defined benefit schemes during the year ended 30 June 2012 is £7.3 million.

33 Retirement benefit obligations continued

Details of experience gains and losses in the year:	2011	2010	2009	2008	2007
Difference between the expected and actual return on assets:					
Amount £m	**10.7**	15.0	(19.3)	(15.8)	2.4
Percentage of assets	**7**	10	(16)	(11)	2
Experience (gains) and losses on scheme liabilities:					
Amount £m	**(0.6)**	9.9	(1.6)	0.4	1.9
Percentage of present value of defined benefit obligations	**–**	6	(1)	–	1
Total amount recognised in statement of comprehensive income:					
Amount £m	**12.7**	4.8	(6.5)	(11.8)	3.9
Percentage of present value of liabilities	**8**	3	(4)	(7)	2

During the year the Company undertook an Enhanced Transfer Value (ETV) exercise in relation to deferred members of the Galliford Try Final Salary Scheme. The impact of the exercise has been recognised as a settlement gain of £1.4 million through the income statement with the amount recorded equal to the difference between the actual ETV payments made (£8.7 million) and the IAS 19 reserve discharge (£10.1 million). No special one-off contributions were made to the Scheme in relation to this exercise. As at 30 June 2011, around £3.8 million of the payments due were unpaid. The 30 June 2011 asset values therefore include a current liability of £3.8 million to reflect the payments due.

On 8 July 2010, the UK Government announced that the statutory measure to be used for indexing pensions payable for occupational pension schemes was to change from RPI to CPI. The Rules of the Galliford Try Final Salary Pension Scheme and the Kendall Cross (Holdings) Ltd Pensions and Assurance Scheme provide the deferred revaluation in line with the statutory provisions and hence benefits payable under these schemes will be revalued in deferment in line with CPI in the future. This change has led to a reduction in the Company's obligations in respect of the Galliford Try and Kendall Cross pension schemes of £9.7 million and £0.25 million respectively at 30 June 2011, and the impact of the change has been recognised as an actuarial gain through Other Comprehensive Income. The increases provided to pensions in payment under Galliford Try's three defined benefit pension arrangements are explicitly linked to RPI under the schemes' Rules and are therefore not affected by the Government's announcement.

34 Financial and capital commitments

Group	2011 £m	2010 £m
Commitments for:		
Capital expenditure in subsidiaries	**–**	–
Subordinated debt in joint ventures	**–**	1.6
Subordinated debt in non-current assets classified as held for sale	**–**	1.5
	–	3.1

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:

	2011		2010	
	Property £m	Vehicles, plant and equipment £m	Property £m	Vehicles, plant and equipment £m
Amounts due:				
Within one year	**3.7**	**7.7**	3.7	6.4
Later than one year and less than five years	**12.3**	**15.2**	13.4	10.8
After five years	**16.1**	**–**	19.7	–
	32.1	**22.9**	36.8	17.2

Galliford Try plc, together with certain of its subsidiaries, has entered into arrangements with HSBC Bank plc, The Royal Bank of Scotland plc 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.

Notes to the consolidated financial statements continued

35 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 £125.5 million (2010: £120.7 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.

36 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	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Trading transactions								
Joint ventures	**12.6**	14.8	**0.3**	0.1	**16.5**	7.0	**1.5**	0.8
Jointly controlled operations	**19.3**	36.0	**16.0**	0.2	**–**	1.8	**–**	0.3

	Interest income from loans to related parties		Loans to related parties		Loans from related parties		Injection of equity funding	
	2011 £m	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m	**2011 £m**	2010 £m
Non-trading transactions								
Joint ventures	**1.7**	2.4	**45.6**	39.0	**–**	–	**0.1**	1.9

Services are sold to related parties based on terms that would be available to unrelated third parties. Receivables are due within 8 years (2010: 6 years) and are unsecured and interest rates vary from bank base rate plus 1.75% to 10%. Payables are due within 1 year (2010: 1 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 (2010: £13.75 million).

37 Post balance sheet events

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

Five year record

	2007 £m	2008 £m	2009 £m	2010 £m	**2011** **£m**
Revenue	1,409.7	1,831.9	1,461.2	1,221.9	**1,284.2**
Profit before exceptional items	53.0	71.8	24.5	26.1	**35.1**
Exceptional items	7.2	(11.5)	(51.4)	(6.9)	**6.6**
Profit/(loss) before taxation	60.2	60.3	(26.9)	19.2	**41.7**
Tax	(16.6)	(17.8)	9.1	(8.4)	**(8.9)**
Profit/(loss) after taxation attributable to shareholders	43.6	42.5	(17.8)	10.8	**32.8**
Fixed assets, investments in joint ventures and available for sale financial assets	15.4	24.1	18.4	25.4	**32.5**
Intangible assets and goodwill	121.2	125.2	123.2	121.9	**124.0**
Net current assets	312.0	321.6	269.2	346.4	**277.4**
Long term receivables	15.7	34.4	52.3	49.4	**53.5**
Long term payables and provisions	(157.7)	(180.0)	(168.5)	(119.9)	**(32.3)**
Net assets	306.6	325.3	294.6	423.2	**455.1**
Share capital	18.8	18.9	18.9	40.9	**40.9**
Reserves	287.8	306.4	275.7	382.3	**414.2**
Total equity	306.6	325.3	294.6	423.2	**455.1**
Dividends per share (pence)	21.7	21.7	10.9	12.5	**16.0**
Basic earnings per share (pence)	103.5	82.5	(34.4)	14.7	**40.3**
Diluted earnings per share (pence)	102.1	82.5	(34.4)	14.7	**39.4**

All dividend and earnings per share figures above, for the years 2007 to 2009, have been restated for the effect of the October 2009 share consolidation and rights issue.

Shareholder information

Financial calendar 2011

Half year results announced	23 February
Interim dividend paid	12 April
Full year results announced	14 September
Ex dividend date	5 October
Final dividend record date	7 October
Annual General Meeting	11 November
Final dividend payment	18 November

Shareholder enquiries

The Company's registrars are Equiniti Limited. They will be pleased to deal with any questions regarding your shareholding or dividend payments. Please notify them if you change your address or other personal information. Call the shareholder contact centre on 0871 384 2030 or write to them at:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6ZX

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 and the SEDOL and ISIN references are B3Y2J50 and GB00B3Y2J508.

Group website

You can find out more about the Group 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. There is also further advice for shareholders regarding unsolicited boiler room frauds.

The Company's up to date share price can also be obtained by calling the voice activated Cityline on 09058 171690 (calls charged at 75p per minute from a landline).

Company contact

Contact with existing and prospective shareholders is welcomed by the Company. If you have any questions please contact the Company Secretary, either at the registered office or via email (richard.barraclough@gallifordtry.co.uk).

Analysis of shareholdings

at 30 June 2011

Size of shareholding	% of holders	Number of holders	% of shares	Number of shares
1 – 10,000	92	4,056	6	4,614,820
10,001 – 50,000	4	176	4	3,606,701
50,001 – 500,000	3	123	27	21,845,542
500,001 – Highest	1	39	63	51,782,403

Registered office
Galliford Try plc
Cowley Business Park
Cowley
Uxbridge UB8 2AL

Registration
England and Wales 00836539

Stockbrokers
Peel Hunt LLP
RBS Hoare Govett

Financial advisers
Rothschild

Bankers
HSBC Bank plc
Barclays Bank PLC
The Royal Bank of Scotland plc

Auditors
PricewaterhouseCoopers LLP

Boxgrove Gardens is an attractive development of 199 homes in Guildford, Surrey that features varied streetscapes and a village green. Further details on page 18.

The restoration and creation of a luxury hotel and apartments from the iconic St Pancras Chambers in London was completed during the year. Further details on page 25.

www.gallifordtry.co.uk

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NOTICE IS HEREBY GIVEN that the forty-seventh Annual General Meeting of Galliford Try plc will be held at the offices of The Royal Bank of Scotland plc, 3rd Floor Conference Centre, 250 Bishopsgate, London, EC2M 4AA on Friday 11 November 2011 at 11.15 a.m. The business of the Meeting will be to consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 12 are proposed as ordinary resolutions, and Resolutions 13 to 15 are proposed as special resolutions:

ORDINARY RESOLUTIONS

1. To receive the directors' report and the audited financial statements for the year to 30 June 2011, together with the auditors' report thereon.
2. To approve the directors' remuneration report for the year to 30 June 2011.
3. To declare a final dividend of 11.5 pence per ordinary share.
4. To re-appoint Ian Coull as a director of the Company.
5. To re-appoint Amanda Burton as a director of the Company.
6. To re-appoint Greg Fitzgerald as a director of the Company.
7. To re-appoint Andrew Jenner as a director of the Company.
8. To re-appoint Frank Nelson as a director of the Company.
9. To re-appoint Peter Rogers as a director of the Company.
10. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
11. To authorise the directors to determine the remuneration of the auditors.
12. 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 £27,282,992 comprising:
    (a) an aggregate nominal amount of £13,641,496 (whether in connection with the same offer or issue as under (b) below or otherwise); and
    (b) an aggregate nominal amount of £13,641,496 in the form of equity securities (within the meaning of 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 2012, except that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

SPECIAL RESOLUTIONS

13. 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 12 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 or convert into ordinary shares having an aggregate nominal amount, not exceeding the sum of £2,046,244.

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 12 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.

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 30 September 2011, 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 immediately following 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.

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 11.15 a.m. on 9 November 2011 (b) lodged using the CREST Proxy Voting Service – see paragraph 9 below or (c) lodged electronically by visiting www.sharevote.co.uk – see paragraph 13 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 9 November 2011 (or, in the event of any adjournment, 6.00 p.m. on the date which is two 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 81,849,796 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 81,849,796.
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 11.15 a.m. on 9 November 2011. 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. 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.
13. 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.

14. 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 8,184,979 ordinary shares of 50 pence each;

    (b) pays not less than 50 pence (excluding expenses) per ordinary share of 50 pence each; and

    (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 2012, 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.

15. 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
14 September 2011

Registered office:
Cowley Business Park
Cowley
Uxbridge
Middlesex
UB8 2AL

Registered in England and Wales No. 00836539

EXPLANATION OF RESOLUTIONS

Resolution 1 – Annual 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 financial statements of the Company for the year ended 30 June 2011. The Annual Report including the audited financial statements has been approved by the directors, and the report of the auditors has been prepared by the auditors, PricewaterhouseCoopers LLP.

Resolution 2 – Remuneration report
The Companies Act 2006 requires the Company to separately 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, from page 48. If shareholders vote against the report the directors will still be paid, but the Remuneration Committee will reconsider its policy for future years.

Resolution 3 – Declaration of dividend
The directors are recommending a final dividend of 11.5 pence per ordinary share, payable on 18 November 2011 to holders on the register as at 7 October 2011. The final dividend will not be paid without shareholder approval and the amount may not exceed the amount recommended by the directors.

Resolution 4 – Re-appointment of director
The Company's articles of association require any new director appointed by the board to hold office only until the next Annual General Meeting, at which meeting that director becomes eligible for re-appointment by shareholders. Ian Coull joined the Company as an independent non-executive director on 8 November 2010. The commercial skills and experience which he brings to the Company are both highly valued and complementary to the skills of other board members. He was appointed Chairman on 1 July 2011 and the formal performance evaluation carried out during the financial year confirmed his effective performance to date and commitment to his new role.

Resolutions 5 to 9 – Re-appointment of directors
The UK Corporate Governance Code recommends that all directors of companies in the FTSE 350 stand for re-appointment on an annual basis and the board has resolved that all directors should stand for re-appointment in 2011, as explained in the policy developments section of the Corporate Governance report on page 42 of the Annual Report. The biographical details of the directors can be found on page 40 of the Annual Report. A formal performance appraisal of each director has been undertaken in 2011 to evaluate directors' respective performance, this year that process confirmed that each director continues to perform effectively and that their commitment to their roles continues.

Resolutions 10 & 11 – Auditors and their remuneration

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. These resolutions seek shareholder approval for the reappointment of PricewaterhouseCoopers LLP, in accordance with the recommendation of the directors, and permit the directors to determine the auditors' remuneration for the audit work to be carried out by them in the next financial year.

Resolution 12 – Allotment of shares

The Companies Act 2006 provides that the directors may only allot shares if authorised by shareholders to do so. Resolution 12 will, if passed, authorise the directors to allot the Company's unissued shares up to a maximum nominal amount of £27,282,992, 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 of Meeting. As at 14 September 2011, 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 reflects the best practice 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 12 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.

While the directors have separately committed to individually stand for re-appointment at the 2011 Annual General Meeting and annually going forward, as outlined in the policy developments section of the Corporate Governance report on page 42 of the Annual Report, they separately undertake to also automatically stand for re-appointment in the event that the whole two-thirds authority is used in connection with a rights issue in favour of ordinary shareholders.

Resolution 13 – 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 £2,046,244 (representing approximately 5% of the Company's issued share capital as at 14 September 2011, being the date of this Notice of Meeting) 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 12. 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 in accordance with related guidance of the Pre-Emption Group.

Resolution 14 – Purchase of own shares

This 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 cancelled or held in treasury for subsequent transfer to an employee share scheme. The directors have no present intention of exercising this authority, which will expire at the earlier of the date that is eighteen months after the date of the passing of the resolution and the conclusion of the next Annual General Meeting of the Company. Under the Company's share option and restricted share schemes, at 14 September 2011, options and restricted share awards over a total of 3,445,977 ordinary shares in the Company (of which 690,689 shares are held by the Employee Share Trust), were outstanding representing 4.21% of the issued share capital. This would represent 4.68% of issued share capital if the proposed authority to purchase the Company's shares were exercised in full.

Resolution 15 – Notice period for general meetings

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 annual shareholder approval is obtained beforehand. 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 shareholders. 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.

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