Annual Report and Financial Statements 2012

Strength in diversity

GallifordTry plc

Highlights: Year ended 30 June 2012

£1,504m
Group revenue[1]

Up 17% (2011: £1,284m)

£63.1m
Profit before tax

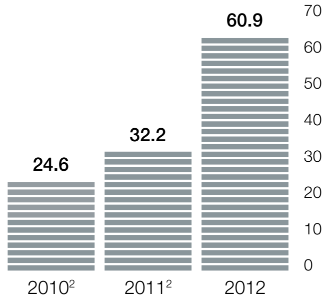
Up 80% (2011: £35.1m[2])

60.9p
Earnings per share

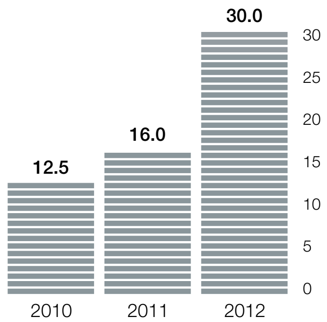
Up 89% (2011: 32.2p[2])

30.0p
Dividend per share

Up 88% (2011: 16.0p)



Earnings per share (p)



Dividend per share (p)

Group
- Strong balance sheet with £23 million net cash at year end (2011: £36 million).

Housebuilding
- 40% increase in completions to 3,039 (2011: 2,170);
- 11.8% housebuilding margin shows strong progress (2011: 8.1%);
- 7% increase in sales currently reserved, contracted or completed at £350 million (2011: £328 million);
- 81% of 10,500 plot landbank now acquired at current market values (2011: 72% of 10,400);
- 100% of land required for 2013 financial year in place, 90% of land secured for 2014.

Construction
- 2.0% construction margin remained robust (2011: 2.4%);
- Year end construction cash balance of £146 million (2011: £217 million);
- £1.65 billion current construction order book underpinned by major long term projects (2011: £1.7 billion);
- 86% of this year's planned revenue secured (2011: 90%).

[1] Group revenue excludes share of joint ventures' revenue of £72 million (2011: £52 million). Revenue where stated throughout the business review on pages 02 to 41 includes share of joint ventures.
[2] Stated before a net exceptional credit in 2011 of £6.6 million and net exceptional loss in 2010 of £7.3 million.

Contents

KEY READING

A strong, diverse and well-balanced business

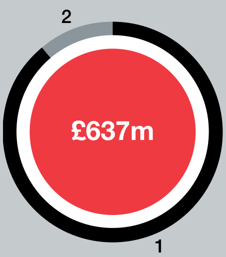
Housebuilding

Galliford Try is a top five UK housebuilder. We create distinctive homes in prime locations, under the Linden Homes brand. We are primarily focused on the South of England and also build homes in the Eastern counties.

£637m
Revenue
up 64%

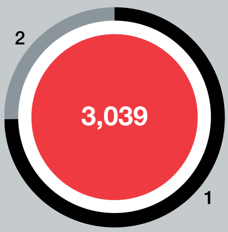
£75.1m
Profit from operations
up 138%

3,039
Home completions
up 40%



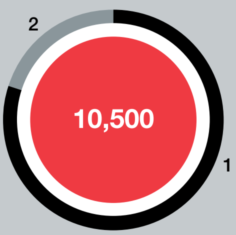
Revenue by sector

1 Private Housing	£567m
2 Affordable Housing	£70m



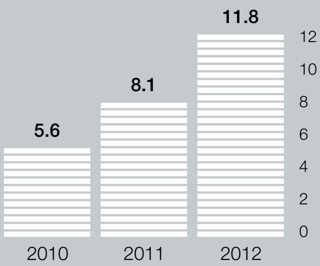
Completions by sector

1 Private Housing	2,272
2 Affordable Housing	767

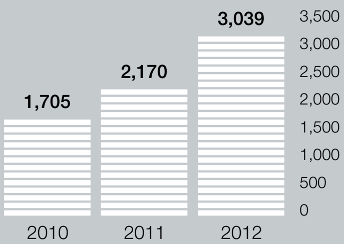


Landbank by sector

1 Private Housing	8,400
2 Affordable Housing	2,100



Operating profit margin (%)



Completions

UK coverage

We pride ourselves on our attention to detail, design, local knowledge and expertise in developing a high-quality offering. Most of our homes are on brownfield sites and, by drawing on the skills of our construction division, we are able to take on the most complex developments.

Commitment to our customers has led to our strong reputation for the quality of our homes and customer service. The value of our approach is reflected in the awards we win, including Building magazine's 2012 "Housebuilder of the Year" award.

Our affordable housing business transforms lives and builds vibrant, sustainable communities. We work closely with the Homes and Communities Agency, local authorities and housing associations to ensure their needs are met. We pride ourselves on our service and build quality.

For more information about housebuilding see pages 18 to 25.

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

Galliford Try is a leading UK housebuilding and construction group.

Our strength is the diversity of our operations. We provide whole-life solutions, delivering housing and regeneration schemes and major construction projects, ranging from public and commercial buildings to civil engineering works. We are listed on the London Stock Exchange and are a member of the FTSE 250.

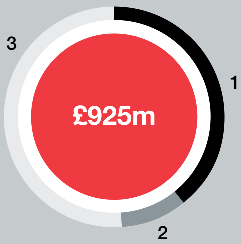
Construction

Our construction business is in the top 10 in the UK and operates mainly under the Galliford Try and Morrison Construction brands. It is founded on long term client relationships, working with them to deliver best-value projects.

£925m
Revenue
down 1%

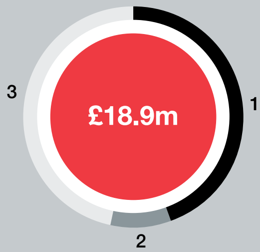
£18.9m
Profit from operations
down 15%

£1.65bn
Order book
down 6%



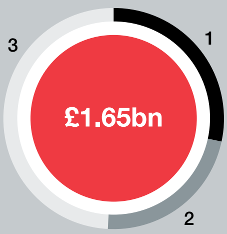
Revenue by activity

1 Building	£364m
2 Partnerships	£90m
3 Infrastructure	£471m



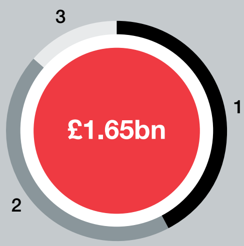
Profit by activity

1 Building	£8.4m
2 Partnerships	£1.7m
3 Infrastructure	£8.8m



Order book by activity

1 Building	£471m
2 Partnerships	£368m
3 Infrastructure	£811m



Order book by sector

1 Regulated	£699m
2 Public	£729m
3 Private	£222m

UK coverage

Across construction, our spread of public and private sector work is well balanced and extensive. We are renowned for our ability to provide whole-life solutions, our high standards of project delivery, innovation and the diversity of our activities.

The construction business is organised into building, partnerships and infrastructure divisions:

- Building provides a national service to the health, education and commercial markets;
- Partnerships is our specialist affordable housing contractor, with a strong business in the South East and North East regions and a growing presence elsewhere;
- Infrastructure carries out civil engineering projects, primarily in the water, highways, remediation and energy from waste markets.

The construction division also includes Regeneco, our renewable energy services business; Pentland, our multi-disciplined group of chartered surveyors; and Rock & Alluvium, our national piling specialists.

We also invest in public private partnerships through our Investments business, providing funding, construction and facilities management services from within the Group.

For more information about construction see pages 26 to 33.

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

Delivering value for shareholders

With excellent performance, a disciplined strategy and an increased and sustainable dividend, Galliford Try is well placed to generate further value for shareholders.

Performance and dividend

The Group achieved an outstanding financial performance during the year, with significant increases in revenues and profits and a strong financial position at the year end.

This is the result of our three-year housebuilding expansion plan coming to fruition. At the time of our rights issue in 2009, many considered this plan to be ambitious. Its successful delivery is testament to the vision and skill of Greg Fitzgerald and our executive team. It also reflects our prudent approach in construction, where we continue to focus on projects that allow us to achieve acceptable margins and generate cash.

The Group's strong financial performance has led to an 89% increase in earnings per share. This higher level of earnings, coupled with the expected rise in cash generation resulting from the new housebuilding strategy discussed below, gives us the opportunity to significantly increase the dividend payout.

The board is therefore recommending a final dividend of 21 pence per share, to be paid on 16 November 2012 to shareholders on the register at 5 October 2012. Together with the interim dividend of 9 pence per share, this gives a total dividend of 30 pence for the year, up 88% compared with last year. The total dividend is approximately twice covered by earnings. The board will pursue a progressive and sustainable policy for future dividend payments.

Strategy

With the housebuilding expansion plan now complete, the board intends to continue to focus this business on the regions and market segments where it has significant expertise and experience. This will deliver disciplined growth and allow us to expand margins, while at the same time increasing the Group's cash generation and supporting the new, higher dividend. The housing market remains robust in the South East and the board believes the new strategy will stand us in good stead in these conditions.

The strategy in construction is unchanged. With markets remaining challenging, we will continue to focus on delivering margin and cash, with a view to resuming growth when markets recover.

Our hybrid business model – operating both housebuilding and construction businesses – has been highly successful for us in recent years. As always, the board will ensure that the way our business model develops and adapts to meet the changing business environment continues to deliver best value to shareholders.

Governance

I am pleased to report that the standard of corporate governance in Galliford Try remains high. Although the Company was not a member of the FTSE 350 at the start of the financial year, we were already following best practice for FTSE 350 companies and complying with the UK Corporate Governance Code. Our subsequent return to the FTSE 350 in October 2011 did not therefore require us to make any changes to our governance practices.

During the year, the board spent considerable time considering the Group's approach to risk management. An experienced internal audit and risk manager has joined the business, helping us to enhance our risk management processes. Risk will remain an important focus for the board going forward.

We continue to follow the debate regarding executive remuneration and firmly support the view that pay should reflect performance. The board believes that Galliford Try has the right structures in place to align our executive team's rewards with shareholders' interests and the long term success of the business.

People

Galliford Try could not have achieved its recent performance without the skills, hard work and dedication of our people. The growth in housebuilding and the continued good performance in construction reflect their efforts, and I thank them on the board's behalf.

During the year, our company secretary Richard Barraclough retired after 22 years with the Group. Frank Nelson, our finance director, also announced his intention to retire at the end of September 2012, by which time he will have completed 25 years with us. Both have made a significant contribution to Galliford Try and we wish them well for the future.

The board was delighted to welcome Kevin Corbett as company secretary and legal director, and a member of our executive board. Kevin joined us from AECOM Limited, where he was Chief Counsel, Global.

Later in the financial year, Graham Prothero will join the board as finance director, and we have put interim arrangements in place until then. Graham joins us from Development Securities PLC, where he is Finance Director.

Conclusion and outlook

This year's excellent performance sets the baseline for the future. The board has a clear strategy in both housebuilding and construction, which will serve us well in the market conditions we expect to face in the coming years.

The Group is financially robust, has a unique business model and real competitive strengths throughout its operations. This gives us a sound platform from which we can make further progress.

Ian Coull
Chairman

Achieving our strategic objectives

This year saw us exceed our three-year housebuilding growth plan and deliver a further solid performance in construction. Both businesses have strong positions and the right strategies to succeed.

Strategy and progress

In 2009, we set an ambitious goal of doubling the size of our housebuilding division by 2012. The aim was to create a business that could deliver around 3,000 units a year, requiring us to build up our management resources and strengthen our market position in the south of the country, by investing the proceeds of our 2009 rights issue in attractive sites.

I am delighted to report that we have achieved everything we set out to do – and more. In 2012, we delivered 3,039 units of housing and the Group achieved a profit before tax of £63.1 million, ahead of the £60 million we targeted back in 2009.

Our new strategy for housebuilding will deliver disciplined growth, focusing on the more robust southern market, where we currently have around 80% of our business. This will allow us to:

- leverage our Linden Homes brand, which is recognised for high-quality, individually designed developments;
- focus on prime sites in prime locations;
- boost our strategic land development activities;
- minimise our reliance on consortium or major greenfield sites;
- reduce our execution risk, by focusing on areas with greater demand and higher selling prices; and
- increase our housebuilding margins, by maximising the efficiency and effectiveness of our operations. We are aiming to add an incremental three percentage points to our housebuilding operating margin by the end of 2015. This will be mainly realised on new sites with the margin benefit coming through more strongly in the financial year 2014/2015 and beyond.

In construction, we expected conditions to be difficult and we were proved right. Our strategy continues to be based on winning work in markets where there are barriers to entry and we are able to add value for our clients, thus earning an appropriate margin. In the context of difficult markets, construction had an encouraging year and met our expectations, winning a number of important contracts. We believe that we are well positioned to resume growth when markets allow.

This strategy will enhance the quality of our earnings and improve our cash flow, enabling us to pay the substantially increased dividend described by the chairman on page 04.

Sustainability

The importance of sustainability to our business is reflected in our vision: 'to be leaders in the construction of a sustainable future'. We recognise that our long term success depends on contributing economically, environmentally and socially to the communities in which we operate.

More and more, the innovative solutions we offer to our construction clients make an important contribution to their sustainability. In housebuilding, we help create vibrant communities and provide properties that meet or exceed strict environmental standards. As in previous years, we received excellent feedback in our customer surveys in both businesses.

Sustainability also means that we must work in the right way. Galliford Try has industry leading levels of health and safety and we continue to look for ways to do better. During the year, for example, we launched a dynamic new brand, toolkit and coaching for our behavioural safety programme called 'Challenging Beliefs, Affecting Behaviour'.

We also made further progress with our environmental performance. Having set a target of a 15% reduction in our carbon emissions intensity by the end of 2013, we were pleased to have achieved an 11% reduction by the end of 2011.

More information about our approach to sustainability and performance can be found on pages 36 to 41 and in our separate sustainability report.

People and culture

I want to sincerely thank everyone in Galliford Try for their hard work and contribution to our success this year. Conditions have often been tough but the Group is resilient and financially sound and our reputation is as strong as it has ever been. I believe that the Group is a good place for our people to develop their careers. We value long service and have numerous employees who have been with us for many years.

Part of our attraction as an employer is our straightforward, people-oriented culture. We aim to treat our people and clients fairly, and to live by a strong set of values: excellence, passion, integrity and collaboration. The most effective way of embedding these values is for our employees to see them in action, in the day-to-day decisions we take throughout the business and in the way we interact with each other. We also make sure that we share our success stories, to reinforce our values and spread good practices.

Outlook

Both housebuilding and construction are in strong positions with clear strategies going forward and are well placed to benefit from opportunities in their respective markets. At the year end, housebuilding had secured all the land it will need for 2013 and around 87% of its 2014 requirements. The business also had a good level of sales in hand, at £273 million.

Construction enjoys good levels of visibility, having secured 82% of its projected workload for 2013 whilst maintaining its order book at £1.65 billion. 2013 will be one of the peak years for work in the water sector under the AMP5 frameworks, which will help offset lower activity in other construction markets.

We welcome the Government's initiatives to stimulate housebuilding and the construction market.

Overall, we are pleased with the Group's position as we enter the next financial year with the board confident about the opportunity to deliver further growth and create further shareholder value.

Greg Fitzgerald
Chief Executive

Excellent financial results

The Group delivered an excellent performance. We exceeded the profit target we set at the time of our 2009 rights issue, while our cash focus has put us in a strong financial position to significantly improve shareholder returns under the new, disciplined strategy.

Financial highlights

- Profit before tax up 80% to £63.1 million;
- Equity up by £23 million to £478 million;
- Net tangible assets up by 6% to £352 million;
- Continued strong cash performance, with construction's cash balance of £146 million contributing to Group net cash of £23 million at the year end;
- Investment in housebuilding developments, including joint ventures, grew to £795 million, with net capital employed of £545 million.

Results

For the year to 30 June 2012, Group revenue was up 17% to £1,504 million (2011: £1,284 million). Revenue including joint ventures rose 18% to £1,576 million (2011: £1,336 million).

Profit from operations, which is stated before finance costs, share of joint ventures' interest and tax, exceptional items and tax, was 77% higher at £77.1 million (2011: £43.6 million). Profit before tax was £63.1 million (2011: pre-exceptional: £35.1 million; post-exceptional: £41.7 million).

Segmental analysis

Housebuilding

Housebuilding revenues grew by 64% to £636.7 million (2011: £388.5 million), as we successfully completed our three-year expansion plan.

Managing our strategic land portfolio is an integral part of our housebuilding business and the Group therefore regularly generates revenues from land sales. During the year we generated £24 million of revenue from land sales.

We achieved a gross margin in housebuilding of 17.6%, including land sales, compared with 16.1% in 2011. Profit from operations increased by 138% to £75.1 million (2011: £31.6 million). The operating margin, including land sales, was 11.8% (2011: 8.1%). Return on net assets of 15.1% (2011: 6.2%) is upper quartile performance.

Construction

Our construction business remains focused on generating margin and cash. Revenue during the year was £924.8 million (2011: £936.9 million).

Profit from operations was £18.9 million (2011: £22.2 million), representing a margin of 2.0% (2011: 2.4%).

Within the division, building contributed profit from operations of £8.4 million (2011: £10.4 million), with margins slightly lower at 2.3% (2011: 2.4%). Partnerships achieved a profit from operations of £1.7 million (2011: £1.9 million), increasing its margin to 1.9% (2011: 1.5%). Infrastructure contributed profit from operations of £8.8 million (2011: £9.9 million), and saw its margin decline to 1.9% (2011: 2.6%), in line with our expectations.

PPP Investments reported a loss from operations of £1.1 million (2011: loss of £1.0 million), as a result of bid costs for three large projects. The loss included a profit of £2.6 million on the sale of our remaining interest in the St Andrews health project in July 2011.

Exceptional items

There were no exceptional items during the year.

Profit before tax in the year to 30 June 2011 included a £6.6 million exceptional credit, after a Competition Appeal Tribunal judgement reduced a fine imposed by the Office of Fair Trading in 2009 for cover pricing between 2001 and 2004.

Taxation

The effective tax rate was 21.9% (2011: pre-exceptional: 25.4%; post-exceptional: 21.3%). The reduced tax rate is due to utilising tax losses in former joint ventures, of which we acquired full ownership. We believe this rate is sustainable into the medium term.

The Group has an established relationship with HM Revenue & Customs and we seek to identify, provide for and settle all anticipated tax liabilities either in advance of or at the time that they crystallise.

Earnings and dividend

Earnings per share were 60.9 pence (2011: pre-exceptional: 32.2 pence; post-exceptional: 40.3 pence). Details of the calculation of earnings per share can be found in note 8 to the accounts, on page 78.

As discussed in the chairman's statement on page 04, the board has announced an enhanced dividend policy, reflecting the expected increase in the Group's cash generation. The directors are recommending a final dividend of 21 pence per share in line with the new dividend policy which, subject to approval at the annual general meeting, will be paid on 16 November 2012 to shareholders on the register at 5 October 2012.

With the interim dividend of 9 pence per share paid in April, this will result in a total dividend of 30 pence per share, an increase of 88% over the previous year. The cost of the final dividend is £17.2 million, resulting in a total relating to the year of £24.6 million.

Cash and equity

We continued to maintain our focus on cash management, with a net cash balance at the year end of £23 million (2011: £36 million).

Construction held significant cash balances throughout the year, and had a cash balance of £146 million at 30 June 2012 (2011: £217 million). Housebuilding requires net investment and the net year end capital employed in developments and housebuilding joint ventures was £545 million.

Total equity increased by £23 million to £478 million, while tangible net assets increased by £21 million to £352 million. This represented tangible net assets per share at 30 June 2012 of £4.30 (2011: £4.05). Group return on net assets, being profit before tax, finance costs and amortisation compared to average net assets, increased to 15.5% from 8.6%.

Pension and share scheme costs

The total cost of pensions charged to the income statement in the financial year was £14.3 million (2011: £10.4 million).

Under IAS 19 'Employee Benefits' there is a small deficit in the Group's final salary pension schemes. This was calculated at 30 June 2012 by an independent, qualified actuary. The gross deficit recognised on the balance sheet is £0.2 million (2011: surplus £3.2 million). The change in the year mainly reflects market movements in bond yields used to discount future liabilities.

The last valuation of the Galliford Try Final Salary scheme, at 1 July 2009, showed a deficit of £48.0 million. The 1 April 2010 valuation of the Galliford Group Special Scheme showed a deficit of £0.6 million. The Company makes annual deficit funding payments of £7.0 million and £0.2 million respectively to these schemes. Further details of the Group's pension arrangements can be found in note 33 on page 98.

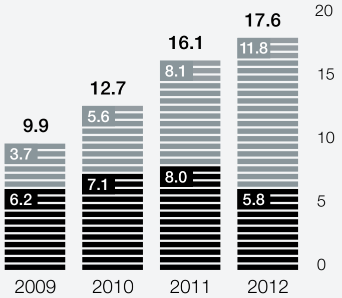
Amounts charged to the income statement in respect of employee share schemes during the year amounted to £8.5 million. As noted in last year's report, the results for this year include a £5.1 million charge in respect of the March 2012 vesting of awards under the Company's Long Term Incentive Plan. Further details can be found in the remuneration report on page 50 and in note 30 on page 95.

Capital management and investment

As discussed above, construction continued to maintain significant cash balances during the year, while housebuilding requires net investment. Combined, the two businesses minimise the need for external finance.

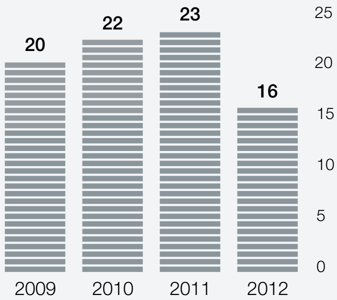
The Group has a £325 million revolving credit facility with HSBC, Barclays and The Royal Bank of Scotland. This offers long term finance and bonding facilities at competitive rates, and ensures a comfortable margin over the Group's projected working capital requirements until 2015. >

Finance review

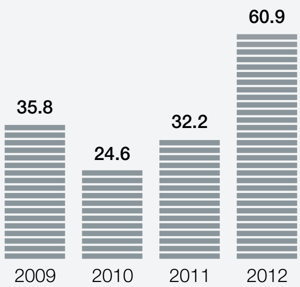


Housebuilding – gross margin progression (%)

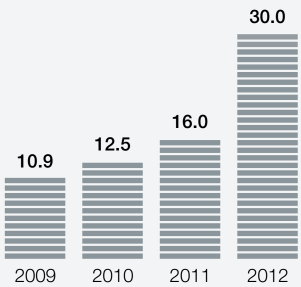
Operating margin
Overhead



Construction – cash as % of revenue



Group – earnings per share (p)
pre exceptional items



Group – dividend per share (p)

The facility is subject to covenants over interest cover, gearing, adjusted gearing taking account of land creditor debt, and minimum consolidated tangible assets. We continue to operate well within these covenants. The facility takes security against certain of the Group's housebuilding development sites. Interest is calculated by aggregating margin, LIBOR and relevant costs.

Although the Group continued to have year end net cash, as noted above, overall debt levels fluctuate throughout the year. Average debt during 2012 was approximately £114 million (2011: £40 million).

We continue to forecast that Group gearing will remain at acceptable levels and within the parameters that the board has established.

Treasury management and risks

The Group operates under treasury policies and procedures approved by the board. Our financial instruments principally comprise bank borrowings, together with cash and liquid resources that arise directly from our operations. We do not trade in financial instruments.

The Group finances its operations through a mixture of retained profits and bank borrowings. We have rigorous controls in place to ensure we maintain borrowings at an acceptable level. On a daily basis, we aggregate the bank balances or borrowings in all the Group's operating companies into a total cash or borrowing figure, so we can obtain the most advantageous offset arrangements and interest rate.

The main risk arising from our financial instruments is interest rate risk, which the board reviews regularly. Our policy is to accept a degree of interest rate risk, as long as the effect of rate changes remains within prescribed ranges. During the year the Group entered into a swap agreement which has the effect of fixing £75 million of borrowings at a rate of 1.5% for five years. This agreement replaced a previous swap, which expired in February 2012.

All of our material activities take place in the United Kingdom, so we face 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 at 30 June 2012.

Critical accounting policies and assumptions

Goodwill and intangibles

The Group's carrying values for goodwill and intangibles were £115 million (2011: £115 million) and £11.8 million (2011: £9.0 million) respectively at 30 June 2012. The increase in intangibles during the year reflects the investment of £3.8 million in our new financial management systems, less amortisation.

Our finance team tests these carrying values for impairment on an annual basis. The calculations use pre-tax cash flow projections, based on three-year financial budgets approved by our divisional management teams.

The key assumptions within these budgets relate to the discount rate, revenue growth and profit margins. The calculations were carried out following the year end and found no need to record any impairment of these assets. Further information about impairment testing 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 £24.3 million at 30 June 2012 (2011: £20.0 million).

The shared equity receivables largely have non-fixed repayment dates and variable repayment amounts, 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 we use are the date of final repayment of the receivable, house price inflation and the discount rate. These variables are largely outside our control and we monitor them on a regular basis, to ensure that we change the assumptions if required.

There were no significant changes to the Group's critical accounting policies or assumptions, which are set out in note 1 to the financial statements on page 66.

Going concern

The Group's statement of going concern, together with further related information, can be found in the directors' report on page 59. The key risks and uncertainties that could affect the Group's future financial performance are detailed on pages 34 to 35.

Frank Nelson
Group Finance Director

Strength in diversity

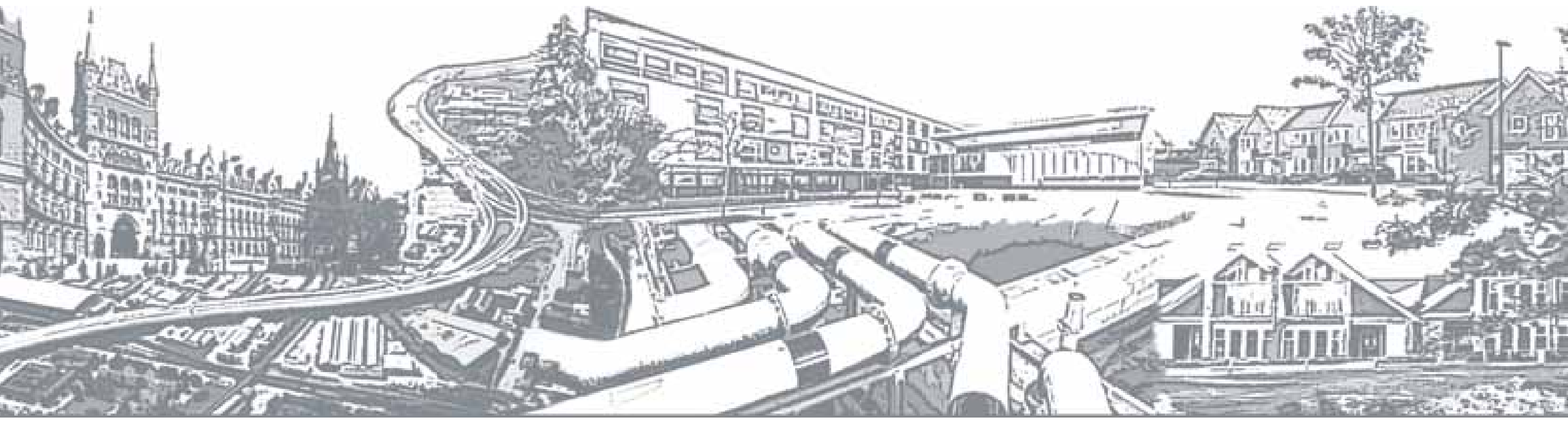
Our diverse business and integrated service offering mean our clients, partners and customers can rely on seamless solutions, one set of values, scale and specialism, financial strength and, ultimately, confidence in delivery.

Building for the Future at K College

Providing modern education and training facilities for 5,000 students, K College in Kent forms one of the largest projects of its kind. Throughout the project, we maintained a strong relationship with the college by providing on site construction trade experience and sponsoring its HND awards.

Engaging the Community at Freshney Green

Community engagement has been a key theme throughout the regeneration of the former Yarborough Estate in Grimsby. A strong relationship with local residents and stakeholders has included school visits, masterplanning sessions, fun days, streetnaming competitions and the sponsorship of local projects.



Innovation at St Pancras Renaissance London Hotel

One of the UK's most high profile restoration projects, St Pancras Renaissance London Hotel demonstrates the use of innovative building techniques within a busy city site.

Committed to Excellence at the M74

The largest roads project ever to be carried out in Scotland, the £445m M74 Completion Project won Construction News' award for "Best Project over £50m". The scheme is a recent example of a long-established relationship with Transport Scotland and its predecessors which spans more than 30 years.

A Valued Partner of United Utilities

We have worked with United Utilities since 2003. Our current contract, in joint venture and covering the AMP5 period, runs from 2010 to 2015. The framework for £400m of capital works in the North West of England consists primarily of improvements to water processing plants.

Prime Locations at Boxgrove Gardens

Situated in the south east of England where Linden Homes has a strong focus, Boxgrove Gardens will feature 200 signature homes. The development, set in the desirable and historic town of Guildford in Surrey, has excellent rail links to London and easy access to the A3, and the airports at Gatwick and Heathrow.

Scale and Specialism at Olympic Park

Our works at the London 2012 Olympic and Paralympic Games included the remediation of the northern area of Olympic Park; the build of Lee Valley White Water Centre; civil engineering works at both the Basketball Arena and Eton Dorney Rowing Centre, and contracts to build part of the Athletes' Village and post-games remodelling for legacy use.

Carbon Negative First in South Shields

The homes at Sinclair Meadows, the UK's first carbon negative social housing project, have been built to exceed the highest "Code for Sustainable Homes" rating (Level 6).

Green Living at Graylingwell Park

The UK's largest carbon neutral development, Graylingwell Park in Chichester, West Sussex sets the benchmark for sustainable living. Winning a raft of awards for its environmental sustainability including "Best Sustainable Development" from What House?, the development features its own energy centre.

Regenerating Roden Court

Redeveloping an existing site, Roden Court in Haringey, East London provides 136 homes for private sale, extra care and affordable rent. The scheme uses on-site renewable energy sources to produce 10% of its own energy requirements. It has won the "Transformation Award" at Inside Housing's Sustainable Housing Awards and London Evening Standard's New Homes Award for "Affordable: Best New Development".

Individual Design at Two Coves

Winner of "Best Design" at the 2011 Housebuilder Awards, this sensitively designed development in St Austell, Cornwall complements its scenic coastal surroundings and provides direct access to the beach.

Outstanding Collaboration at The Hive

The Hive in Worcester brings together Galliford Try's investment and construction expertise to deliver the highest ever BREEAM scoring library and the first to receive the "Outstanding" rating.

Outline structure and major operating businesses

GALLIFORD TRY plc

- **GROUP SERVICES**
  - Health, Safety & Environment
  - Human Resources
  - Finance & Corporate
- **HOUSEBUILDING**
  - **PRIVATE HOUSING**: Linden Homes
  - **AFFORDABLE HOUSING**: Galliford Try Affordable Homes
- **CONSTRUCTION**
  - **BUILDING**: Galliford Try Construction; Morrison Construction
  - **INFRASTRUCTURE**: Galliford Try Infrastructure; Morrison Construction
  - **PARTNERSHIPS**: Galliford Try Partnerships
  - **PPP INVESTMENTS**: Galliford Try Investments

Our business model

The Group's activities are spread across two different but complementary industry sectors, housebuilding and construction. This gives us a number of financial and operational advantages, mitigates business risk and offers the flexibility to maintain and develop our business through economic cycles, optimising our ability to deliver returns to shareholders.

Reduced reliance on any one sector
Housebuilding and construction serve different markets. Housebuilding sells directly to the public, and to housing associations and local authorities. Construction's clients range from Government departments to regulated utilities and private sector companies. The financing that supports our home purchasers and construction clients comes from different finance models and sources. This reduces our reliance on any one sector.

Complementary financial profiles
Our businesses have complementary financial profiles. Housebuilding requires cash to buy land and to pay for development, before the homes can be sold to generate cash and profit. All effectively run construction businesses generate cash from clients' monthly or milestone payments for work completed. Housebuilding therefore generates attractive profit margins while managing the cash locked up in the business, while construction produces relatively low margins but generates investment cash. Together, the two businesses minimise our need for external debt finance.

Competitive advantage through business diversity
The diversity of our businesses gives us a competitive advantage. For example, we can offer whole-life solutions to major projects, remediating land, putting in the site infrastructure and designing and constructing public or commercial buildings. Our housebuilding business can then develop private or affordable homes on the same site, thereby offering a complete package to our development partners.

Our construction business also increasingly supports housebuilding, enabling it to build on attractive but complex sites and those that involve significant commercial elements. Construction also provides sustainability expertise to housebuilding through its renewable energy business Regeneco, and offers construction services, for example the piling services that prepare sites for development.

Reduced impact of economic cycles
The construction and housebuilding markets operate in different economic cycles. Housebuilding is an early-cycle business, as the market adapts quickly to changes in the economy. Construction is late cycle, as the impact of clients' purchasing decisions is typically made over a much longer timeframe and most contracts last for well over a year. This means that when one of our businesses turns down, the other remains strong, reducing the impact of the economic cycle on our performance. This has been particularly beneficial in recent years.

Our markets

Housebuilding
The balance of supply and demand drives the housing market. The UK housing shortage is well documented by the Government and other forecasting agencies, with an estimated 250,000 new homes needed each year to meet rising demand. However, total industry completions are well below this level and have averaged around 100,000 units in the last few years.

The long term demand for housing is driven by demographic changes, with the UK's population both increasing and living longer, and the proportion of single-person households growing. The market is geographically sensitive, with the strongest demand in areas where the economy is performing well and jobs are available. The availability and terms of finance, whether through mortgage facilities for individuals or through grants or other financing for affordable housing providers, can also have a considerable effect on demand.

At the same time that underlying demand is rising, supply is relatively constrained. The availability of development land is finite across the UK and competition for alternative use is highest where the economy is strongest.

Government policy, and the support for affordable homes to meet regeneration objectives, affects both demand and the regulatory framework within which the industry operates. The process for securing planning consents for housing developments can be complex, lengthy and expensive, and while the National Planning Policy Framework is designed to make the process simpler and more accessible, it has only recently been published. As a result, its impact is yet to be fully realised.

The housing market's operation during the year is discussed further in the housebuilding review on page 18.

Construction
The construction market is driven by our clients' investment programmes.

In the public sector, the volume of work depends on the need to improve the country's infrastructure and the Government's ability to finance it, either directly or by attracting private sector funds. Many projects are long term, such as the Forth Replacement Crossing, which will provide work for the Group until 2016. Other programmes drive expenditure through bodies such as the Environment Agency, with which we have a long term framework. Our PPP investments business is dependent on both the need for private sector financing to deliver public investment plans, and the availability of a politically acceptable financing model.

The investment plans of regulated utilities are driven by the need to deliver agreed service levels to their customers, as well as the demands of their regulators and European policy directives. Much of this work is delivered through long term asset management programmes, such as the AMP5 programme in the water industry, providing steady work for chosen contractors such as Galliford Try.

Private sector work depends on companies having the confidence to invest, which is linked to the strength of the economy and issues such as the Eurozone crisis, as well as the availability of finance. Large organisations, such as those in the property, retail and leisure sectors, have long term development plans that need consistent, high-quality delivery that Galliford Try can provide.

Current conditions in the building, infrastructure and affordable housing contracting markets are discussed in the construction section of this report, on page 26. >

UK market data, 2011

Housebuilding

	Market size		Completions		New home starts	
Sector	£bn	% change	000's	% change	000's	% change
Private housing	16.4	10.8	107	0.5	103	-1.9
Public housing	4.9	0	32	7.8	26	-15.6
Total	**21.3**	**8.7**	**139**	**2.1**	**129**	**-5.0**

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

The 8.7% increase in the overall size of the housebuilding market in 2011 followed growth of 23% in 2010. There was a small rise in the number of private sector housebuilding completions, while the number of public sector completions rose more markedly. The number of UK housing starts in 2011 reduced, in particular across the public housebuilding sector, from revised 2010 data.

In the first half of 2012, private housing completions registered by the National House-Building Council declined 2% to 39,836 in comparison with 2011 (40,700), and public housing completions fell by 48% from 23,132 to 11,962 over the same period.

Gross mortgage lending in 2011 was £140.7 billion, up 4.0% from 2010 and down 61.2% from 2007. In 2012 gross lending was £67.9 billion in the six months to June, an increase of 6.6% from the equivalent period in 2011. The CML forecasts both gross and net lending to reduce to £133 billion and £5 billion respectively in 2012, reflecting the weaker wider economic backdrop.

Construction

	Market size		New orders 2011	
Sector	£bn	% change	£bn	% change
Infrastructure	15.3	13.3	7.2	-21.7
Public	13.4	-7.0	8.7	-36.0
Industrial & Commercial	27.9	1.8	15.6	-4.9
Total	**56.6**	**2.4**	**31.5**	**-19.6**

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

The construction market data confirms that the overall market in 2011 remained broadly similar to 2010 levels, with an increase in infrastructure markets offsetting a significantly reduced public sector market. The industrial and commercial sector grew by 2% in 2011, strengthening the positive trend established in 2010.

New orders placed in 2011 show all three construction sectors seeing clear reductions in future workloads, with the 36% reduction in public sector new orders reflecting the impact of the Government's comprehensive spending review in 2010. The industrial and commercial sector new order book fell to a lesser extent, by 4.9% on the previous year, contributing to the difficult construction markets in 2012 that the Group is delivering strong performance against.

Strategy

Our long term aim is to secure a top five position in housebuilding and grow the construction business when markets allow. Currently we are a top five housebuilder and top 10 in construction.

Housebuilding

Our strategy is to follow a disciplined approach to land acquisition and housebuilding, in regions and market segments where we have significant expertise and experience. This allows us to:

- focus on further margin improvement rather than volume growth, improving the quality of earnings and reducing risk;
- preserve Linden Homes' brand position, based on quality, individually designed developments, further grow its strategic land development and maintain minimal reliance on consortium or major greenfield sites;
- retain the housebuilding division's predominantly Southern bias, so it maintains its strength in its existing, more robust markets and reduces execution risk for future developments.

Construction

In construction, our emphasis is on delivering an upper-quartile profit margin and industry leading cash balances, accepting that revenues will be lower during the downturn in the economic cycle. Our aim is to maintain the business's structure and resources at a level that will allow us 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 large-scale infrastructure projects, publicly funded initiatives in Scotland, and private sector opportunities across the UK;
- further develop our existing long term client relationships.

Strategic strengths

The Group has a number of strengths that underpin our ability to deliver our strategy. These are outlined below.

Financial position

Our balance sheet had total equity of £478 million and tangible net assets of £352 million at 30 June 2012. We also have a £325 million bank facility, which is committed until 2015. This gives us the ability to invest in land and work in progress in housebuilding, and provides the covenant strength that construction needs to undertake the significant projects that will deliver our profit and cash objectives.

Client focus

We understand the importance of maintaining our leading customer satisfaction levels in housebuilding. In construction, we have a track record of building long term relationships with clients across our markets. We aim to further develop 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 achieved through selection based solely on price.

Innovation and sustainability

Our sustainability agenda encompasses working with construction clients to deliver their environmental and sustainability objectives. Housebuilding is working towards building homes that either meet or exceed the sustainability standards required from the industry.

Effective supply chain management

As a project-based business, our strong relationships with consultants, subcontractors and suppliers are crucial in maintaining the continuity and quality of our services.

Group performance measurement

We measure our performance against strategy through a number of financial and non-financial key performance indicators (KPIs), which are regularly reported to the board.

Financial KPIs

Our financial KPIs are:

- pre-exceptional profit before tax and earnings per share, which demonstrate the delivery of our growth and margin targets;
- the dividend per share, which shows our ability to deliver a return to shareholders;
- year end net cash or debt, showing our ability to generate cash in construction and to manage housebuilding's use of capital.

Non-financial KPIs

Our non-financial KPIs are:

- the accident frequency rate, which shows our health and safety performance, and is the top priority across the Group;
- the level of voluntary staff churn, which measures employee retention and reflects our need for high-quality, motivated people to deliver our strategy.

Group: Key Performance Indicators

Objective	Measure	2012 Performance	Comment
Health and safety To ensure our operations are carried out safely, with care and without causing injury.	The accident frequency rate, which is the total number of reportable accidents in the year per 100,000 hours worked.	Continued improvement 0.22 0.19 0.18 2010 2011 2012	Our focus on health and safety delivered a further improvement in performance. More information on our approach can be found in the sustainability section on pages 36 to 41.
Profit before tax To achieve an increase in profit before tax each year.	Profit on ordinary activities in £m, excluding exceptional items and stated before tax.	Up by 80% 26.1 35.1 63.1 2010 2011 2012	Housebuilding profits rose substantially as we successfully delivered our expansion plan. As expected, construction margins were lower but remained top quartile for the industry.
Earnings per share To provide long term growth in earnings per share.	Earnings per share in pence, based on profit attributable to ordinary shareholders before exceptional items, divided by the average number of shares in issue during the year.	Up by 89% 24.6 32.2 60.9 2010 2011 2012	The growth in housebuilding profits was the main contributor to the significant increase in earnings per share.
Dividend per share To deliver a progressive and sustainable dividend.	The sum of the interim dividend and the proposed final dividend, in pence per share.	Up by 88% 12.5 16.0 30.0 2010 2011 2012	Our new housebuilding strategy will contribute to greater cash flows, allowing us to pursue a progressive and sustainable dividend.
Cash and capital management To minimise Group net debt by generating the optimum cash balances in construction and managing investment in housebuilding developments.	Net cash or debt at the year end, in £m. The net cash or debt position is monitored weekly during the year.	Ahead of expectations 76.5 36.3 22.5 2010 2011 2012	We maintained a strong balance sheet, despite continued investment in our housebuilding business. Construction cash balances were £146 million, representing 16% of the division's revenue.
Staff churn To attract and retain the highest calibre of employees, by being an employer of choice.	The number of employees who voluntarily leave the Group during the year, as a percentage of the average number of employees in the year.	Maintained 7.0 8.7 9.4 2010 2011 2012	The level of staff churn was broadly stable during the year, showing that we are able to retain employees while still having a steady inflow of new people.

Focused on quality and design

Under our acclaimed Linden Homes brand, we deliver award winning high-quality homes with individual design and attention to detail, in the most sought-after locations.

Ian Baker
Group Managing Director, Housebuilding

With dedicated customer service, we are one of the UK's leading housebuilders. We create distinctive schemes primarily in the South and East of England, with homes that are renowned for their expert build and high specification, and encourage a more sustainable way of living.

2012 Achievements

- Homes completed: **3,039**
- Sales in hand: **£273m**
- Average private sales price: **£250,000**
- Landbank: **10,500 plots**

Award-winning homes in prime locations

The individually designed homes at King Harry Park offer residents the serenity of a secluded St Albans location, combined with excellent communication links and direct rail services to London in just 20 minutes. Developments such as this have led to Linden Homes being named Building magazine's 'Housebuilder of the Year'.

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

Overview

Galliford Try develops homes predominantly across the South and East of England. Our activities encompass private housing for sale to the public and developments 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 near market business, and we operate on a regional basis with local management teams that have in-depth knowledge of their markets and the factors that drive the requirement for homes within them. We produce distinctive designs that meet local needs and set the standard in their areas.

	2012	2011
Revenue (£m)	**636.7**	388.5
Profit from operations (£m)	**75.1**	31.6
Operating profit margin (%)	**11.8**	8.1
Completions	**3,039**	2,170

Market

Market conditions remained mixed during the year. While trading in much of the country was challenging, the housing market in the South East was robust. Conditions in the South West and the Midlands were generally stable. Some areas in the North of England were better than expected and we took the decision to reposition our northern business, focusing on areas with greater demand such as York and Leeds.

Access to mortgage finance remains an issue for many buyers. We have worked with lenders to provide affordable borrowing to customers and welcomed the Government's new housing strategy, which makes 95% mortgages available to first-time buyers through high street lenders.

The problems that first-time buyers have had obtaining mortgages means that housebuilders have been targeting purchasers who already have equity, typically second- or third-time buyers who are looking for a three or four bedroom home. Approximately 70% of our sales are to these buyers, compared with the industry average of 60%.

In affordable housing, 2012 was a transitional year as clients and commissioners adjusted to the introduction of a new form of tenure called affordable rent, which means that rents of up to 80% of market rents are now classified as affordable. As these rents are typically higher than before, the Government provides lower capital subsidies.

The new National Planning Policy Framework has been introduced and its impact is yet to be realised. At the same time, welfare reform means that affordable rented tenants who have homes that are larger than they need are seeing a commensurate reduction in housing benefit.

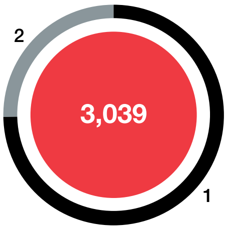
Taken together, these factors add up to the biggest change in the affordable housing market for 30 years, and organisations in the sector have had to make significant adjustments to their plans. As a result, there was a noticeable fall in the commissioning and tendering of work in the first half of the financial year. Activity then picked up rapidly as registered providers made the transition and adjusted their business plans. >

Housebuilding: Key Performance Indicators

Objective	Measure	2012 Performance	Comment
Completions To increase the number of completions to around 3,000 in 2012.	The total number of homes that have been legally completed, including our share of completions by our joint ventures.	Up by 40% 2010: 1,705 2011: 2,170 2012: 3,039	We exceeded our target, completing 3,039 homes during the year.
Profit from operations To significantly increase profit from operations under the three-year expansion plan to 2012.	Profit on ordinary activities in £m, stated before finance costs, exceptional items, amortisation and our share of joint ventures' interest and tax.	Up by 138% 2010: 17.6 2011: 31.6 2012: 75.1	The growth in the number of completions from new land drove substantially higher profits during the year.
Operating profit margin To deliver an operating margin that is upper-quartile for the sector.	Profit from operations as a percentage of revenue.	Up by 46% 2010: 5.6% 2011: 8.1% 2012: 11.8%	The proportion of sales made from land acquired at current market values continued to increase, further enhancing our profit margin.
Investment in developments To control the capital invested in developments, in line with the Group's strategy.	Total investment in developments and housebuilding joint ventures, in £m.	Up by 18% 2010: 575 2011: 678 2012: 795	Investment in land and work in progress grew, as we delivered the final year of the expansion plan.
Landbank To acquire the increased landbank required to meet the expansion plan.	The total number of owned and controlled plots in the landbank.	Up by 2.4% 2010: 9,600 2011: 10,250 2012: 10,500	Having entered the year with the plots we needed to complete the expansion plan, we continued to add to the landbank, securing the plots we require for 2013 and around 87% of the plots for 2014.
Customer satisfaction To maintain and, where practical, improve customer satisfaction scores.	The percentage of our home buyers who would recommend us to their family or friends.	Maintained 2010: 97% 2011: 95% 2012: 94%	We continued to generate very high levels of customer satisfaction.

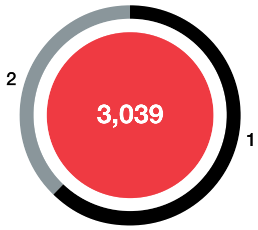
Completions analysis

3,039 homes



By sector

1 Private	**2,272**
2 Affordable	**767**



By landbank

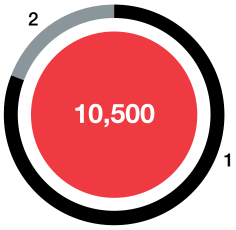
1 From post July 2008	**1,897**
2 Legacy	**1,142**

By area of operation

■ South	**2,396**
■ Midlands/East	**643**

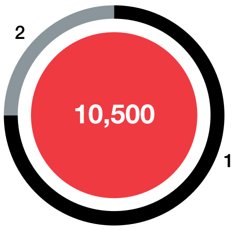
Landbank analysis

10,500 plots



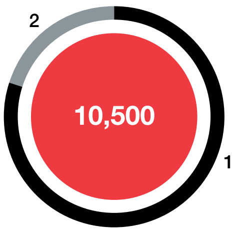
By acquisition period

1 Post July 2008	**8,500**
2 Legacy	**2,000**



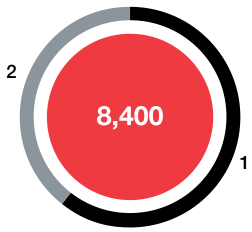
Geographical split

1 South	**7,900**
2 Midlands/East	**2,600**



By sector

1 Private	**8,400**
2 Affordable	**2,100**

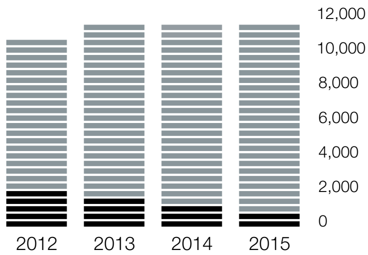


Private sector mix

1 Houses	**5,100**
2 Apartments	**3,300**

Future landbank/completions

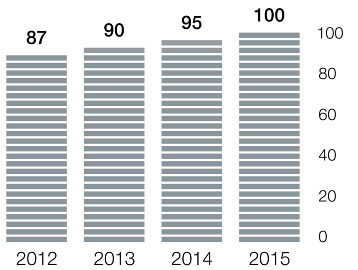
Forecasts to 2015



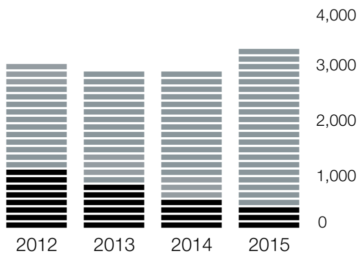
Landbank by acquisition period

■ Acquired post July 2008

■ Legacy



Sales outlets



Completions by period

■ From post July 2008 landbank

■ Legacy

Individual design and sustainable living

Strawberry Meadows in Cheddar, Somerset, takes inspiration from its surroundings to provide signature homes that are also energy efficient.

Strategy

We have outlined our new strategy for housebuilding, which is described on page 06. Over the next few years this will deliver disciplined revenue growth and an increase in margins.

We have a number of advantages that help us to deliver this strategy. These include our:

- ability to create bespoke developments that do not rely on standard house types;
- Southern focus on prime sites in prime locations, together with a diminishing legacy landbank;
- ability to develop brownfield and more challenging sites, aided by the skills and capabilities of our construction division;
- ability to design and build sustainable homes, supported by the specialist skills of Group companies;
- reputation for quality and innovation, and the strength of the Linden Homes brand, which has seen its recognition grow since we consolidated all our operations under the brand in 2011;
- reputation in the land market, where we are viewed as an attractive company to do business with and have an established record of completing transactions.

Performance

The culmination of our three-year expansion plan led to a significant uplift in housebuilding's financial performance. Revenue, including land sales or £24 million, increased by 64%, while gross and operating profit margins were both materially higher at 17.6% and 11.8% respectively, including the effect of land sales during the year. We finished the year with sales in hand of £273 million (2011: £247 million). More information on our financial performance can be found in the finance review on page 08.

Completions rose to 3,039 units (2011: 2,170). Excluding the proportionate share of our joint venture partners, completions increased from 1,988 to 2,788. Private housing completions accounted for 2,272 of the total (2011: 1,446), with an average selling price of £250,000, compared with £227,000 in the previous year. Affordable housing completions totalled 767, up from 724, with an average selling price of £104,000 (2011: £106,000).

The number of active selling sites increased by 11.5% from 78 to 87, with sales per site per week of 0.50, compared with 0.40 last year. Cancellation rates remained broadly level at 18%.

At 30 June 2012, our landbank stood at 10,500 plots. Of this, 81% was held at current market prices, compared with 70% at June 2011. The gross development value of our landbank increased 11% from £2.19 billion (in 2011) to £2.43 billion. The proportion of land remaining at historical prices, on which profit margins and return on capital are lower, has therefore continued to decline. Our strategic land holdings stood at 1,285 acres at the year end, up from 1,200 acres a year earlier.

Throughout the year, we commissioned regular independent surveys of customer satisfaction. This year, 94% of our customers said they would recommend us to their family and friends (2011: 95%), 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. We continue to target the top five star level.

Affordable housing and regeneration

An affordable home is one that can be afforded by people who would not be able to access homes on the open market. These homes can be provided through affordable or social rent, or through shared ownership and shared equity, where the buyer acquires a percentage of the property and pays rent or interest on the remainder. An important part of delivering affordable housing is creating balanced communities. Developments increasingly include a mix of housing for sale, intermediate housing and housing on affordable rents.

Affordable housing is a vital sector for Galliford Try, representing around one quarter of the homes we develop. During 2012, we cemented our position as a leading player in the market by securing direct funding totalling £17 million under the Government's 2011-15 Affordable Homes Programme. This was one of the largest awards made to a private developer. >

Harnessing our strengths

The Regent, in Battersea, London, drew on the capabilities of our housebuilding and construction divisions to regenerate a brownfield site, delivering a stylish scheme in a central city location.

We are one of only six organisations on all three regional clusters of the Delivery Partner Panel. This is the route by which the Homes and Communities Agency, Government departments and many local authorities dispose of public land. Only organisations on the relevant cluster are allowed to bid. We continued to be highly successful with our bids, winning around one in three of those we took to the final stage. Our developments on those sites have a value of more than £225 million and will see us delivering around 1,250 homes.

Another important factor during the year was the growth in our work through joint ventures with housing associations. Joint ventures will be increasingly significant to our clients, as they accept sales risk to cross-subsidise their future investment programmes, and they provide an opportunity for our housebuilding and partnership expertise to add value in optimising development solutions.

In particular, we have established a joint venture with Thames Valley Housing Association called Opal Land. This is within our core region of the South East of England and enables us to work with a well-resourced partner committed to mixed tenure developments, including private sector market rent. This is an area in which Thames Valley Housing Association already has a position through its company, Fizzy Living. We have also established joint venture partners in the North, Midlands and South West.

We continue to look for new ways to support our clients and have introduced a product called Lifecare into the social housing market. This offers a five-year maintenance package to registered providers, giving them certainty over one of their largest costs and providing a steady flow of income for us after we have handed over the properties.

Creating sustainable communities

We work with local communities to ensure our developments meet their requirements as at Northfields in Colchester, Essex; Ogwell Brook in Newton Abbott, Devon and Thornbury Park in Osterley, Middlesex.

PERFORMANCE

Outlook

At present there is no clear trend in house prices and, without external stimuli, the housing market is likely to broadly track the underlying economy. This means that we need to remain vigilant about where we invest and the types of product we provide.

We are pleased by the resilience of the housing market in the South East and this remains our primary area of focus. In addition to our strong position in the South, we are well placed in selected parts of the North and East. Our business is also focused on the middle market, where equity and affordability are greatest.

We must also keep abreast of changes in the mortgage market and, where necessary, continue to work with lenders to develop products that help buyers to purchase a home.

Longer term, the drivers of the housing market remain positive, with a significant imbalance between demand and supply. The number of new homes being built in the UK is well below the number required to meet demand. This makes us positive about the long term prospects for the new homes markets.

In affordable housing, we expect sustained activity under the affordable housing programme, to ensure schemes are delivered by March 2015. The Delivery Partner Panel is being renewed, to facilitate land releases beyond March 2013. Despite increased competition, we will seek to continue to play a leading role in accessing surplus public sector land under the new framework.

Business review: **Construction**

Building on long term relationships

We have a well-balanced spread of work for public and private sector clients. We look to become a valued partner and to build client relationships that are supported and developed into the future.

Ken Gillespie
Group Managing Director, Construction

Our construction business continues to deliver upper quartile performance in difficult market conditions and has secured a number of important contracts in our chosen markets. We are strong in the infrastructure sector and in particular in water, where we are a leading contractor.

2012 Achievements

– Profit margin: **2.0%**
– Cash: **£146m**
– Order book: **£1.65bn**
– Work secured for new year: **86%**

→

Leading in infrastructure

We are a key contractor to the water sector and are known for our ability to undertake large and complex schemes such as the £60 million upgrade of Europe's largest waste water treatment works in Beckton, East London.

In joint venture with Biwater and Mott MacDonald, we are installing odour covers on 16 primary settlement tanks – an area the size of ten football pitches. The project will reduce odour emissions by around 70%.

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

Overview

Our construction business delivers whole-life solutions to projects for the built environment, with its activities covering the full spectrum of building and infrastructure. The business operates mainly under the Galliford Try and Morrison Construction brands, and it is organised into building, partnerships and infrastructure divisions.

Building provides a UK-wide 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, and a growing presence across the rest of the country.

Infrastructure carries out civil engineering projects, primarily in the water, highways, remediation and renewable energy markets, through sector-focused businesses operating across the UK.

	2012	2011
Revenue (£m)	**924.8**	936.9
Profit from operations (£m)	**18.9**	22.2
Operating profit margin (%)	**2.0**	2.4
Order book (£bn)	**1.65**	1.75

Market

UK construction markets remained challenging throughout the year.

Our strong position in the regulated sector continues to stand us in good stead. Regulated organisations such as water companies have capital expenditure cycles which commit them to levels of work over three to five years. This work – which represents more than 40% of our business – continues to come through as planned.

The public sector construction market in England has declined. However, while projects and capital expenditure have both been cut, we have seen some reassessment. The Government has acknowledged the need to return the economy to growth and numerous studies show that infrastructure investment is one of the fastest ways to boost the economy.

In Scotland, we are part of the consortium constructing the Forth Replacement Crossing major infrastructure project. Other significant projects are also planned and being commissioned by the Scottish Government.

The private sector is typically the first part of the construction market to experience the effects of a downturn. Domestic and overseas businesses have cash to invest in the UK but economic uncertainty and the Eurozone crisis are deterring procurement. There is however some activity in leisure and tourism, including a number of hotel projects.

Strategy

Our long term strategic aim is to grow the business and we have therefore positioned ourselves to take advantage of economic and market recovery. In the current conditions and while our markets remain difficult, we continue to focus on margins and cash, accepting lower revenues as we turn away work with unrealistic margins or risk profiles. >

Construction: Key Performance Indicators

Objective	Measure	2012 Performance	Comment
Profit from operations To achieve optimum profits at each stage of an economic cycle.	Profit on ordinary activities in £m, stated before finance costs, exceptional items, amortisation and our share of joint ventures' interest and tax.	As expected 2010: 22.8 2011: 22.2 2012: 18.9	Profit from operations reduced in a challenging market as expected.
Operating profit margin To deliver a sustainable operating margin for the relevant stage of the economic cycle.	Profit from operations as a percentage of revenue.	As expected 2010: 2.4 2011: 2.4 2012: 2.0	Construction performed well in difficult markets and delivered a margin that reflects strong industry performance.
Cash To maintain optimum positive cash balances throughout the year.	Net cash at the year end, in £m. We set cash targets for each construction business and monitor them weekly.	As expected 2010: 206.8 2011: 216.7 2012: 145.5	The business continued to deliver substantial cash balances throughout the year. The year end cash balance was in line with our expectations.
Revenue To maintain revenue at a level that will deliver our profit and cash objectives.	Value of work carried out in the year, in £m.	As expected 2010: 936.5 2011: 936.9 2012: 924.8	We continued to prioritise work with acceptable margins and did well in tough markets. Revenue was supported by rising workloads under the five-year asset management cycle for our water clients.
Order book To secure a balanced, visible and profitable stream of future work.	The total revenue expected to be generated from orders received, in £bn.	As expected 2010: 1.8 2011: 1.75 2012: 1.65	We continued to win important contracts in our chosen markets and ended the year with a well-balanced order book that was in line with our expectations.

We have a number of advantages that help us, including our:

- reputation for delivering high-quality, innovative and sustainable services;
- ability to deliver a wide range of construction services from within the Group, allowing us to take on complex projects and offer whole-life solutions;
- long term client relationships based on our collaborative approach, which makes us their trusted partner;
- spread of business across the public, private and regulated sectors;
- strong position in infrastructure markets, which deliver predictable levels of work through framework contracts; and
- strong position in Scotland, where Morrison Construction is a leading contractor.

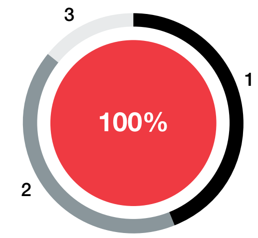
Performance

The division's performance held up well in difficult markets. We delivered a robust margin of 2.0% (2011: 2.4%) and achieved cash balances of £146 million, representing 16% of revenue. We also won important new contracts, as discussed below.

At the year end, our order book was £1.65 billion, compared with £1.75 billion at 30 June 2011. Of this, 44% was in the public sector, 42% was in regulated industries and 14% was in the private sector. Importantly, 57% of our order book is in frameworks and 60% has been secured on a basis other than price competition, showing the success of our strategy.

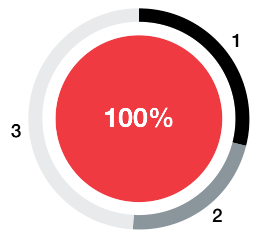
We continued to deliver high levels of client satisfaction, with overall satisfaction standing at 82%, compared with 79% in the previous year. More information on how we work with our clients can be found in the sustainability section on page 36.

Order book



By sector

1	Public	44%
2	Regulated	42%
3	Private	14%



By activity

1	Building	29%
2	Partnerships	22%
3	Infrastructure	49%

Building

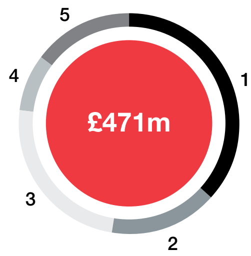
	2012	2011
Revenue (£m)	**363.5**	436.5
Profit from operations (£m)	**8.4**	10.4
Operating profit margin (%)	**2.3**	2.4
Order book (£m)	**471**	673

Building markets have become significantly more competitive but we have taken advantage of our operations in the South of England and in Scotland, where markets have remained more resilient. We also secured some notable projects across the Midlands.

In Scotland, we continue to work on significant public sector projects such as the £57 million Orkney Schools framework and the £300 million ten-year framework for the Scottish South East hub. In London, we won two new contracts in the commercial building sector. Green Property (UK) selected us for a £27 million project to create 100,000 sq ft of category A office space. In addition, Royal London Mutual Insurance appointed us to refurbish and extend 6,500 sq m of office space, in a contract worth £8.9 million.

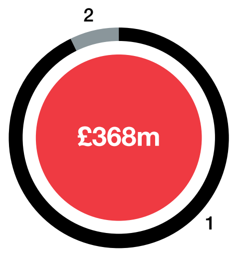
Order book by division

Total £1.65bn



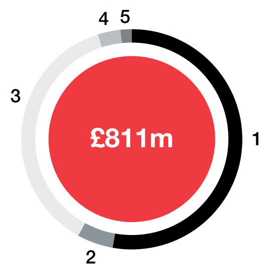
Building

1	Commercial	£173m
2	Education	£75m
3	Facilities management	£115m
4	Health	£39m
5	Other public	£69m



Partnerships

1	Affordable homes	£342m
2	Health	£26m



Infrastructure

1	Water	£430m
2	Civil engineering	£41m
3	Transport	£301m
4	Communications	£26m
5	Renewables	£13m

We handed over our Olympic projects, having played a major role in preparing London for a successful Games. Our involvement included: demolition, remediation and associated civil works on the northern area of the Olympic development zone; foundations and groundworks for the Basketball Arena; constructing 14 accommodation blocks, three landscaped podiums and three car parks in the Athletes' Village; a design and build project at the Lee Valley White Water Centre, involving the construction of two canoe courses and a facilities building; and enhancing existing facilities at the Eton Dorney Rowing Centre, to deliver a world-class 2,200m eight lane rowing course. We also have a 39-year relationship with the All England Lawn Tennis and Croquet Club, which provided the venue for the Olympic tennis at Wimbledon.

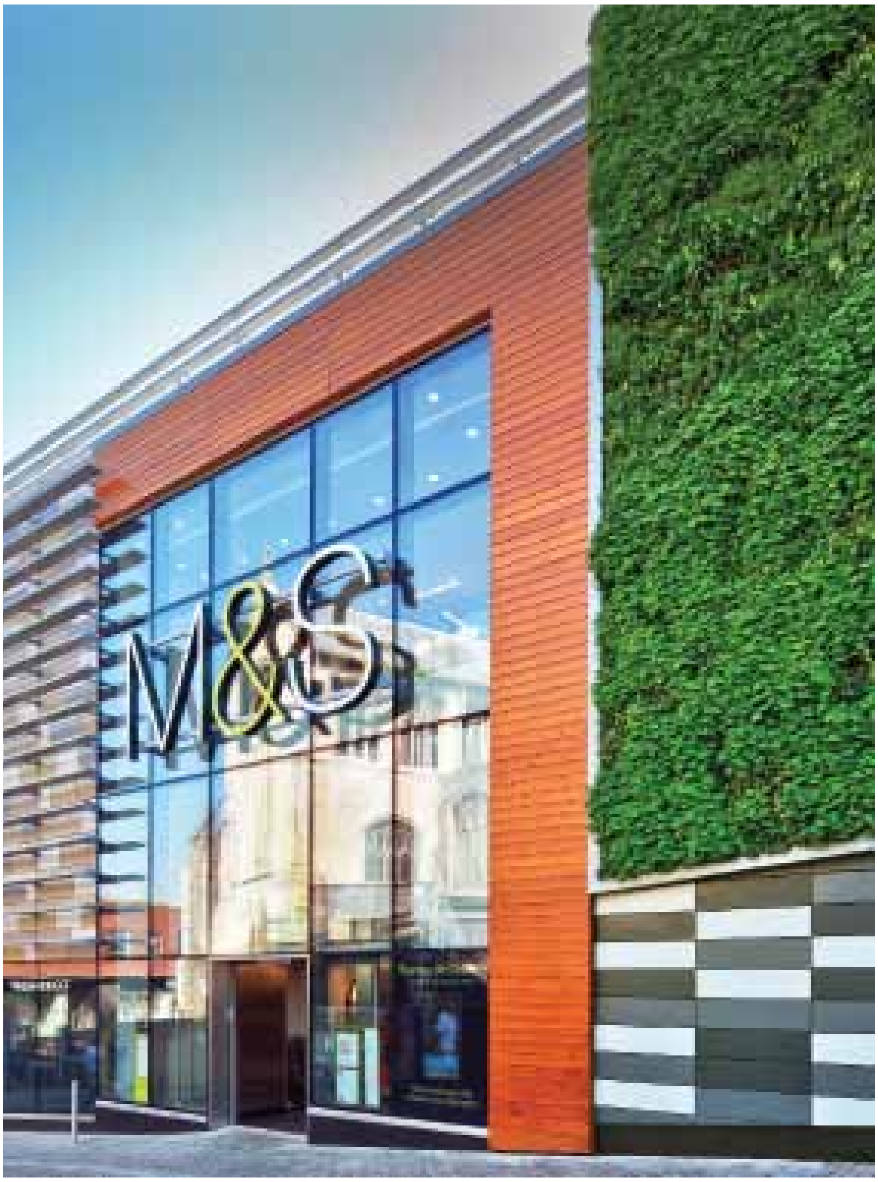
In the Midlands, Genting UK selected us for a £91 million contract to develop 'Resorts World at the NEC', a major new leisure and entertainment complex in Birmingham. The complex will include a casino, hotel, spa, conference and banqueting facilities, a retail outlet centre, a multi-screen cinema, food and beverage outlets and car parking. Completion is expected in early 2015.

We were also engaged by Aviva Investors and Citycourt Estates to construct the new Warwickshire Shopping Park, at Binley near Coventry. The £13.5 million retail park is expected to complete in January 2013 and will feature 24 retail units and community spaces, with Marks & Spencer, Boots and Asda already committed to the project.

Relationships with long term clients are vital to our business, and we were pleased to carry out further work for Marks & Spencer during the year. >

Forming true partnerships

Morrison Construction has worked with Transport Scotland for more than 30 years and is part of the joint venture designing and constructing the Forth Replacement Crossing.



Building responsibly

The redeveloped Marks & Spencer in Norwich features a rain-fed "living wall", using plants to help absorb pollution.

Business review: **Construction**

Excellence in build

Finchley Memorial Hospital in North London is the latest in a line of successful projects built under a Local Improvement Finance Trust (LIFT) partnership scheme.

Partnerships

	2012	2011
Revenue (£m)	**90.4**	123.9
Profit from operations (£m)	**1.7**	1.9
Operating profit margin (%)	**1.9**	1.5
Order book (£m)	**368**	156

Galliford Try is well placed in the affordable housing contracting market. We have strong positions in the South East and North East, and are developing our business in the South West, where we opened an office in 2011. We are also looking at opportunities in the Midlands and North West. Our place on the Homes and Communities Agency's Delivery Partner Panel enables us to take advantage of public land releases.

The market developed slowly in the first half of the year, as clients adapted to the new market rent funding base adopted by the Government. However, activity levels increased in the second half.

We reached financial close on a £27 million development in White City for the West London Local Improvement Finance Trust (LIFT). The development will feature 170 mixed tenure apartments, a new health and social care centre, and community facilities. We also won contracts to build three major developments for housing associations. These were:

- a 60-home mixed tenure project in the Aylesbury Estate area of South London, for London and Quadrant, valued at £8.1 million;
- the St Edmunds Terrace development in North London for The Guinness Partnership, which features a mix of 64 affordable homes and private sale homes, worth £10.4 million in total; and
- the Three Colts Lane scheme in Tower Hamlets, which will see 67 mixed tenure homes provided for Peabody, with a contract value of £10.7 million.

In addition, we reached financial close on the £347 million Gateshead regeneration programme, as originally announced in April 2011. Our consortium with Gateshead Council and housing association Home Group is now finalising a local asset-backed vehicle to build 2,400 homes and associated community facilities, for both private sale and affordable housing. Work is expected to continue over the next 15 years.

Infrastructure

	2012	2011
Revenue (£m)	**470.9**	376.5
Profit from operations (£m)	**8.8**	9.9
Operating profit margin (%)	**1.9**	2.6
Order book (£m)	**811**	921

Galliford Try is a leading contractor in the water sector and our revenues benefited from the second year of the sector's five-year asset management programme. This is typically one of the peak years in the capital expenditure cycle.

New work secured in the water sector included:

- two contracts with Anglian Water, valued in total at £71 million, to construct a water treatment works and two advanced anaerobic digestion plants. The work will be carried out in joint venture with Imtech Process;
- a £17 million contract for Scottish Water, in joint venture with Black & Veatch, for a scheme to collect storm overflows from Kilmarnock town centre and transfer them to Meadowhead waste water treatment works;
- two contracts to upgrade the Blackburn Meadows waste water treatment plant in Sheffield, for Yorkshire Water. The larger contract is worth £31 million and will ensure that Blackburn Meadows meets the EU's Freshwater Fish Directive. The second scheme is worth £18 million and will result in a new mesophilic anaerobic digestion plant;
- a £15 million contract with Yorkshire Water, in joint venture with AECOM Design Build, to upgrade Woodhouse Mill sewage treatment works in Sheffield.

Our joint venture with Costain Group and WS Atkins reached financial close on a £180 million contract with United Utilities, to upgrade and extend Liverpool Waste Water Treatment Works, as announced in May 2011.

We also won a number of other important infrastructure contracts. These included an £80 million contract to construct the A380 South Devon Link Road for Devon County Council and Torbay Council, with construction to complete by the end of 2015. In addition, Reading Borough Council awarded us an £8 million contract to assist with redeveloping the town's railway station and the surrounding area.

Outlook

Prospects for UK construction are uncertain for the foreseeable future, with growth opportunities confined to specific market sectors. The pipeline of public sector work in England remains limited, although the Government has acknowledged the need to invest in infrastructure and has produced a national infrastructure plan for the next five years. Opportunities in Scotland, where we have a significant presence, are more positive.

Private sector work remains dependent on economic confidence. The regulated sector is a source of strength for us, in particular because the regulated water sector continues to provide opportunities over and above our framework projects.

Overall, we will continue to exercise a tight control over work secured, maintain resources at the right level to carry out our current workload and retain the spread of skills required to grow again when markets improve.

Business review: **PPP Investments**

Overview

We are infrastructure specialists and deliver major building and infrastructure projects through public private partnerships (PPPs). We lead bid consortia and arrange finance, take direct equity investment and manage construction through to operations.

Our success in this market is founded on our thorough understanding of public sector procurement and drivers and our highly regarded ability to partner with clients, consortium members, advisors and our supply chain.

We offer strength in the diversity of our expertise, with a full project lifecycle capability and competitive pricing. We have cash available to develop and invest in projects and our balance sheet strength provides enhanced access to the funding market.

	2012	2011
Revenue (£m)	**13.8**	9.6
Profit from operations (£m)	**(1.1)**	(1.0)
Directors' valuation (£m)	**1.3**	4.4

Market

The PPP market in England is currently subdued. The Government has announced a £200 billion national infrastructure plan for the next five years, which focuses on infrastructure that will help the economy to grow, such as roads, energy and communications. However, the timing and format of these projects is yet to be finalised.

The Government needs to attract private sector financing but must first develop a new model to replace the private finance initiative. The Treasury is developing a model that would encourage financing from pension funds but this remains to be finalised.

The market in Scotland is more positive. We have a strong business in Scotland which is preparing for a pipeline of transport, accommodation and education projects. In Wales, the Welsh Assembly has announced plans to invest in infrastructure. While this is encouraging, greater detail about potential projects and their timing is required.

Strategy

Our strategy is to bid for PPP projects that create investment opportunities and offer the chance to secure construction and maintenance contracts for the Group. To date, we have arranged and financed 29 PPP projects, with a total funding requirement in excess of £1.9 billion.

We are now seeing the introduction of models called local asset-backed vehicles, in which companies create joint ventures with public sector bodies. Typically the company provides investment and expertise, while the public sector provides the land and the necessary planning consents. We see opportunities in this market and believe we are a key partner for clients procuring using this route.

Performance

During the year, we sold our remaining equity interest in the St Andrews Community Hospital project. The directors' valuation of our PPP portfolio at 30 June 2012 was £1.3 million, compared to a value invested of £0.6 million (2011: valuation £4.4 million; value invested £1.9 million). The valuation is carried out on a discounted cash flow basis.

In Scotland, we have a 49% investment in the South East hub, which we won last year, and are now progressing more than £150 million of 'Design and Build' and 'Design Build Finance Maintain' projects under this framework. We are also preferred bidder within a consortium bidding for the £500 million South West hub, a framework to provide community facilities across the South West of Scotland. Our joint venture with Interserve is one of three bidders for a £50 million college in Inverness. We are also in joint venture with Balfour Beatty and Carillion, as one of four bidders for the £415 million M8/M73/M74 Motorway Improvements project. In England we continue to bid on the "Excellent Homes for All" project in Kent where we are one of two bidders.

Outlook

The outlook for PPP in Scotland remains positive. While the short term outlook in England is not as encouraging, there are strong prospects in the longer term, based on the Government's need to procure new infrastructure.

Proactive risk management

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

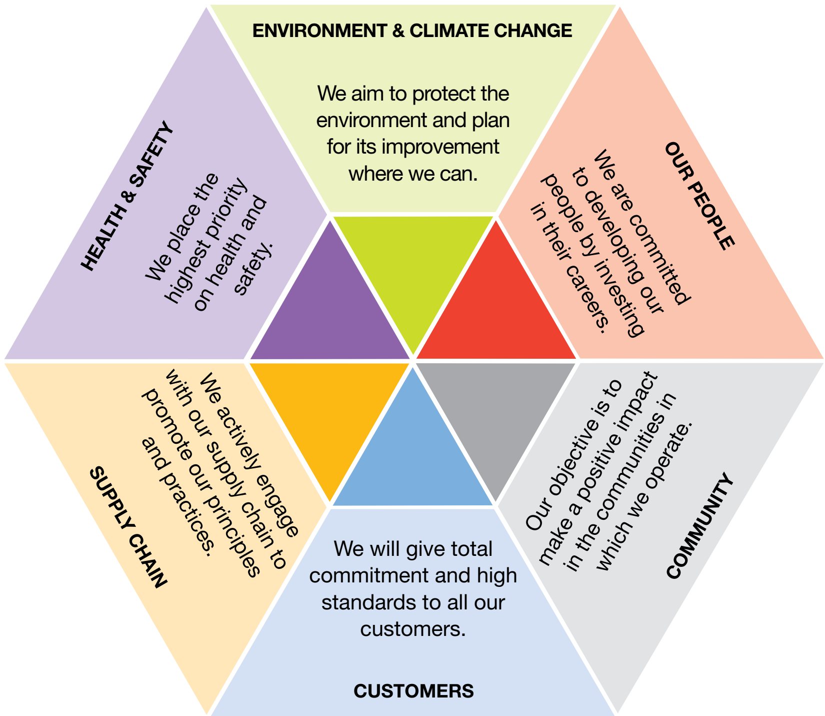
We maintain registers at Group, divisional and business unit level that detail identified risks, relate them to the Group's objectives and rate them based on their likelihood and their potential impact should they materialise. This is then linked to how the risk is managed, the responsibility for its management and the way in which this is monitored. The registers show the levels of residual risk, enabling the board to judge acceptability.

We regularly update the registers as risks change. In addition, we carry out an annual review of market developments, Group strategy and projects being secured in the context of our risk management processes, to ensure they adapt to changing requirements. Carrying out this exercise, in co-ordination with the board's annual review of internal controls and their effectiveness, helps to ensure that our 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 44.

Type of risk	Impact
Health, safety and environmental	Group
People	Group
Sustainability	Group
Other Group factors	Group
Availability of financing	Group
Availability of mortgage finance	Housebuilding
Changes to the UK housing market and the economic cycle	Housebuilding
Availability of developable land	Housebuilding
Land acquisition	Housebuilding
Securing contracts	Construction
Project delivery	Construction
The level of public sector spending	Construction
Confidence and the availability of project finance	Construction

Strategic implications	Mitigating actions
Incidents on our sites can affect our employees, all others who work on our sites and members of the public. Incidents affect our reputation and have a direct financial impact on the business and our management resources.	We prioritise the need to provide a safe working environment and promote health, safety and environmental issues, and have a comprehensive policy and framework to manage these risks.
Attracting, developing and retaining talented individuals at all levels of the business is crucial to our success.	Our human resources policies are based on the Investors in People principles, under which we are accredited. We carry out annual succession planning and have a training and development programme designed to optimise career satisfaction.
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.
Group risks include increasing legal and regulatory obligations, optimising insurance cover, the risk of failure of IT or financial management systems and pensions.	Each functional team has policies and procedures designed to identify and manage risks appropriate to their remit. Regular board meetings facilitate cross-functional communication of anticipated potential issues. The Group also operates disaster recovery policies specifically to address incidents likely to cause financial or reputational damage.
The Group requires funding to finance its development, project and working capital requirements.	Funding is provided by equity and bank borrowings. We constantly monitor levels of available funding and compliance with our bank covenants, and have facilities in place until May 2015. Our focus on margin enhancement, construction cash resources and using existing landbanks should also help us to generate increased cash flows within the business.
The availability, cost and terms under which our purchasers can secure mortgage finance affects both their ability to purchase and the price they can 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 properties we sell. We then adjust our development plans and our purchaser incentives, such as part exchange facilities and shared equity. We also monitor other influences on the mortgage market, such as Government initiatives to improve mortgage availability and affordability.
The state of the economy and the global financial system affect consumer confidence and the housing market. This influences the 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.
A healthy land market provides us with the raw material on which to build. A sustained reduction in the value of land affects land owners' willingness to sell. Delay and uncertainty in the planning system reduces our ability to obtain the required supply of developable land. The National Planning Policy Framework has only recently been introduced and its effect is yet to be realised.	We maintain a landbank that balances plots with full planning consent, with outline consent and zoned for residential development. We also have strategic land held primarily under options to purchase in the future. We monitor public sector planning strategies both nationally and locally and adjust our development plans accordingly.
Acquiring land at the wrong price, or underestimating development costs, could affect our financial return from 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.
We take commercial risk on each construction contract, which includes credit and counterparty risk, pricing and the technical ability to deliver. Failing to secure construction contracts at a price and on terms that deliver an acceptable return for the risk undertaken could cause potentially serious financial and resource allocation issues. We require a pipeline of suitable opportunities and need to ensure that we reach financial and contractual agreements without significant delays.	We have a rigorous approach to contract selection through an authorities matrix linking our capabilities and resources, as well as the terms under which we carry out the work. Further specific risk management assessments are undertaken for all major infrastructure projects.
Failure to deliver projects on time, quality or budget, or contractual disputes and supply chain issues that can arise over the scope and/or valuation of contracts, make the ultimate outcome of contracts uncertain and could lead to financial and reputational damage for the Group. Some of our projects take significant time to complete, which means that the cost of supplies may rise or suppliers may become insolvent while the project is in progress.	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, and select our supply chain carefully.
Public sector spending and the investment programmes of the regulated infrastructure sectors affect the amount of work available and the degree of competition for that work, potentially affecting both the level of revenues and profit margins achievable.	We gather published and informal intelligence on our markets, and closely monitor our order book and pipeline of opportunities. Our business planning process forecasts market trends, enabling us to match resources to projected workloads.
Confidence in the economy, combined with our private sector clients' ability to secure development finance, affects their spending on construction projects.	Our business planning and annual budgeting process analyses data on forthcoming projects. We also monitor the spending programmes of our major clients, adapting our approach to those sectors and clients where we see the best opportunities.

Constructing a sustainable future



The six fundamentals of our sustainable business

The six fundamentals help us to manage sustainability issues and to communicate our approach throughout the Group.

Our vision is to be leaders in the construction of a sustainable future. We therefore follow a sustainability strategy which requires us to consider, prioritise and manage sustainability issues. We have identified six fundamentals of sustainable business, as shown in the diagram above.

The Group policy statement defines our objectives in each area and communicates them across the business. We share and adopt best practice and look for initiatives that add value and help us to build partnerships with our stakeholders.

Governance of sustainability

The Group board delegates authority for sustainability to the chief executive, who is responsible for the Group policy statement. The executive board has overall responsibility for sustainability, with a board director accountable for each element. This ensures we implement our policies and make sufficient resources available.

Each month, our corporate responsibility (CR) manager updates the executive board on our progress. There are also regular presentations to, and interactions with, the divisional boards. This ensures divisions prioritise sustainability and create plans in line with the Group's approach.

The Group CR steering committee is chaired by the company secretary and legal director and includes representatives from across the business. It meets quarterly to review progress, discuss sustainability developments and best practice, and advise on sustainability across the Group. We include sustainability risks in the Group risk register, which the audit committee reviews on a regular basis.

We also have a carbon task force, which implements our carbon reduction and energy efficiency strategy, reviews training initiatives and engages with supply chain partners. Our CR manager chairs the task force. Attendees include the chief executive, key divisional representatives and procurement.

Engaging our stakeholders

Our stakeholders include communities, employees, shareholders, customers, supply chain, regulators, Government and industry bodies.

We aim to raise awareness of sustainable solutions and services, to influence our stakeholders and address sustainability in their dealings with us. We want to learn from and consult with others, share ideas and help deliver a sustainable economy.

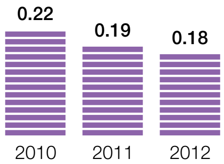
We are active in industry working and policy groups, including: 'Doing Business Responsibly', which was set up by the UK Contractors Group (UKCG) to improve perceptions of the construction industry; the UKCG's Carbon Group; the Zero Carbon Hub, a public-private partnership that co-ordinates delivery of low and zero carbon new homes; and NextGeneration, which drives sustainability best practice in the UK's residential development sector.

Performance

We track our sustainability performance using the key performance indicators below. More detail on our performance can be found on the following pages.

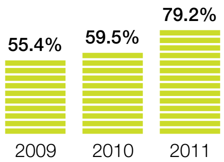
Health and safety

Accident frequency rate (number of accidents per 100,000 hours worked)

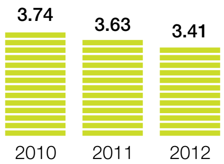


Environment

Waste diverted from landfill, as a proportion of total waste produced

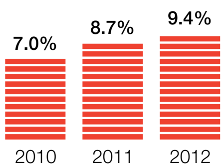


Operational carbon emissions (metric tonnes of carbon per £100,000 of revenue)

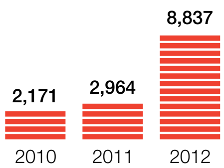


Our people

Staff churn (the percentage of staff leaving voluntarily)

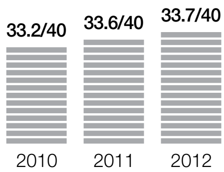


Training days completed



Community

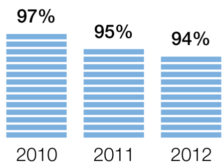
Average overall score in the Considerate Constructors Scheme



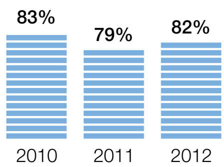
Customers

Customer satisfaction

Housebuilding – percentage of customers who would recommend a friend to buy one of our homes

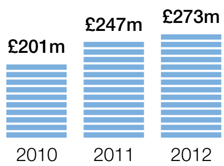


Construction – overall satisfaction

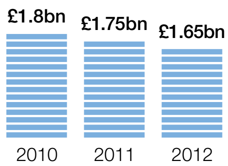


Economic sustainability

Housebuilding – sales in hand

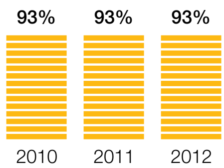


Construction – forward order book



Supply chain

Wood supplied with chain of custody certification, as a proportion of total orders



High standards in health and safety

Health and safety is our number one priority.

The Group managing director of construction is responsible for health, safety and the environment (HS&E) at executive board level. He is supported by the Group director of HS&E and a team of nearly 50 H&S professionals who help sites deliver safety.

The site team is responsible for site safety and we provide training for site management. Site safety responsibilities are set out at the start of each project and we also include subcontractors in our activities, such as the 'No Accident Behaviour' teams. This is an initiative that enables subcontractors, our operatives and management to engage in and directly influence site safety. We also involve key supply chain supervisors in creating our four-weekly site safety plans.

Our behavioural safety programme, Challenging Beliefs, Affecting Behaviour, is vital to our approach. More information is set out on page 38.

All of our business leaders take part in on-site health and safety assessments, which are a key part of our HS&E management. Last year, over 522 assessments took place.

Planning and monitoring health and safety

Our detailed HS&E action plan identifies our objectives, rolling targets and actions and is updated each financial year. It communicates our HS&E KPIs across the Group.

The Group HS&E director agrees challenging annual safety management thresholds with divisional management. Performance is reported monthly to Group and divisional management. The executive board prioritises the health and safety report at its meetings.

We have a robust schedule of meetings and forums from executive board through to site level, to review our health and safety performance, and share experience and best practice. This ensures our approach remains effective. >

Business review: **Sustainability**

Challenging Beliefs, Affecting Behaviour
Health and safety traditionally focuses on processes and procedures but Challenging Beliefs, Affecting Behaviour recognises that safety is ultimately about behaviour. The programme compels everyone to think about their actions and the possible consequences.

More than 4,000 people have attended at least one of the safety leadership workshops which communicate the programme's ethos. There are several tailored courses, providing real-life examples that attendees can relate to.

This year, we appointed a Group health and safety development manager to maintain the programme's momentum. We then launched a dynamic new brand for Challenging Beliefs, Affecting Behaviour in March 2012, to ensure behavioural safety has the highest possible profile throughout the business, and with our subcontractors and clients. This has given the programme new impetus.

The programme includes a comprehensive toolkit to help sites implement it, as well as a Group-wide roadshow led by the Group director of HS&E. We also introduced a bespoke coaching programme, which gives practical training in implementation.

Protecting health
We want to look after our people's health. During the year, we ran a pilot across Scotland, providing medical screening for safety-critical staff. This included checking lung function, hearing, blood pressure, eyesight, musculoskeletal health and the effects of vibration, as well as drug and alcohol screening.

Our HS&E management system
The Group has a bespoke HS&E management reporting system that we constantly review and improve. This is based on the Health and Safety Executive's HSG65 framework and complies with the OHSAS 18001 and ISO 14001 standards.

Our performance in 2012
During the year we:

- continued to deliver high standards of health and safety;
- reduced reportable accidents from 59 to 55 and the Group accident frequency rate (the number of accidents per 100,000 hours worked) from 0.19 to 0.18. The accident incident rate was 4.38 (2011: 4.37);
- received no prohibition notices (2011: two) and once again received no improvement notices;
- received one prosecution, resulting from a prior year incident, and implemented a Group-wide action plan to prevent re-occurrence;
- were recognised by the Royal Society for the Prevention of Accidents through 12 awards, including a President's Award (2011: 16);
- delivered 80 workshops for Challenging Beliefs, Affecting Behaviour.

Managing our environmental impact

We aim to minimise our impact on the environment and the community at large. This means that we:

- assess our operations' environmental impact during planning, design and implementation;
- develop and implement objectives and targets, to ensure we continually improve;
- incorporate sustainability into our design standards and construction practices; and
- adopt a risk-based approach to training our employees in environmental issues.

Senior management responsibilities for HS&E are described in the health and safety section above. At the operational level, our policy document provides guidance on the environmental responsibilities of staff, such as site managers. This helps our businesses manage their environmental performance.

Our environmental management system
The Group's environmental management system (EMS) complies with ISO 14001:2004 and has been certified by the British Standards Institute. The EMS defines and communicates our environmental standards, including process and technical standards. We further developed the system during the year, including improving our waste transfer note system and introducing bespoke environmental 'toolbox talks'.

Providing environmental training
We offer environmental training to our employees and have a bespoke four-day course on managing environmental awareness, accredited by the Institute of Occupational Safety and Health (IOSH). During the year, 61 people completed our IOSH course, equating to 224 training days. A further 208 people spent a total of 104 days on our internal courses, which cover subjects such as spill response and water pollution.

Carbon
Our target is to deliver a 15% reduction in our carbon emissions per £100,000 of turnover by the end of 2013, against 2008 levels. The divisions create plans for reducing their carbon emissions, which set out a wide range of actions. Recent examples include replacing vehicles with more efficient models and using energy-efficient cabins at sites. This helps us to save money, develop products and services, and change behaviours.

Waste
Increasing the proportion of waste diverted from landfill is another important focus. In recent years, we have made significant progress, improving our data capture and taking action to reduce waste going to landfill. Our waste forums discuss performance and initiatives which are reported at divisional board meetings, giving waste high visibility for senior management. We also work with the Waste Resources Action Programme, which helps businesses and other organisations to reduce waste and increase recycling.

Our performance in 2012

During the year we:

- provided our fourth annual submission to the Carbon Disclosure Project, as shown in the table below. The submission was verified by TÜV NORD and covers our performance during the calendar year.

Carbon Disclosure Project submissions (metric tonnes carbon dioxide)

	FLEET	*SITE AND OFFICE ENERGY	SITE AND OFFICE ELECTRICITY	TOTAL EMISSIONS	**EMISSIONS INTENSITY
2008	10,361	46,797	8,160	**65,318**	**3.82**
2009	10,907	27,877	10,205	**48,989**	**3.74**
2010	10,036	22,904	11,656	**44,596**	**3.63**
2011	9,039	30,150	7,773	**46,962**	**3.41**

* Excluding electricity
** Metric tonnes carbon dioxide/£100,000 turnover

- continued to deliver performance improvements and made progress towards our carbon reduction target by achieving 11% below our 2008 baseline;
- delivered a further sharp rise in the proportion of waste diverted from landfill in 2011.

Waste diverted from landfill

	INCLUDING SOIL AND STONES	EXCLUDING SOIL AND STONES
2009	55.4%	53.5%
2010	59.5%	75.8%
2011	79.2%	91.7%

Maintaining a committed and flexible workforce

The knowledge, skill, experience and commitment of our people are major sources of competitive advantage. Our human resources (HR) strategy therefore aims to maintain a committed and flexible workforce that both wants and has the ability to learn new skills and take on new tasks.

The company secretary and legal director is responsible for Group HR matters at executive board level, with the Group HR director having day-to-day responsibility. Our HR function embeds HR managers in the business units to deliver business-specific solutions, while ensuring that we comply with Group policies and procedures.

Training and development

Every year, we invest heavily in training and development. The annual performance and development review is key to this, creating personalised plans for growth.

Our management development framework has six ‘stepping stones’, starting at trainee and graduate level and rising to executive coaching. The framework covers skills ranging from effective communication to leadership and customer service.

Most of our management training is either accredited or endorsed by the Institute of Leadership and Management, enabling our people to achieve recognised qualifications. We also run programmes through Warwick, Henley and Cranfield business schools.

The Galliford Try Academy offers study programmes ranging from practical learning for BTEC qualifications through to degrees and graduate schemes. The Academy also provides networking and support through mentors and training supervisors, ensuring we deliver learning and development consistently.

We offer sponsorships to full-time students through the Loughborough University consortium and the Institution of Civil Engineers QUEST Scholarship Scheme. We currently sponsor 23 students, with six graduating and joining the Group in 2012.

Our apprentice scheme takes on around 30 people each year, which we hope to increase to 500 through our new Apprentice Academy. This provides learning opportunities for young people and helps give us the skills we need for the future.

During the year, we made the Galliford Try Academy’s e-learning platform available to all employees. E-learning helps us to reach large numbers of people and is particularly useful for compliance training.

Employee engagement

We keep our people informed through our employee magazine, staff briefings, news alerts and intranet articles. The chief executive’s roadshow allows him to explain our performance and strategy directly to employees.

Our annual employee survey gives our people a voice and tells us where we are doing well and where we can improve. Each business unit publishes the results and the actions it intends to take. For future surveys, we are looking to add more detailed questions to draw out further areas for improvement.

The Group prioritises positive relationships with employees and has not needed to establish a trade union negotiating framework.

Our performance in 2012

During the year we:

- delivered 8,837 training days (2011: 2,964);
- retained our Investors in People accreditation across all our divisions;
- enrolled a further 26 trainees and graduates in the Galliford Try Academy, bringing the total to 114;
- maintained staff churn at 9%, demonstrating that we are successfully retaining our people while receiving a steady inflow of new employees;
- improved all our scores in the latest employee survey. In particular:
  - 97% believed we give health and safety a high priority;
  - 92% said we give environmental issues a high priority;
  - 91% said that we provide a comprehensive benefits package;
  - 90% said they were kept informed about things that affected the Group;
  - 88% would recommend us as an employer;
  - 85% told us that they are satisfied with their present job;
  - 83% said they get the training they need to do their job;
  - 81% believed they were kept informed about things that affected them and their business unit. >

Supporting and engaging our communities

We aim to benefit the communities in which we work. We help build communities through well-designed housing and affordable homes, and by providing essential facilities such as schools, healthcare and transport infrastructure.

We engage with the communities around our developments, so they understand what we are doing. This also allows us to obtain local views on proposed projects, so they meet community needs.

The Group also delivers wider benefits. We create employment directly and through our supply chain, and donate time, money and materials to charity. We also run safety campaigns, education programmes, school visits and community projects.

The Linden Homes Foundation
We have created the Linden Homes Foundation to support communities, the people living there and the local environment. Through the Foundation, Linden Homes invests time and money to deliver community benefits before projects start, during construction and beyond when the last property is sold. The Foundation encourages Linden Homes' employees, contractors and local people to get involved and underpins the business's commitment to benefiting the places where it secures new housing.

Considerate construction
We are an Associate Member of the Considerate Constructors Scheme and abide by its Code of Practice. We register all sites with a duration of more than six weeks and operate them to minimise disruption to people who live and work around them. The scheme monitors our performance against the Code of Practice, which encourages best practice beyond statutory requirements. It requires competent management, efficiency and awareness of local environmental and community responsibilities.

Charitable giving and employee volunteering
The Group is a patron of CRASH, a charity that improves buildings used by homeless people. As a patron, we commit to making an annual contribution to the charity for a minimum of three years. We have an employee volunteering scheme with CRASH, which allows our people to help with its construction and renovation projects. We also support the charity through donations of cash and materials.

Our performance in 2012
During the year we:

- achieved an average overall score of 33.7 out of 40 in the Considerate Constructors Scheme, compared to an industry average of 33.2 and our score last year of 33.6;
- donated £80,000 in time, money and materials to charities. Help we gave to homelessness projects through CRASH included analysing cost proposals for restoring an almshouse in Salisbury and offering technical and design advice for new premises for Shiloh, which provides food, support and information to vulnerable people in Rotherham.

Offering total commitment to our customers

Across the Group, we have several different types of customer and a range of approaches to delivering service that meets their needs.

Housebuilding
Our customers are key to every decision we make, from the land we buy to the homes we design. We look to maximise their satisfaction throughout the purchasing process and with our after-sales care. This includes providing our customers with a Customer Charter, outlining the service they can expect, a rigorous multi-point check of each home and a quality assurance certificate. To monitor customer satisfaction, we use an independent research body to find out how many customers would recommend us to a friend.

Our affordable housing division builds partnerships with local authorities and registered providers (RPs). As well as being lead development partner with the Homes and Communities Agency, we are partners with more than 60 RPs and in long term frameworks with more than 45. Through these partnerships, we have gained clear insight into the sector's priorities, helping us to earn a reputation for innovative regeneration and bringing low and zero carbon schemes to fruition.

We also increasingly offer post-occupancy monitoring for affordable housing, for example helping residents to understand their utility use. The detailed feedback we receive also helps us to identify how we can build better homes in the future.

Construction
We build long term relationships with our construction clients, some of which span nearly 40 years. We recognise the value of working together to identify the best solutions, share best practice and transfer knowledge. This helps us to deliver some of the most complex schemes in the industry. Most of our work for public sector and regulated organisations is delivered through frameworks and long-established collaborative relationships.

Our expertise enables us to achieve outstanding results for clients, as we offer bespoke solutions for increasingly demanding projects. Our experience enables us to deliver throughout the project's lifecycle, from conception and design through to implementation and maintenance. We also want to provide long-lasting solutions that ensure best value now and in the future. This includes using sustainable materials and protecting the environment around our projects.

Our performance in 2012

During the year we:

- delivered high levels of customer satisfaction in housebuilding, with 94% of customers saying they would recommend us (2011: 95%);
- achieved a four-star rating for Linden Homes in the Home Builders Federation national surveys, reflecting excellent service;
- secured housebuilding sales in hand of £273 million at 30 June 2012 (2011: £247 million), reflecting the attractiveness of our developments;
- won Building magazine's "Housebuilder of the Year UK" 2012;
- achieved client satisfaction in our construction business of 82% (2011: 79%);
- maintained a construction order book at the year end of £1.65 billion (2011: £1.75 billion);
- were awarded "Best Project over £50m" in consortium for the M74 project at the Construction News Awards;
- received Best Construction and Materials PLC at the Stock Market Awards 2012.

Building long term supplier relationships

The Group has relationships with architects, engineers, consultants, subcontractors and materials providers. By working closely with them, we improve service quality for our clients, increase our efficiency and address key areas such as health, safety and the environment. We also have significant relationships with providers of corporate services, such as surety bonding, insurance and finance.

Managing procurement

Our policy is based on developing long term relationships. Where possible, we leverage economies of scale for products that we buy across the Group or a division. In doing so, we try to optimise the mix of centralised and local procurement.

The Group procurement team identifies central procurement opportunities and puts in place agreements with suppliers. We also have central agreements for commodities that our subcontractors use regularly. Each business unit, or group of business units, also has a dedicated procurement team, providing buying specialists and resources to all our operations. The business unit teams administer our central agreements and organise local procurement.

We make sure we are accessible to our supply chain and have regular forums. Our technical, commercial and construction teams get together with key suppliers to identify where processes can improve and to help us manage risks. Feedback from our suppliers shows that they value this engagement.

While our suppliers are often large companies, we also work with many small and medium sized enterprises (SMEs). Any supply category outside our trading agreements is open to SMEs and our local subcontractors are frequently small businesses.

Managing sustainability in the supply chain

Many of our suppliers are either national businesses or the local branches of these businesses. This means they generally have a robust approach to sustainability, with appropriate processes and accreditations covering areas such as health and safety, environmental management and responsible sourcing.

When a supplier or contractor is anticipated to be on site, then health and safety is a key issue. We have a comprehensive prequalification questionnaire, which is reviewed by both our procurement and health and safety teams, to ensure our suppliers have a suitable approach.

Our performance in 2012

During the year we:

- continued to ensure the integrity of the housebuilding timber supply chain, with 93% of timber orders in the financial year being chain of custody certified (2011: 93%);
- trialled our new business and financial management systems in three locations. These systems will enhance visibility of our supplier base and procurement spend, improve communication across the Group and help us gather feedback about suppliers.

Sustainability report 2012

A more detailed consideration of our sustainability activities during the financial year, and plans for the future, can be found in our separately published 2012 Sustainability Report 'Positive Impact', and on our website at www.gallifordtry.co.uk/corporate-responsibility where more CR data is also provided.

Download the report and find more information at: www.gallifordtry.co.uk/corporate-responsibility

Directors and executive board

Directors

Ian Coull **FRICS ‡**
Non Executive Chairman
Ian Coull was appointed to the board on 8 November 2010 and became Chairman on 1 July 2011. Until 28 April 2011 Ian was Chief Executive of SEGRO plc. He was previously a main board director of J Sainsbury plc. He is a non-executive director of Pendragon plc and London Scottish International Limited, a Senior Adviser to Oaktree Capital Management, and to Stonehaven Search and a member of the Government's Property Advisory Panel. Age 62.

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 Homes and Gerald Wood Homes. He is a Non-Executive Director of NHBC, the National House-Building Council. Age 48.

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 Divisional Finance Director with Wiltshier and a Management Consultant with Coopers & Lybrand. Age 61.

Frank Nelson will retire from the Board on 30 September 2012. Graham Prothero will join the Group as Finance Director later in the financial year.

Peter Rogers **CBE † ‡**
Chair of the Nomination Committee
Non Executive Director
Peter Rogers was appointed to the board in July 2008. He is currently Chief Executive of Babcock International Group plc. Prior to joining Babcock in 2002, he was a director of Courtaulds and Acordis BV, having earlier held senior executive positions in the Ford Motor Company. Age 64.

Amanda Burton † ‡
Chair of the Remuneration Committee
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 53.

Andrew Jenner **ACA † ‡**
Chair of the Audit Committee
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 43.

Executive board

Ken Gillespie **FRICS ***
Group Managing Director, Construction
Ken Gillespie joined the executive board in March 2006 on the acquisition of Morrison Construction, having been its Managing Director. He joined Morrison in 1996 having spent the previous 13 years holding senior positions with George Wimpey. Age 47.

Kevin Corbett **CEng MICE MIStructE ***
Company Secretary and Legal Director
Kevin Corbett joined the executive board of Galliford Try plc on 1 February 2012 and was appointed Group Company Secretary and Legal Director on 1 March 2012. Kevin was previously Chief Counsel Global for AECOM. Age 52.

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 for all the Group's housebuilding activities in 2009. Age 42.

* 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.

Top row
Ian Coull, Greg Fitzgerald, Frank Nelson

Middle row:
Peter Rogers, Amanda Burton, Andrew Jenner

Bottom row:
Ken Gillespie, Kevin Corbett, Ian Baker

Maintaining high standards

Introduction: Ian Coull, Chairman

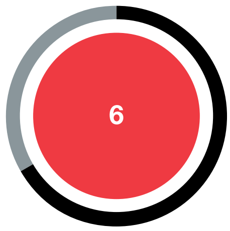
The Group takes its governance responsibilities extremely seriously and I am pleased to report that the Group was fully compliant with the UK Corporate Governance Code throughout the financial year.

I was formally appointed as chairman with effect from 1 July 2011, following David Calverley's retirement from the board, and there were otherwise no changes during the year. The board met ten times in the course of the financial year, focusing time and attention on the future strategy for the Group as it approached the end of its successful three year housebuilding expansion plan. The board also spent time considering the Group's approach to risk as well as following the debate on executive remuneration and fully supports the view that pay must reflect performance.

The board is aware of proposed updates to the Code anticipated in 2012, and will ensure the Group evolves to appropriately meet any enhanced obligations. This report gives a detailed summary of the board's workings and structure, and further insight into how the Group applies board determined policies and processes to achieve corporate strategy, whilst ensuring full compliance.

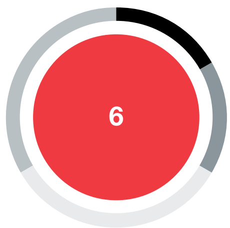
Board: composition

Balance of non-executive and executive directors



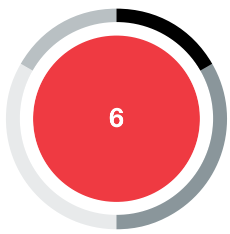
Non executive directors	4
Executive directors	2

Board membership



Chairman	1
Senior independent director	1
Non executives	2
Executive directors	2

Length of appointment



0-2 years	1
2-5 years	2
5-10 years	2
10 years +	1

Biographical summaries for each of the directors, their respective committee responsibilities and their external directorships are set out on page 42.

All directors will stand for re-election at the 2012 annual general meeting and all continue to demonstrate commitment to their roles.

Ian Coull became chairman and a member of the nomination and remuneration committees on 1 July 2011 having previously been appointed as a non-executive director on 8 November 2010. David Calverley retired as chairman and from the board with effect 30 June 2011. There have been no other changes to the board, either during or since the financial year.

Frank Nelson, the Group finance director, will retire on 30 September 2012. The new Group finance director, Graham Prothero, will join during the financial year. Richard Barraclough retired as company secretary during the financial year and was replaced by Kevin Corbett, who was appointed company secretary and legal director with effect 1 March 2012.

Chairman and chief executive
The roles of the chairman and chief executive are separate, clearly defined, and the following diagrams outline their key responsibilities.

Key responsibilities of the chairman

- Leadership of the board
- Communication with the board
- Value setting
- Shareholder liaison
- Governance
- Performance evaluation and appraisal

Key responsibilities of the chief executive

- Chairing the executive board
- Executive management
- Operational performance
- Developing Group strategy

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.

Senior independent director
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. Amanda was not approached during the year.

Non-executive directors
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 2011/12. Attendance of the individual directors is detailed in the following table.

Meetings attended 2011-12

Number of meetings held during the year: 10

		2		4		6		8		10
Ian Coull	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Greg Fitzgerald	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Frank Nelson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Amanda Burton	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Andrew Jenner	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Peter Rogers	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

The chairman held additional meetings with the non-executives during the financial year without the executives present, including a specific performance review day at which individual board appraisals were completed. The company secretary also attended part of those meetings by invitation. The senior independent director separately led a meeting of the non-executives to assess performance of the chairman during the year 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; policies on human resources, sustainability, environment and health and safety; 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.

The board's annual strategy away-day in October 2011 focused on the Group's future strategy following completion of the three year housebuilding expansion plan during the financial year. Detailed market analysis, economic projections and presentations by advisers, including representatives from the Group's financial advisers Rothschild and brokers Jefferies Hoare Govett, facilitated the decision to focus on a disciplined approach to margin enhancement and a progressive dividend policy to maximise returns to shareholders. The board subsequently considered and approved the Group Business Plan for 2012-15 in line with the forward strategy. Throughout the year the board also receives regular Group, divisional and business unit specific presentations covering strategy, operational performance, market analysis, health and safety and people matters.

The board may, provided the quorum and voting requirements are satisfied, authorise any matter that would otherwise involve a director breaching his duty to avoid conflicts of interest. These procedures have operated effectively throughout the financial year, and during the year the board specifically authorised a retiring member of the executive board, formerly a trustee, to be appointed as an independent trustee of the Group's Final Salary Scheme.

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 appropriate directors and officers' liability insurance 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 during the financial year to ensure appropriate application of the Code. The process generally followed the format established in 2011 with updates incorporated for relevant changes occurring during the financial year. All directors completed the confidential questionnaires which rigorously address themes including board mechanics and effectiveness; Group performance and strategy; governance and corporate social responsibility, as well as incorporating a separate review of the evaluation process. The questionnaires invited 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 and individual actions being agreed.

The chairman and company secretary are now preparing the 2012-13 performance evaluation, which is intended to be externally and independently evaluated.

Executive board report

The executive board comprises the chief executive, finance director, company secretary and legal director and the managing directors of the Group's construction 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. The board has further delegated responsibility for making recommendations to the main board on all items included in the formal schedule of matters reserved for board authorisation. 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 additional meetings are convened when necessary to consider and authorise specific operational or project matters.

Executive board

Members
Chair: Greg Fitzgerald
Frank Nelson
Kevin Corbett
Ken Gillespie
Ian Baker

Audit committee report

Introduction: Andrew Jenner, Audit Committee Chair

During the year the committee focused on maintaining close scrutiny of the Group's key accounting policies and assumptions, business and risk management systems and compliance with banking covenants. Since his appointment in late 2010, the director of risk and internal audit has established a robust methodology for reviewing and identifying improvements to the Group's processes and procedures, and risk registers. These changes are reflected in the changes this year to the Group's principal risks on page 34. The risk and internal audit team has been instrumental in leading and co-ordinating the response to a small number of non-material attempts to criminally defraud the Group, and our clients, during the financial year. The committee remains confident in the Group's system of internal controls and the checks and balances in place to safeguard your interests as shareholders.

The committee, in having reviewed this Annual Report, considers that the report is fair, balanced and understandable. The report is clear and concise in its summary of performance in the financial year, and particular attention is given to the changes to future strategy that the board has carefully deliberated. All material matters of interest to shareholders and external stakeholders have been reported to provide the information required to assess the Group's performance, business model and strategy. There were no significant accounting issues in the report or financial results that required the committee to question or overrule the judgement of executive management.

Audit committee: composition

Throughout the financial year 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. The chairman, chief executive, and company secretary and legal director attend all committee meetings by invitation.

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 satisfies 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.

Meetings attended 2011-12

Number of meetings held during the year: 3

	1	2	3
Andrew Jenner	✓	✓	✓
Amanda Burton	✓	✓	✓
Peter Rogers	✓	✓	✓

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; making recommendations regarding the appointment, re-appointment and removal of the external auditor; approving the external auditor's remuneration and terms of engagement; and assessing the independence and objectivity of the external auditor;
- *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; 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 relevant 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 year review and full year audit;
- 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 half year report were approved;
- 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 compliance with the Group's updated non-audit services policy;
- reviewing the Group's implementation and compliance with the Bribery Act;
- reviewing the committee's own terms of reference.

No significant non-audit related services were provided during the financial year. However, policy mechanisms ensure that the committee satisfies itself beforehand that any services involving a fee material in the context of the statutory audit fee are most efficiently provided by the external auditor. Details of the fees incurred by the external auditor during the financial year are given in note 5 to the financial statements on page 76.

The committee separately operates a policy to safeguard the objectivity and independence of the external auditor. The policy sets out certain disclosure requirements by the external auditor 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 annual general meeting. There are no contractual obligations that restrict the committee's choice, and the committee is satisfied that PwC remains independent. The committee will review and implement any future requirements with respect to auditor services.

A more detailed consideration of the Group's internal controls can be found in the consideration of audit, risk and internal control matters on page 49.

Nomination committee report

Throughout the financial year the nomination committee comprised Peter Rogers, who is chair, Amanda Burton, Andrew Jenner and the chairman Ian Coull, all four independent non-executive directors.

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 including diversity, 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.

Meetings attended 2011-12

Number of meetings held during the year: 2

	1	2
Peter Rogers	✓	✓
Amanda Burton	✓	✓
Ian Coull	✓	✓
Andrew Jenner	✓	✓

The committee took direct responsibility for the processes which led to the appointment of Kevin Corbett as company secretary and legal director from 1 March 2012 and Graham Prothero, who commences as finance director later in the financial year. Detailed job specifications were prepared by the committee and external consultants appointed to provide advice on the availability of suitable external candidates. The committee then commenced a thorough and formal selection process, which included considering a shortlist of diverse potential candidates including internal and external, male and female candidates. The committee recommended that the board approve the appointment of Kevin Corbett and Graham Prothero, having satisfied themselves as to their suitability for the roles. On joining, Graham will undertake a detailed personal induction programme.

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 plans.

Remuneration committee report

During the financial year the remuneration committee comprised Amanda Burton, who is chair, Peter Rogers, Andrew Jenner and the chairman Ian Coull, all four independent non-executive directors.

Meetings attended 2011-12

Number of meetings held during the year: 8

Amanda Burton	✓	✓	✓	✓	✓	✓	✓	✓
Ian Coull	✓	✓	✓	✓	✓	✓	✓	✓
Andrew Jenner	✓	✓	✓	✓	✓	✓	✓	✓
Peter Rogers	✓	✓	✓	✓	✓	✓	✓	✓
		2		4		6		8

The committee has delegated responsibility for determining all elements of remuneration of the executive directors and senior management. 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 50.

Governance policies

The Group continues to maintain a suite of Bribery Act, Competition Act, Consumer Credit (CCL) and Anti-Money Laundering (AML) policies, procedures and training programmes, all of which address obligations arising under the relevant legislation. Compliance with the Bribery Act policy was specifically reviewed by the audit committee during the financial year. The Group's e-learning platform is developing integrated Bribery Act and Competition Act modules to supplement training programmes for staff in relevant divisional and business unit roles. The Group's AML committee, established in 2011, continues to develop and oversee the Group's approach to AML matters.

Diversity – The Group is aware of its responsibilities to diversity as an employer, and has taken measures to strengthen its approach to people. This is particularly evidenced by the phased completion by all staff of comprehensive e-learning courses aiming to facilitate diversity and increase awareness of discrimination issues across the Group. The nomination committee is already applying the spirit of related 2012 changes to the UK Corporate Governance Code and is actively considering female candidates for board positions when they become available, while continuing to recruit on merit. Several senior Group positions were filled by women during the financial year. The Group continues to support initiatives aimed at raising the profile of civil engineering as a career among women.

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 investigate fully and take whatever corrective action is deemed appropriate. During the financial year the Group continued to operate a confidential external whistleblowing hotline. 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.

Shareholder relations

The Company continues to prioritise maintaining effective relationships with all its shareholders and seeks to frame its communications accordingly. During the financial year the chairman successfully held meetings with several of the Group's largest institutional shareholders. The chief executive and the finance director have their own programmes of regular meetings with all major shareholders and potential investors. Feedback from all such meetings, and shareholder views generally, are formally communicated to the board as a whole, and brokers' reports are regularly circulated to all directors for consideration. The non-executive directors have met with the Company's brokers to independently 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 non-executives, including the senior independent director, will also attend meetings with shareholders 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.

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 2011 annual general meeting. It is customary for opportunities to answer questions to follow a presentation from the chief executive 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 annual general meeting, held in November, is 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.

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;
- *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. A legal authorities matrix is in place to ensure the controls are clearly communicated throughout the business;
- *investment in land and development*; there are clearly defined policies and procedures for the purchase of land and for expenditure on development opportunities. Major investments are reviewed and approved by the board. 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. 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; and construction industry regulation.

The risk and internal audit team has continued to refine the Group risk registers during the financial year, in conjunction with an annual risk assessment and 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.

During the financial year, a programme of 16 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 either during the financial year or to the date of this report. The head of risk and internal audit reports directly to the audit committee in detail on the team's findings and recommendations.

The Group Corporate and Finance Manuals, which summarise the policies, procedures and authority matrices by which the central functions and divisions operate, were reviewed and updated during the financial year. The latest versions of both manuals reflect changes in personnel, amended authority levels under the Group's delegated authority matrix as approved by the board, and certain process and procedural improvements. It is the responsibility of relevant directors to ensure compliance with the provisions of the manuals, which is in turn subject to internal audit.

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 as summarised in this report.

The UK Corporate Governance Code, applicable to all premium listed companies (the "Code"), is the governance code to which the Group is subject.

Galliford Try has committed to complying in full with all provisions of the Code, a reflection of its re-elevation to the FTSE 350 indices, and in doing so seeks to both support and foster the highest standards of corporate governance. The Group complied in full with all provisions of the Code throughout the financial year.

For and on behalf of the board
Kevin Corbett
Company Secretary and Legal Director

18 September 2012

Remuneration policy and framework

Letter from the Committee Chair

Dear Shareholder

Against a background of ever greater need for transparency and the importance of linking executive remuneration with company performance, I am pleased to be able to introduce this remuneration report supported by outstanding executive performance.

The remuneration report has been structured for 2012 to show Galliford Try's approach to remuneration and to clarify the strong links with corporate strategy.

The key elements of the Group's remuneration strategy are to incentivise and reward successful delivery of corporate strategy with the aim of maximising long term shareholder returns on a sustainable basis. In 2011/12 the committee has focused on:

- reviewing and determining the appropriateness of the overall remuneration of the executive directors;
- approving the quantum of performance related remuneration payable to the executive directors during the financial year;
- authorising, in accordance with the scheme rules, the vesting of Long Term Incentive Plan awards; payments and further grants under the Annual Bonus Plan; and the vesting of awards under the Group's Long Term Bonus Plan, which incentivises the senior management group immediately below the Long Term Incentive Plan population;
- approving 2011/12 bonuses and 2012/13 salary increases for the executive directors, in line with increases across the Group;
- agreeing the specific terms and conditions of retirement arrangements for certain departing long serving executive board members;
- agreeing the terms and conditions for the appointment of the incoming finance director and newly appointed company secretary;
- reviewing and adjusting the performance metrics for future Long Term Incentive Plan awards.

The committee has continued to prioritise active engagement with significant institutional shareholders on key remuneration issues and I hope that you will give the report your support at the annual general meeting.

Amanda Burton
Chair of the Remuneration Committee

The 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 unaudited and audited information.

Committee: composition

The remuneration committee (the committee) is chaired by Amanda Burton, the senior independent director, and during the financial year the other members comprised Peter Rogers, Andrew Jenner and the chairman Ian Coull. The company secretary acts as secretary to the committee and the chief executive has a standing invitation to attend all committee meetings, although the committee regularly starts the meetings without the chief executive being present. No director, or the company secretary, is present when his or her own remuneration is being considered.

Remuneration strategy

The Group's remuneration strategy remains to appropriately incentivise future executive performance, reward successful performance delivery and to ensure that we keep our most talented and experienced executives.

Remuneration policy

During the year the committee reviewed the policy, which is:

- to ensure that remuneration packages are structured so that they can attract, retain and motivate the executives required to achieve the Company's strategic objectives;
- to engender a performance culture which will position Galliford Try as an employer of choice and deliver shareholder value;
- to deliver a significant proportion of total executive pay through performance-related remuneration;
- to position performance related elements of remuneration so that upper quartile reward may be achieved in circumstances where outstanding results and peer sector outperformance have been delivered.

The remuneration policy continues to be shaped by environmental, social and governance factors, which help determine the design of incentive structures to ensure that irresponsible behaviour is not encouraged. Furthermore, recognising that even well designed incentives cannot cater for all eventualities, should any unforeseen issues arise that would make any payments unjustifiable, the committee would use its discretion to address such outcomes.

In line with corporate governance best practice, clawback provisions have been incorporated within both the Annual Bonus and Long Term Incentive Plans, which enable the committee to claw back payments made in circumstances of error, financial misstatement or misconduct.

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 schemes 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.

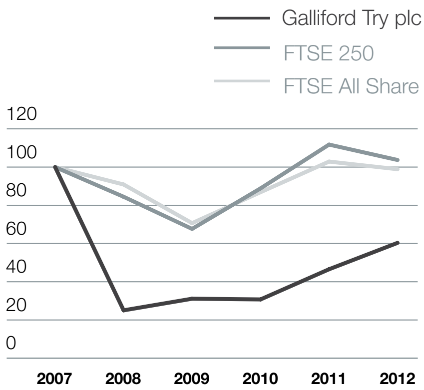
Performance

Performance over the year under review has been outstanding. The closing mid-market quotation for the Company's shares on 29 June 2012 was £6.32 (2011: £5.17). The range high and low during the financial year were £6.53 and £3.8375 respectively (2011: £5.17 and £2.765).

Comparative Total Shareholder Return (TSR) performance across the financial year, reflecting share price movements plus dividends reinvested, ranked the Company as second against its established comparator group drawn from the housebuilding and construction industries.

The Group's 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.

Comparative TSR performance



Earnings per share and total dividend per share growth over the 2011/12 financial year represented increases of 89% and 88% against the prior year respectively.

In applying remuneration strategy and policy, the committee has been careful to ensure that a clear link is maintained between board remuneration and Group financial performance. The following table demonstrates the trend over five years linking Group performance against key financial performance indicators, and the chief executive's annualised total pay. Macro-economic comparators have been added for guidance.

Policy on salary, benefits and pension

Salary and benefits

The 5% salary reduction, applying to all directors and the Group and construction division senior management teams since 1 July 2009, was restored, with effect from 1 July 2011, with no additional increase. Following the same review, basic salaries for those not impacted by the salary reductions also increased by an average of 2.7% across the Group.

At the 2012 salary review completed in May, the directors again carefully monitored pay and employment conditions across the Group, continuing to note in particular the inflationary pressures impacting on UK households throughout the 2011-12 financial year. Employment prospects in the housebuilding sector also improved during the financial year. Average increases of between 1.9% and 2.9% across the Group's divisions and business units were accordingly approved, with discretionary increases awarded for selected higher performing staff. Greg Fitzgerald's salary was increased by 2.5% with effect 1 July 2012. Frank Nelson's salary was unchanged.

Benefits provided to executive directors continue to 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. >

Total remuneration vs performance

	2008	2009	2010	2011	**2012**
Chief executive's total pay [1]	£924,000	£661,000	£1,020,000	£1,003,000	**£1,016,000**
Group revenue	£1,831.9m	£1,461.2m	£1,221.9m	£1,284.2m	**£1,504.1m**
Profit/(loss) before tax	£60.3m	£(26.9)m	£19.2m	£41.7m	**£63.1m**
Basic earnings per share	82.5p	(34.4)p	14.7p	40.3p	**60.9p**
Dividends per share	21.7	10.9	12.5	16.0	**30.0**
GDP	-1.0	-3.9	1.8	0.78	**-0.35**
Inflation (CPI)	4.4%	1.7%	3.1%	4.5%	**2.6%**

1 Total pay includes salary, annual bonus, benefits and pension contributions, but excludes vested Long Term Incentive Plan awards, details of which are given on page 55.

GOVERNANCE

Pensions
The executive directors receive salary supplements equivalent to 20% of basic salary in lieu of company pension contributions.

Performance related remuneration

Executive Annual Bonus Plan
The 2007 Annual Bonus Plan enables executive directors and a selected senior management population, subject to invitation and approval by the committee, to earn a maximum annual bonus of 100% of basic salary dependent on the achievement of specified 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 Employee Benefit Trust for a period of three years, and 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. From 2011/12 onwards, clawback provisions will apply to both cash and deferred share elements of the plan.

For the financial year to 30 June 2012, targets were based 70% on profit with 30% attributable to monthly cash management targets. Where performance on either measure exceeds budget then the bonus is calculated on a straight line basis, up to a predetermined target. Senior management have been subject to similar targets which were applied to their respective divisional or business unit performance. The committee approved these 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 2011/12 financial year.

In light of the Group delivering the objectives of its three year housebuilding strategy during the financial year, and a continued focus on securing profitable construction projects with favourable cash profiles, the committee approved annual bonuses averaging 80% of basic salary for the executive directors. The approved annual bonuses included a reduction of 2.3% reflecting annualised Group performance against health, safety and environmental targets.

The committee has decided that for the financial year to 30 June 2013, the existing bonus structure remains appropriately aligned to corporate strategy and will remain in its current form.

Executive Long Term Incentive Plans
Under the rules of the 2006 Long Term Incentive Plan (LTIP), the committee is authorised to grant awards to invited participants annually. The maximum value of a base award that may be granted in any financial year to any individual will not exceed 100% of their basic annual salary as at the award date, except in the event of outstanding performance where there is the potential to achieve super vesting of up to 200% of the base award.

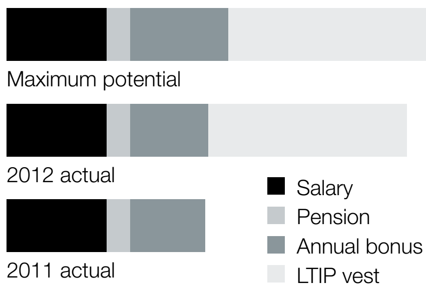
The number of shares subject to an award granted to any individual participant is calculated based on the average of the Company's mid-market closing share price for the 30 dealing days immediately prior to the date of grant. Future vesting of awards under the LTIP is subject to clawback provisions.

The vesting of any base award depends on the achievement of performance conditions linked to specific grants over an associated three year plan cycle. Performance conditions applying to awards granted in 2009, 2010 and 2011 are summarised on opposite page, 53.

Performance related remuneration: mix
The committee's objective is to design performance related elements of pay that account for a significant proportion of total pay, at a targeted level of performance.

For the year ended 30 June 2012, performance related remuneration represented approximately 77% of total reward. This ratio represented a sharp increase from 42% in 2011, primarily as a result of the vesting of the March 2009 Long Term Incentive Plan awards on 12 March 2012.

Executive directors' remuneration policy



All employee schemes
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 continued to be applied to all bonus schemes covering staff across the Group.

The Group also operates an HM Revenue & Customs approved sharesave scheme for the benefit of all staff. The directors anticipate making a further grant following the announcement of final results for the financial year in September 2012.

Employee benefit trust and dilution

The Company's Employee Benefit Trust (EBT) is the primary mechanism by which shares required to satisfy the executive incentive plans are provided. During the financial year the EBT purchased a further 1,000,000 shares in the market at an average price >

Date of grant	Performance conditions: vesting of any base awards depends on the achievement of performance conditions	Comparator group
March 2009	• Vesting based on TSR and share price performance for the three year period to 30 June 2011. As outlined on page 50 of last year's remuneration report, the remuneration committee approved the maximum 150% vesting of these awards. As a result there is an additional 50% vesting above the 100% base award shown in the table on page 55; • The awards vested on 12 March 2012 at a share price of £6.02.	Balfour Beatty plc, Barratt Developments plc; Bellway plc; The Berkeley Group Holdings plc; Henry Boot plc; Bovis Homes Group plc; Carillion plc; T Clarke plc; Costain Group plc; M J Gleeson plc; Kier Group plc; Morgan Sindall Group plc; Persimmon plc; Redrow plc; ROK plc; Taylor Wimpey plc
September 2009	• Vesting based on TSR and EPS performance for the three year period to 30 June 2012; • Vesting of any of the base award requires real EPS growth of at least 2% per annum over the performance period. If this is achieved, vesting is based on TSR performance relative to a comparator group of companies with 30% of the award vesting for performance at the 51st percentile increasing to 100% vesting for performance at the 75th percentile. Vesting can increase to a maximum of 200% of the base award (for 100th percentile performance) although any vesting above 100% also requires real EPS growth of at least 5% per annum; • Over the three year period, the Company's real EPS growth was 247% and its TSR ranking was at the 97.4 percentile. As a result, 186.06% of the base award will vest in September 2012.	As above excluding ROK plc
September 2010	• Vesting based on TSR and EPS performance for three year period to 30 June 2013; • Vesting of up to 50% of the base award subject to EPS performance. 15% of the award vests if there is aggregate EPS of 126p over the period increasing to 50% vesting for aggregate EPS of 154p; • Vesting of up to 75% of the base award is subject to TSR performance relative to a comparator group of housebuilding companies. 7.5% of the award vests if the Company's TSR is median increasing to 25% vesting if TSR is upper quartile. Vesting can increase to a maximum of 75% of the base award for 100th percentile performance, although any vesting above 25% also requires maximum EPS to have been achieved; • Vesting of up to 75% of the base award is subject to TSR performance relative to a comparator group of construction companies on the same basis as for housebuilding companies.	**Housebuilding:** Barratt Developments plc; Bellway plc; The Berkeley Group Holdings plc; Bovis Homes Group plc; Persimmon plc; Redrow plc; Taylor Wimpey plc **Construction:** Balfour Beatty plc; Carillion plc; Costain Group plc; Henry Boot plc; Keller Group plc; Kier Group plc; M J Gleeson plc; Morgan Sindall Group plc
September 2011	• Vesting based on TSR and EPS performance for the three year period to 30 June 2014; • Performance conditions are the same as for awards granted in September 2010 except that the minimum aggregate EPS target is 171 pence and the maximum EPS target is 209 pence.	Same as the September 2010 grant above

Awards to be granted in 2012 will be subject to the following condition:

- The extent of vesting will be based on TSR and EPS performance over the three year period to 30 June 2015. The committee is satisfied that this provides executives with appropriate alignment to the delivery of corporate strategy both directly by rewarding earnings growth and indirectly by rewarding relative returns to shareholders;
- Maximum vesting will be 200% of the base award;
- Vesting of up to 50% of the base award will be based on EPS performance. 15% of the award will vest if there is aggregate EPS of 203p over the period increasing to 50% vesting for aggregate EPS of 248p;
- Vesting of up to 75% of the base award will be based on TSR performance relative to a comparator group of seven housebuilding companies – Barratt Developments plc, Bellway plc, Berkeley Group plc, Bovis Homes plc, Persimmon plc, Redrow plc, Taylor Wimpey plc;
- Vesting of up to 75% of the base award will be subject to TSR performance relative to a comparator group of eight construction companies – Balfour Beatty plc, Carillion plc, Costain Group plc, Henry Boot plc, Keller Group plc, Kier Group plc, M J Gleeson plc, Morgan Sindall plc;
- For both of the TSR comparator groups, 7.5% of the award will vest if the Company's TSR is median, increasing to 25% vesting if the Company's TSR is 24% (8% per annum) higher than that of the median ranked comparator company.

  Vesting can increase to a maximum of 75% of the base award for achieving a TSR that is 75% (25% per annum) higher than the median ranked comparator company. However, any vesting above 25% also requires the maximum EPS target to have been achieved.

This vesting schedule has been slightly amended from that used for prior year awards to ensure that the performance condition remains robust and to avoid unnecessary volatility arising from the use of relatively small comparator groups. The committee is satisfied that the revised schedule is no less challenging than that used in prior years. The amendment has been discussed with major shareholders.

of £5.25, which resulted in a balance held at 30 June 2012 of 1,040,223 shares. The Company accordingly provided net additional funds to the EBT during the financial year of £5.3 million by extending the existing EBT loan facility. In only issuing 5,581 new shares during or since the financial year, the Company has complied with the dilution guidelines of the Association of British Insurers. Applying the guidelines, when adjusted to take account of the 2009 rights issue the Group has 8.78% headroom against 'the ten percent in ten years' rule and 4.78% headroom against the 'five percent in ten years' rule for discretionary plans.

Executive shareholding guidelines

The Company's share retention policy requires executive directors to build and maintain a shareholding 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 2012 both executive directors met this policy requirement.

Directors' share interests

As at 30 June 2012, the then current directors held the following beneficial interests in the Company's ordinary share capital:

	As at 1 July 2011	As at 30 June 2012
Ian Coull	10,000	10,000
Greg Fitzgerald	748,285	[a,b] 880,542
Frank Nelson	162,440	[a] 158,932
Amanda Burton	17,885	17,885
Peter Rogers	27,083	27,083
Andrew Jenner	13,433	13,433

[a] Greg Fitzgerald and Frank Nelson also have respective beneficial interests in 77,403 and 50,088 shares held by the Galliford Try Employee Benefit Trust in connection with the Group's Annual Bonus Plan. Greg Fitzgerald's plan shares will vest, subject to satisfaction of an associated employment condition, in two tranches on 28 September 2013 and 22 September 2014. The committee has also approved the vesting of Frank Nelson's Annual Bonus Plan shares on 30 September 2012, the date of his early retirement. More detailed information regarding the respective tranches can be found in the Directors' Interests in Annual Bonus Plan table on page 56.

[b] Crownway Builders Limited, a company in which Greg Fitzgerald owns 37.5% of the issued share capital, disposed of its interest in 425,402 shares in the Company on 12 March 2012.

There were no changes in the directors' interests from 30 June 2012 to the date of this report.

Directors' service contracts

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

Non-executive directors	Contract date	Notice (months)
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	[3] 12
Graham Prothero	[4] 18 June 2012	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. All serving directors will stand for re-election at the 2012 annual general meeting.

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

3 The Group reached an agreement with Frank Nelson, following over 24 years' service and in order to provide continuity through to the end of the Group's reporting cycle in September 2012, under which he would be contractually entitled to take early retirement at the age of 62 with effect from 30 September 2012. Contractual payments under that agreement are due to commence from September 2012. Under the terms of the agreement, approved by the committee, Frank Nelson will receive an amount in lieu of notice equivalent to 12 months' salary and benefits. The committee also awarded Frank Nelson a good leaver entitlement to outstanding shares receivable under the Annual Bonus Plan, a similar right to all existing LTIP awards, with performance measured at the end of the vesting period and awards scaled back to the proportion of the three year performance period completed, and an entitlement, as a taxable benefit, to his company car.

Full details of the value of payments made, and benefits received, under the agreement will be disclosed in the 2012/13 Annual Report as applicable to that financial year.

4 Graham Prothero has executed a service agreement dated 18 June 2012. Graham Prothero is anticipated to commence employment as finance director with the Group later in the financial year with a starting salary of £335,000. The rest of his entitlements to remuneration will be in line with Group remuneration policy and that of the chief executive.

Chairman and non-executive fees

The chairman, Ian Coull, receives a fee of £105,000 per annum, he otherwise receives no other benefits in connection with his position.

The standard non-executive fee reverted to £40,000 per annum during the financial year following the reinstatement of the 5% reduction referred to on page 51. Amanda Burton receives a £4,000 fee supplement in recognition of her appointment as the Company's senior independent director.

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 continues to serve as a non-executive director of NHBC (the National House-Building Council), for which he receives an annual fee of £33,600; during the year he received £33,600.

Remuneration: compliance and audited information

The committee is governed by formal terms of reference agreed by the board and is composed solely of non-executive directors, each of whom the board considers are independent. The latest terms of reference are available on the Group website.

The committee continued to receive advice from both New Bridge Street (NBS), as the committee's primary external adviser on remuneration matters, and MM&K Limited (MM&K), who provide advice to the committee and the wider Group in connection with the operation of the Company's existing share plans. Neither NBS nor MM&K provide any other services to the Group, although NBS is part of the Aon Corporation (Aon). Aon provided advice to the Group on private medical insurance and to the trustees of two of the Group's closed final salary pension schemes during part of the financial year, but no longer provide any services to the Group. The committee remains satisfied that the services provided by Aon did not impinge on the independence of NBS for the duration of their provision.

The company secretary also advises the committee as necessary and makes arrangements for the committee to receive independent legal advice at the request of the committee chairman.

Audited information

Directors' remuneration

The remuneration of the directors serving during the financial year was as follows:

Director	Salary and fees £000s	Annual bonus £000	Benefits £000	Pension £000	Total 2012 £000	Total 2011 £000
Executive						
Greg Fitzgerald	475	420	26	95	1,016	1,003
Frank Nelson	312	212	24	63	611	658
Non-executive						
Ian Coull	105	–	–	–	105	25
Amanda Burton	44	–	–	–	44	42
Peter Rogers	40	–	–	–	40	38
Andrew Jenner	40	–	–	–	40	38

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	Base award quantum at 1 July 2011	Shares awarded during the year	Shares vested during the financial year (150% of base awards)	Base award quantum at 30 June 2012	Value of awards vested during the financial year £000	Anticipated vesting date
Greg Fitzgerald	10.03.09	£2.50	172,316	–	258,474	nil	£1,556	n/a
	11.09.09	£5.07	107,105	–	–	107,105	–	26.09.12
	28.09.10	£3.025	149,170	–	–	149,170	–	28.09.13
	22.09.11	£4.21	nil	112,826	–	112,826	–	22.09.14
Totals				**112,826**	**258,474**	**369,101**	**£1,556**	
Frank Nelson	10.03.09	£2.50	113,184	–	169,776	nil	£1,022	n/a
	11.09.09	£5.07	70,345	–	–	70,345	–	26.09.12
	28.09.10	£3.025	97,983	–	–	97,983	–	28.09.13
	22.09.11	£4.21	nil	74,109	–	74,109	–	22.09.14
Totals				**74,109**	**169,776**	**242,437**	**£1,022**	

All awards were granted under the Galliford Try plc 2006 Long Term Incentive Plan, further information regarding which can be found on page 53.
All base performance share awards are equivalent to 100% of annual salary applicable at grant. No awards lapsed during the financial year.

The award quantum and market price data shown for the 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.

Directors' interests in annual bonus plan

The directors' interests over shares as a result of their participation in the Group Annual Bonus Plan are set out in the table below. The value of these shares at the date of grant has previously been included in the directors' remuneration table for the year in which the bonus was earned.

Executive director	Award date	Market price at award date	Award quantum at 1 July 2011	Shares awarded during the year	Award quantum at 30 June 2012	Value of awards vested during the financial year	Anticipated vesting date
Greg Fitzgerald	28.09.10 (2009/10 bonus)	£3.04	47,286	–	47,286	–	28.09.13
	22.09.11 (2010/11 bonus)	£4.5725	nil	30,117	30,117	–	22.09.14
Totals				**30,117**	**77,403**		
Frank Nelson	28.09.10 (2009/10 bonus)	£3.04	30,306	–	30,306	–	30.09.12
	22.09.11 (2010/11 bonus)	£4.5725	nil	19,782	19,782	–	30.09.12
Totals				**19,782**	**50,088**		

All awards were granted under the Galliford Try plc 2007 Annual Bonus Plan, further information regarding which can be found on page 52. No further performance conditions apply to these restricted shares. Under the plan rules 66.6% of the total Annual Bonus payable above 50% of base salary is awarded as deferred shares.

No shares vested or lapsed during the financial year.

Directors' interests in Group sharesave scheme

The executive directors' interests in the sharesave scheme as at 30 June 2012 were:

Executive director	Date of grant	Options outstanding as at 1 July 2011	Lapsed in the year	Options outstanding as at 30 June 2012	Grant exercisable from	Grant exercisable to	Exercise price
Greg Fitzgerald	19.11.10	1,700	–	1,700	01.02.14	31.07.14	£2.71
Totals		**1,700**		**1,700**			
Frank Nelson	20.12.05	519	519	nil	n/a	n/a	£4.96
	19.11.10	1,434	–	1,434	01.02.14	31.07.14	£2.71
Totals		**1,953**	**519**	**1,434**			

The option grant and exercise prices shown for the 2005 grant 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. No shares were granted or exercised during the financial year.

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

18 September 2012

Directors' report

The directors present their Annual Report and audited Financial Statements for the Group for the year ended 30 June 2012.

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 02 to 41. The principal subsidiaries operating within the Group's divisions are shown in note 12 to the financial statements on page 82.

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 business review, 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 environmental, social and community matters, including a consideration of the impact of the Company's business on the environment, is provided in the sustainability section of the business review on pages 36 to 41.

Results and dividends

The profit for the year, net of tax, of £49.3 million is shown in the consolidated income statement on page 62. The directors have recommended a final dividend of 21 pence per share, which together with the interim dividend of 9.0 pence declared in February results in a total dividend for the financial year of 30 pence. The total dividend for the financial year will distribute a total of £25 million. Subject to approval by shareholders in general meeting, the final dividend will be payable on 16 November 2012, to shareholders on the register at close of business on 5 October 2012.

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 2012, the Company had 81,853,259 ordinary shares in issue (2011: 81,849,466).

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 2012 annual general meeting (AGM) will renew all three authorities, which are further explained in the Notice of annual general meeting 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. 1.27% 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 (2011: 0.84%).

Articles of association

The Articles of Association, adopted in 2009 to reflect 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 and legal director at the registered office. >

Directors' report and other statutory information

Significant direct and indirect holdings

As at 18 September 2012, 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 Limited	11,497,801	14.05%
Aberforth Partners LLP	5,848,969	7.14%
F&C Asset Management	4,976,447	6.08%
Old Mutual Asset Managers (UK) Ltd	4,137,449	5.05%

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 continue to relate to the four year £325 million Group revolving credit facility, details of which were discussed in detail in the 2011 Annual Report, and the Group's surety arrangements, which are further considered in the guarantees and contingent liabilities note to the financial statements on page 102.

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 pages 42 to 43. The finance director, Frank Nelson, continues to be appointed as the Group's senior accounting officer and Greg Fitzgerald, the chief executive, and Frank Nelson continue to 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 72. Further information regarding the governance policy determining directors' appointment and replacement, which applied during and since the financial year, can be found in the board composition section of the corporate governance report on page 44.

The interests of the directors in the share capital of the Company are set out in the directors' remuneration report on pages 50 to 56, 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 Companies Act 2006. In addition, conflicts of interest are reviewed, and as necessary further authorised, by the board on an annual basis.

Significant agreements

Excepting the agreements underpinning the Group's four year revolving credit facility, which will require renewal by 2015, there are no persons with which 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 £80,000 (2011: £57,000). Charities that benefited continued to include 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. However, 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 2012 (2011: nil). Trade creditors for the Group as at 30 June 2012 represented an average of 35 days (2011: 36 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 10, and in note 28 to the financial statements on page 92.

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 2012.

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 Group's continuing access to its core revolving credit facility agreed in 2011, 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 section 418 of the Companies Act 2006.

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

Annual general meeting

The annual general meeting will be held at the offices of Royal Bank of Scotland, 3rd Floor Conference Centre, 250 Bishopsgate, London EC2M 4AA on 9 November 2012 at 11:00 am. The notice convening the annual general meeting, 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 on pages 06 to 41 and the corporate governance and remuneration reports, was approved by the board of directors on 18 September 2012.

For and on behalf of the board
Kevin Corbett
Company Secretary and Legal Director

18 September 2012

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, the directors' remuneration report and the 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 and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Each of the directors, whose names and functions are listed in the directors and executive board section of the Annual Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the directors' report contained in pages 06 to 59 of the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The 2012 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

18 September 2012

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 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 2012 which comprise the consolidated income statement, consolidated statement of comprehensive income, Group and Company balance sheets, consolidated statement of changes in equity, Company statement 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 60, 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 2012 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 2012 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 49 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 59, 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

18 September 2012

Consolidated income statement for the year ended 30 June 2012

	Notes	2012 £m	2011 Before exceptional items £m	2011 Exceptional items £m	2011 Total £m
Group revenue	2	**1,504.1**	1,284.2	–	1,284.2
Cost of sales		**(1,320.7)**	(1,149.7)	–	(1,149.7)
Gross profit		**183.4**	134.5	–	134.5
Administrative expenses		**(115.8)**	(98.2)	6.6	(91.6)
Share of post tax profits from joint ventures	13	**3.7**	0.5	–	0.5
Profit before finance costs		**71.3**	36.8	6.6	43.4
Profit from operations	2	**77.1**	43.6	6.6	50.2
Share of joint ventures' interest and tax		**(4.8)**	(5.8)	–	(5.8)
Amortisation of intangibles		**(1.0)**	(1.0)	–	(1.0)
Profit before finance costs		**71.3**	36.8	6.6	43.4
Finance income	4	**2.6**	5.3	–	5.3
Finance costs	4	**(10.8)**	(7.0)	–	(7.0)
Profit before income tax	5	**63.1**	35.1	6.6	41.7
Income tax expense	6	**(13.8)**	(8.9)	–	(8.9)
Profit for the year	32	**49.3**	26.2	6.6	32.8
Earnings per share					
– Basic	8	**60.9p**	32.2p		40.3p
– Diluted	8	**59.7p**	31.5p		39.4p

Consolidated statement of comprehensive income for the year ended 30 June 2012

	Notes	2012 £m	2011 £m
Profit for the year		**49.3**	32.8
Other comprehensive (expense)/income:			
Actuarial gains and (losses) recognised on retirement benefit obligations	33	**(10.7)**	12.7
Movement in fair value of derivative financial instruments	28	**(1.6)**	–
Deferred tax on items recognised in equity	6	**3.7**	(3.3)
Other comprehensive (expense)/income for the year net of tax		**(8.6)**	9.4
Total comprehensive income for the year		**40.7**	42.2

Balance sheet
at 30 June 2012

	Notes	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Assets					
Non-current assets					
Intangible assets	9	**11.8**	9.0	**–**	–
Goodwill	10	**115.0**	115.0	**–**	–
Property, plant and equipment	11	**10.0**	8.4	**–**	–
Investments in subsidiaries	12	**–**	–	**192.6**	192.3
Investments in joint ventures	13	**5.4**	1.9	**–**	–
Financial assets					
– Available for sale financial assets	14	**26.5**	22.2	**–**	–
Trade and other receivables	19	**35.9**	44.8	**–**	–
Retirement benefit asset	33	**–**	3.2	**–**	–
Deferred income tax assets	27	**7.7**	5.5	**2.5**	0.8
Total non-current assets		**212.3**	210.0	**195.1**	193.1
Current assets					
Inventories	16	**0.4**	0.2	**–**	–
Developments	17	**719.8**	615.6	**–**	–
Trade and other receivables	19	**281.6**	259.9	**62.2**	51.7
Current income tax assets	20	**–**	–	**–**	0.1
Cash and cash equivalents	21	**95.8**	47.8	**358.8**	296.4
Total current assets		**1,097.6**	923.5	**421.0**	348.2
Total assets		**1,309.9**	1,133.5	**616.1**	541.3
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	25	**(73.3)**	(11.5)	**(72.5)**	(0.6)
– Derivative financial liabilities	28	**–**	(0.8)	**–**	(0.8)
Trade and other payables	22	**(660.6)**	(624.5)	**(147.9)**	(119.1)
Current income tax liabilities	23	**(8.8)**	(6.8)	**–**	–
Provisions for other liabilities and charges	24	**(0.7)**	(2.5)	**–**	–
Total current liabilities		**(743.4)**	(646.1)	**(220.4)**	(120.5)
Net current assets		**354.2**	277.4	**200.6**	227.7
Non-current liabilities					
Financial liabilities					
– Derivative financial liabilities	28	**(1.6)**	–	**(1.6)**	–
Deferred income tax liabilities	27	**(0.2)**	–	**–**	–
Other non-current liabilities	26	**(83.0)**	(29.2)	**–**	–
Retirement benefit obligation	33	**(0.2)**	–	**–**	–
Provisions for other liabilities and charges	24	**(3.1)**	(3.1)	**–**	–
Total non-current liabilities		**(88.1)**	(32.3)	**(1.6)**	–
Total liabilities		**(831.5)**	(678.4)	**(222.0)**	(120.5)
Net assets		**478.4**	455.1	**394.1**	420.8
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	**241.4**	218.1	**159.4**	186.1
Total equity attributable to owners of the Company		**478.4**	455.1	**394.1**	420.8

The notes on pages 66 to 102 are an integral part of these consolidated financial statements.

The financial statements on pages 62 to 102 were approved by the board on 18 September 2012 and signed on its behalf by:

Greg Fitzgerald
Chief Executive

Frank Nelson
Finance Director

Galliford Try plc
Registered number: 00836539

FINANCIALS

Consolidated statement of changes in equity for the year ended 30 June 2012

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
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 1 July 2011		40.9	190.8	5.3	218.1	455.1
Profit for the year		–	–	–	49.3	49.3
Other comprehensive (expense)		–	–	–	(8.6)	(8.6)
Transactions with owners:						
Dividends	7	–	–	–	(16.8)	(16.8)
Share based payments	30	–	–	–	8.5	8.5
Purchase of own shares	32	–	–	–	(9.1)	(9.1)
Issue of shares	29	–	–	–	–	–
At 30 June 2012		**40.9**	**190.8**	**5.3**	**241.4**	**478.4**

Company statement of changes in equity for the year ended 30 June 2012

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
At 1 July 2010		40.9	190.8	3.0	195.3	430.0
Profit for the year		–	–	–	1.1	1.1
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 1 July 2011		40.9	190.8	3.0	186.1	420.8
(Loss) for the year		–	–	–	(8.9)	(8.9)
Other comprehensive (expense)		–	–	–	(0.4)	(0.4)
Transactions with owners:						
Dividends	7	–	–	–	(16.8)	(16.8)
Share based payments	30	–	–	–	8.5	8.5
Purchase of own shares	32	–	–	–	(9.1)	(9.1)
Issue of shares	29	–	–	–	–	–
At 30 June 2012		**40.9**	**190.8**	**3.0**	**159.4**	**394.1**

Statement of cash flows
for the year ended 30 June 2012

	Notes	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Cash flows from operating activities					
Continuing operations					
Profit/(loss) before finance costs		**71.3**	43.4	**(9.4)**	0.6
Adjustments for:					
Depreciation and amortisation	11 & 9	**3.5**	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	**(2.6)**	(1.1)	**–**	–
Profit on sale of available for sale financial assets	5	**(0.1)**	(0.1)	**–**	–
Dividends received from subsidiary undertakings		**–**	–	**–**	(2.9)
Share based payments	30	**8.5**	2.5	**8.2**	2.5
Share of post tax profits from joint ventures	13	**(3.7)**	(0.5)	**–**	–
Movement on provisions		**(1.8)**	(3.6)	**–**	–
Other non-cash movements		**(6.4)**	(4.9)	**–**	0.3
Net cash generated from/(used in) operations before pension deficit payments and changes in working capital		**68.6**	39.0	**(1.2)**	0.5
Deficit funding payments to pension schemes	33	**(7.3)**	(6.9)	**–**	–
Net cash generated from/(used in) operations before changes in working capital		**61.3**	32.1	**(1.2)**	0.5
(Increase)/decrease in inventories		**(0.2)**	0.9	**–**	–
(Increase) in developments		**(104.2)**	(86.7)	**–**	–
(Increase) in trade and other receivables		**(12.8)**	(37.3)	**–**	–
Increase/(decrease) in payables		**89.1**	81.3	**(0.8)**	0.3
Net cash generated from/(used in) operations		**33.2**	(9.7)	**(2.0)**	0.8
Interest received		**1.1**	1.1	**–**	–
Interest paid*		**(8.0)**	(8.6)	**–**	(1.4)
Income tax (paid)/received		**(10.1)**	(5.6)	**–**	0.4
Net cash generated from/(used in) operating activities		**16.2**	(22.8)	**(2.0)**	(0.2)
Cash flows from investing activities					
Dividends received from joint venture	13	**0.3**	0.3	**–**	–
Dividends received from subsidiary undertakings		**–**	–	**–**	2.9
Acquisition of investments in joint ventures	13	**(0.1)**	(0.1)	**–**	–
Acquisition of available for sale financial assets	14	**–**	(0.3)	**–**	–
Proceeds from investments in joint ventures and non-current assets held for sale	13 & 15	**2.6**	2.1	**–**	–
Proceeds from available for sale financial assets	14	**0.9**	0.5	**–**	–
Purchase of intangible assets	9	**(3.8)**	(3.1)	**–**	–
Loan from subsidiary companies		**–**	–	**28.8**	60.8
Loans to subsidiaries		**–**	–	**(10.4)**	(8.4)
Acquisition of property, plant and equipment	11	**(4.5)**	(3.3)	**–**	–
Proceeds from sale of property, plant and equipment		**0.5**	0.2	**–**	–
Net cash (used in)/generated from investing activities		**(4.1)**	(3.7)	**18.4**	55.3
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital	29	**–**	–	**–**	–
Purchase of own shares	32	**(9.1)**	(1.6)	**(9.1)**	(1.6)
Increase in/(repayment of) borrowings	25	**72.7**	(90.4)	**71.9**	(90.4)
Dividends paid to Company shareholders	7	**(16.8)**	(11.2)	**(16.8)**	(11.2)
Net cash generated from/(used in) financing activities		**46.8**	(103.2)	**46.0**	(103.2)
Net increase/(decrease) in cash and cash equivalents		**58.9**	(129.8)	**62.4**	(48.1)
Cash and cash equivalents at 1 July	21	**36.9**	166.7	**296.4**	344.5
Cash and cash equivalents at 30 June	21	**95.8**	36.9	**358.8**	296.4

* Interest paid in 2011 included the 2011 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 66 to 102 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Accounting policies

General information

Galliford Try plc is a 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 housebuilding and construction 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 2011.

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 loss for the parent company for the year was £8.9 million (2011: profit £1.1 million).

New amendments to standards that became mandatory for the first time for the financial year beginning 1 July 2011 were as follows. The new amendments had no significant impact on the Group's results.

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

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

– Amendment to IAS 1, 'Presentation of financial statements' on OCI
– 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
– Amendment to IFRS 1 on government grants
– Amendment to IFRS 7, Financial instruments: asset and liability offsetting
– Amendment to IAS 32, Financial instruments: asset and liability offsetting
– IFRIC 20 'Stripping costs in the production phase of a surface mine'

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.

1 Accounting policies continued

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.

(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 are largely with 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 non-controlling 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.

1 Accounting policies continued

Exceptional items

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

Segment reporting

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

Revenue and profit

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

Revenue and profit are recognised as follows:

(i) Housebuilding and land sales
Revenue from private housing sales 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 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.

1 Accounting policies continued

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.

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. Cost is determined at the time of acquisition as being directly attributable costs or, where relevant, by using an appropriate valuation methodology.

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.

1 Accounting policies continued

Property, plant and equipment

All 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. Land and buildings comprise mainly offices.

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.

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.

1 Accounting policies continued

Trade receivables

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

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

Cash and cash equivalents

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

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

Bank and other borrowings

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

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

Trade payables

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

Provisions for liabilities and charges

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

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

Derivative financial instruments

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

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

Derivative financial instruments that are designated and effective as hedges, mainly comprising interest rate swaps, are measured at fair value. Changes in the fair value are recognised directly in reserves.

Derivative financial instruments that do not qualify for hedge accounting 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.

Notes to the consolidated financial statements

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 Trust are deducted from total equity.

Investments in subsidiaries

Investments in subsidiaries, held by the Company, are recorded at cost less any impairment in the Company's balance sheet. The directors review the invesments for impairment annually.

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-makers ("CODM") have 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.

2 Segment reporting continued

Primary reporting format – business segments

		Construction						
	House-building £m	Building £m	Partner-ships £m	Infra-structure £m	Total £m	PPP Investments £m	Central costs £m	Total £m
Year ended 30 June 2012								
Group revenue and share of joint ventures' revenue	**636.7**	**363.5**	**90.4**	**470.9**	**924.8**	**13.8**	**1.0**	**1,576.3**
Share of joint ventures' revenue	**(62.8)**	**(0.1)**	**–**	**(9.3)**	**(9.4)**	**–**	**–**	**(72.2)**
Group revenue	**573.9**	**363.4**	**90.4**	**461.6**	**915.4**	**13.8**	**1.0**	**1,504.1**
Segment result:								
Profit/(loss) from operations before share of joint ventures' profit	**66.8**	**8.2**	**1.7**	**8.8**	**18.7**	**(1.1)**	**(15.8)**	**68.6**
Share of joint ventures' profit	**8.3**	**0.2**	**–**	**–**	**0.2**	**–**	**–**	**8.5**
Profit/(loss) from operations*	**75.1**	**8.4**	**1.7**	**8.8**	**18.9**	**(1.1)**	**(15.8)**	**77.1**
Share of joint ventures' interest and tax	**(4.7)**	**(0.1)**	**–**	**–**	**(0.1)**	**–**	**–**	**(4.8)**
Profit/(loss) before finance costs, amortisation and taxation	**70.4**	**8.3**	**1.7**	**8.8**	**18.8**	**(1.1)**	**(15.8)**	**72.3**
Net finance (costs)/income	**(37.5)**	**0.7**	**0.1**	**0.5**	**1.3**	**(0.1)**	**28.1**	**(8.2)**
Profit/(loss) before amortisation and taxation	**32.9**	**9.0**	**1.8**	**9.3**	**20.1**	**(1.2)**	**12.3**	**64.1**
Amortisation of intangibles								**(1.0)**
Profit before taxation								**63.1**
Income tax expense								**(13.8)**
Profit for the year								**49.3**
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

* 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 £51.5 million (2011: £61.7 million) of which £22.0 million (2011: £14.0 million) was in building, £27.3 million (2011: £31.9 million) was in infrastructure, £1.0 million (2011: £14.6 million) was in housebuilding, and £1.2 million (2011: £1.2 million) in central costs.

2 Segment reporting continued

			Construction						
	Notes	House-building £m	Building £m	Partner-ships £m	Infra-structure £m	Total £m	PPP Investments £m	Central costs £m	Total £m
Year ended 30 June 2012									
Assets									
Net cash/(debt)	21	**(469.5)**	**88.1**	**15.0**	**42.4**	**145.5**	**0.6**	**345.9**	**22.5**
Other assets									**1,206.4**
Borrowings	25								**73.3**
Deferred income tax assets	27								**7.7**
Total assets									**1,309.9**
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
Other segment information									
Year ended 30 June 2012									
Investment in joint ventures	13	**4.4**	**1.0**	**–**	**–**	**1.0**	**–**	**–**	**5.4**
Contracting revenue		**21.3**	**363.4**	**90.4**	**458.1**	**911.9**	**6.9**	**–**	**940.1**
Capital expenditure									
– Property, plant and equipment	11	**0.3**	**–**	**–**	**3.3**	**3.3**	**–**	**0.9**	**4.5**
Depreciation	11	**0.2**	**0.1**	**0.1**	**1.2**	**1.4**	**–**	**0.9**	**2.5**
Impairment of receivables	5	**–**	**0.1**	**–**	**0.1**	**0.2**	**–**	**–**	**0.2**
Share based payments	3	**–**	**0.1**	**–**	**0.2**	**0.3**	**–**	**8.2**	**8.5**
Acquisition of intangible assets	9	**–**	**–**	**–**	**–**	**–**	**–**	**3.8**	**3.8**
Amortisation of intangible assets	9	**1.0**	**–**	**–**	**–**	**–**	**–**	**–**	**1.0**
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									
– 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

3 Employees and directors

Employee benefit expense during the year	Notes	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Wages and salaries		**142.7**	139.3	**–**	–
Redundancy and termination costs		**0.9**	0.8	**–**	–
Social security costs		**14.6**	15.0	**1.2**	0.2
Retirement benefit costs	33	**14.3**	10.4	**–**	–
Share based payments	30	**8.5**	2.5	**8.2**	2.5
		181.0	168.0	**9.4**	2.7

Average monthly number of people (including executive directors) employed	Group 2012 Number	Group 2011 Number	Company 2012 Number	Company 2011 Number
By business group:				
Housebuilding	**802**	716	**–**	–
Building	**938**	964	**–**	–
Partnerships	**273**	282	**–**	–
Infrastructure	**1,542**	1,448	**–**	–
Total construction	**2,753**	2,694	**–**	–
PPP investments	**23**	21	**–**	–
Group	**291**	234	**7**	7
	3,869	3,665	**7**	7

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.

	2012 £m	2011 £m
Salaries and short term employee benefits	**4.3**	4.0
Retirement benefit costs	**0.2**	0.2
Share based payments	**4.7**	2.0
	9.2	6.2

4 Net finance costs

Group	2012 £m	2011 £m
Interest receivable on bank deposits	**0.2**	0.6
Interest receivable from joint ventures	**–**	1.7
Unwind of discount on shared equity receivables	**1.6**	1.3
Fair value profit on financing activities – interest rate swaps	**–**	1.3
Other	**0.8**	0.4
Finance income	**2.6**	5.3
Interest payable on borrowings	**(8.4)**	(5.0)
Unwind of discounted payables	**(1.9)**	(1.3)
Net finance cost on retirement benefit obligations	**(0.1)**	(0.5)
Other	**(0.4)**	(0.2)
Finance costs	**(10.8)**	(7.0)
Net finance costs	**(8.2)**	(1.7)

Notes to the consolidated financial statements

5 Profit before income tax

The following items have been included in arriving at profit before income tax:

	Notes	2012 £m	2011 £m
Employee benefit expense	3	**181.0**	168.0
Depreciation of property, plant and equipment	11	**2.5**	2.3
Amortisation of intangible assets	9	**1.0**	1.0
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	**(2.6)**	(1.1)
Profit on sale of available for sale financial assets	14	**(0.1)**	(0.1)
Other operating lease rentals payable:			
– Plant and machinery		**25.8**	29.5
– Property		**4.6**	4.5
Inventories recognised as an expense		**8.0**	8.7
Developments recognised as an expense		**476.3**	322.0
Repairs and maintenance expenditure on property, plant and equipment		**0.6**	0.7
Impairment of receivables	19	**0.2**	0.1
Exceptional items		**–**	(6.6)

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, was reflected in the Group's 2011 results as an exceptional item credited to profit before tax. The exceptional credit was non taxable as it reversed the non deductible treatment of the exceptional loss in 2010.

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:

	2012 £m	2011 £m
Fees payable to Company's auditor for the audit of parent company and consolidated financial statements	**0.2**	0.2
Total audit services	**0.2**	0.2
The audit of financial statements of the Group's subsidiaries pursuant to legislation	**0.3**	0.3
Services relating to corporate matters	**0.1**	–
Services relating to taxation and accounting advice	**0.1**	0.1
Total other services	**0.5**	0.4
Total	**0.7**	0.6

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

Group	Notes	2012 £m	2011 Before exceptional items £m	2011 Exceptional items £m	2011 Total £m
Analysis of expense in year					
Current year's income tax					
Current tax		**15.9**	8.0	–	8.0
Deferred tax	27	**(0.8)**	1.8	–	1.8
Adjustments in respect of prior years					
Current tax		**(3.8)**	(1.5)	–	(1.5)
Deferred tax	27	**2.5**	0.6	–	0.6
Income tax expense		**13.8**	8.9	–	8.9
Tax on items recognised in other comprehensive income					
Deferred tax (credit)/expense on retirement benefit obligations	27	**(2.5)**	3.3	–	3.3
Deferred tax (credit) for share based payments	27	**(1.2)**	–	–	–
Total deferred tax		**(3.7)**	3.3	–	3.3
Total taxation		**10.1**	12.2	–	12.2

The total income tax expense for the year of £13.8 million (2011: £8.9 million) is lower (2011: lower) than the year end standard rate of corporation tax in the UK of 24% (2011: 26%). The differences are explained below:

	2012 £m	2011 Before exceptional items £m	2011 Exceptional items £m	2011 Total £m
Profit before income tax	**63.1**	35.1	6.6	41.7
Profit before income tax multiplied by the year end standard rate in the UK of 24% (2011: 26%)	**15.1**	9.1	1.7	10.8
Effects of:				
Expenses not deductible for tax purposes	**0.7**	0.3	–	0.3
Non taxable income	**(1.7)**	(0.1)	(1.7)	(1.8)
Change in rate of current income tax	**1.0**	0.5	–	0.5
Adjustments in respect of prior years	**(1.3)**	(0.9)	–	(0.9)
Income tax expense	**13.8**	8.9	–	8.9

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 the accounting period to 30 June 2011 were taxed at an effective rate of 27.5%. The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Group's profits for the accounting period to 30 June 2012 are taxed at an effective rate of 25.5% and will be taxed at 24% 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 2012 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012. A further reduction to the main rate is proposed to reduce the rate by 1% to 22% by 1 April 2014. Neither 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 enacted in the Finance Act 2012 would be to reduce the deferred tax asset provided at the balance sheet date by £0.3 million. This £0.3 million decrease in the deferred tax asset would decrease profit by £0.3 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 24% to 23% with effect from 1 April 2013.

The proposed reductions of the main rate of corporation tax by 1% per year to 22% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further change from 23% to 22%, if applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by a further £0.3 million in 2014.

7 Dividends

Group and Company	2012 £m	2012 pence per share	2011 £m	2011 pence per share
Previous year final	**9.4**	**11.5**	7.5	9.2
Current period interim	**7.4**	**9.0**	3.7	4.5
Dividend recognised in the year	**16.8**	**20.5**	11.2	13.7

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

	2012 £m	2012 pence per share	2011 £m	2011 pence per share
Interim	**7.4**	**9.0**	3.7	4.5
Final	**17.2**	**21.0**	9.4	11.5
Dividend relating to the year	**24.6**	**30.0**	13.1	16.0

The directors are proposing a final dividend in respect of the financial year ended 30 June 2012 of 21p per share, bringing the total dividend in respect of 2012 to 30p per share (2011: 16p). The final dividend will absorb approximately £17.2 million of equity. Subject to shareholder approval at the annual general meeting to be held on 9 November 2012, the dividend will be paid on 16 November 2012 to shareholders who are on the register of members on 5 October 2012.

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 32), 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.

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

	2012 Earnings £m	2012 Weighted average number of shares	2012 Per share amount pence	2011 Earnings £m	2011 Weighted average number of shares	2011 Per share amount pence
Basic EPS						
Earnings attributable to ordinary shareholders	**49.3**	**80,919,341**	**60.9**	32.8	81,452,318	40.3
Effect of dilutive securities:						
Options		**1,643,319**			1,797,030	
Diluted EPS	**49.3**	**82,562,660**	**59.7**	32.8	83,249,348	39.4

8 Earnings per share continued

b) Adjusted earnings per share

Adjusted earnings per share based on the earnings before exceptional items of £Nil (2011: £6.6 million) for the year are set out below:

	2012			2011		
	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	**49.3**	**80,919,341**	**60.9**	26.2	81,452,318	32.2
Effect of dilutive securities:						
Options		**1,643,319**			1,797,030	
Diluted EPS	**49.3**	**82,562,660**	**59.7**	26.2	83,249,348	31.5

9 Intangible assets

Group	**Computer software £m**	**Brand £m**	**Customer contracts £m**	**Customer relationships £m**	**Total £m**
Cost					
At 1 July 2010	–	10.8	2.9	0.4	14.1
Additions	3.1	–	–	–	3.1
At 1 July 2011	3.1	10.8	2.9	0.4	17.2
Additions	3.8	–	–	–	3.8
At 30 June 2012	**6.9**	**10.8**	**2.9**	**0.4**	**21.0**
Accumulated amortisation					
At 1 July 2010	–	(3.9)	(2.9)	(0.4)	(7.2)
Amortisation in year	–	(1.0)	–	–	(1.0)
At 1 July 2011	–	(4.9)	(2.9)	(0.4)	(8.2)
Amortisation in year	–	(1.0)	–	–	(1.0)
At 30 June 2012	**–**	**(5.9)**	**(2.9)**	**(0.4)**	**(9.2)**
Net book amount					
At 30 June 2012	**6.9**	**4.9**	**–**	**–**	**11.8**
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. Amortisation of computer software will commence once the software is fully operational.

10 Goodwill

Group	£m
Cost	
At 1 July 2010, 1 July 2011 and 30 June 2012	115.7
Accumulated amortisation and aggregate impairment at 1 July 2010, 1 July 2011 and 30 June 2012	(0.7)
Net book amount	
At 30 June 2012	**115.0**
At 30 June 2011 and 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:

	2012 £m	2011 £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.

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 finance review on page 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 2% per annum within building, partnerships, infrastructure and 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. No long term growth rate has been applied to PPP Investments. A pre tax discount rate of 13.3% (2011: 14.3%) in housebuilding, 10.5% (2011: 10.9%) in building, 10.4% (2011: 11.2%) in partnerships and 12.2% (2011: 13.2%) in infrastructure 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 21% (2011: 26%) in the pre tax discount rate or a reduction of 16% (2011: 27%) in the forecast operating profits of the CGU would give rise to an impairment. Similarly, an increase of more than 35% in the pre tax discount rate or a reduction of 45% in the forecast operating profits of the infrastructure CGU could give rise to an impairment.

11 Property, plant and equipment

Group	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
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 1 July 2011	3.2	5.7	10.0	18.9
Additions	0.1	3.3	1.1	4.5
Disposals	–	(1.0)	(0.7)	(1.7)
At 30 June 2012	**3.3**	**8.0**	**10.4**	**21.7**
Accumulated depreciation				
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 1 July 2011	(1.0)	(2.6)	(6.9)	(10.5)
Charge for the year	(0.1)	(1.0)	(1.4)	(2.5)
Disposals	–	0.6	0.7	1.3
At 30 June 2012	**(1.1)**	**(3.0)**	**(7.6)**	**(11.7)**
Net book amount				
At 30 June 2012	**2.2**	**5.0**	**2.8**	**10.0**
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 (2011: £Nil).

There has been no impairment of property, plant and equipment during the year (2011: £Nil).

The Company has no tangible fixed assets.

Notes to the consolidated financial statements

12 Investments in subsidiaries

Company	2012 £m	2011 £m
Cost		
At 1 July	**193.9**	193.4
Capital contribution relating to share based payment	**0.3**	0.5
At 30 June	**194.2**	193.9
Aggregate impairment		
At 1 July	**1.6**	1.6
At 30 June	**1.6**	1.6
Net book value		
At 30 June	**192.6**	192.3

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.

Unless otherwise stated, each subsidiary is incorporated in England & Wales and 100% of shares are held by the Group.
A full list of subsidary undertakings is available on request from the Company's registered office.

13 Investments in joint ventures

Group	2012 £m	2011 £m
At 1 July		
– Net assets excluding goodwill	**1.9**	2.1
– Goodwill	**–**	–
At 1 July	**1.9**	2.1
Additions [(a)]		
– Net assets	**0.1**	0.1
Disposal [(b)]	**–**	(0.5)
Dividend received from joint ventures	**(0.3)**	(0.3)
Share of post tax profit	**3.7**	0.5
At 30 June	**5.4**	1.9

13 Investments in joint ventures continued

Joint ventures

At 30 June 2012 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
Kingseat Development 2 Limited (Scotland)	30 June	50%	Building
Wispers Developments LLP	28 February	50%	Building
Evolution Gateshead Developments LLP	31 March	50%	Building
gbconsortium2 Limited	31 March	50%	PPP Investment
Urban Vision Partnership Limited	31 December	30%*	Infrastructure
Opal Land LLP	31 March	50%	Housebuilding
The Piper Building Limited	31 December	50%	Housebuilding
Wates Linden (Fulham) 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
Linden 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

During the year the Group invested a further £0.1 million in gbconsortium2 Limited.

(b) Disposals

In July 2011 the Group disposed of its investment in Projco (St Andrews Hospital) Limited (Scotland) for £2.6 million giving rise to a profit of £2.6 million.

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

	2012 £m	2011 £m
Current assets	**91.6**	137.4
Non-current assets	**21.7**	31.9
Current liabilities	**(53.6)**	(67.4)
Non-current liabilities	**(54.3)**	(100.0)
	5.4	1.9
Amounts due from joint ventures	**74.9**	62.1
Amounts due to joint ventures	**5.3**	1.5
Revenue	**57.7**	51.6
Expenses	**(49.2)**	(45.3)
	8.5	6.3
Finance cost	**(5.1)**	(5.9)
Income tax	**0.3**	0.1
Share of post tax profits from joint ventures	**3.7**	0.5

The Group's share of unrecognised losses of joint ventures is £13.1 million (2011: £13.2 million).

13 Investments in joint ventures continued

As at 30 June 2012, amounts due from joint ventures of £74.9 million (2011: £62.1 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 2012 (2011: £Nil).

The Group has no commitments (2011: £Nil) to provide further of subordinated debt to its joint ventures.

The joint ventures have no significant contingent liabilities to which the Group is exposed (2011: £Nil). The joint ventures had no capital commitments as at 30 June 2012 (2011: £Nil).

Details of related party transactions with joint ventures are given in note 36.

14 Available for sale financial assets

Group	**2012 £m**	2011 £m
At 1 July	**22.2**	15.7
Additions	**5.2**	6.1
Unwind of discount on shared equity receivables	**1.6**	1.3
Impairment	**(1.7)**	(0.4)
Disposals	**(0.8)**	(0.5)
At 30 June	**26.5**	22.2

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 appropriate discount rates that 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 £4.3 million (2011: £6.2 million). There were £5.2 million new shared equity receivables and £1.6 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. An impairment of £1.7 million arose due to the variation in current assumptions compared to the original calculations. There were disposals in the year of £0.8 million (2011: £0.5 million) relating to the repayment of shared equity receivables, generating a profit on disposal of £0.1 million (2011: £0.1 million).

None of the financial assets are past their due dates (2011: 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 £Nil (2011: £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 9% (2011: 10%) 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	2012 £m	2011 £m
At 1 July	–	0.5
Disposal	–	(0.5)
At 30 June	–	–

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. Half of this investment was classified as held for sale with the remainder within investments in joint ventures (note 13).

16 Inventories

Group	2012 £m	2011 £m
Materials and consumables	**0.4**	0.2

No inventories have been written off during the year.

17 Developments

Group	2012 £m	2011 £m
Land	**503.3**	408.6
Work in progress	**216.5**	207.0
	719.8	615.6

18 Construction contracts

Group	2012 £m	2011 £m
Contracts in progress at balance sheet date:		
Amounts recoverable on construction contracts included in trade and other receivables	**119.3**	160.4
Payments received on account on construction contracts included in trade and other payables	**(63.3)**	(68.5)
	56.0	91.9

The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £1,143.5 million (2011: £1,495.9 million).

Retentions held by customers for contract work amounted to £37.0 million (2011: £38.8 million).

19 Trade and other receivables

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Amounts falling due within one year:				
Trade receivables	**93.1**	51.5	**–**	–
Less: Provision for impairment of receivables	**(0.7)**	(0.6)	**–**	–
Trade receivables – net	**92.4**	50.9	**–**	–
Amounts recoverable on construction contracts	**119.3**	160.4	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**62.2**	51.7
Amounts due from joint venture undertakings	**39.2**	21.9	**–**	–
Other receivables	**15.9**	18.9	**–**	–
Prepayments and accrued income	**14.8**	7.8	**–**	–
	281.6	259.9	**62.2**	51.7

	2012 £m	2011 £m	2012 £m	2011 £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	**35.7**	40.2	**–**	–
Other receivables	**0.2**	4.5	**–**	–
	35.9	44.8	**–**	–

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

	2012 £m	2011 £m
At 1 July	**(0.6)**	(0.9)
Provision for receivables impairment	**(0.2)**	(0.1)
Unused amounts reversed	**0.1**	0.2
Used during year	**–**	0.2
At 30 June	**(0.7)**	(0.6)

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.

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 11% (2011: 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.

19 Trade and other receivables continued

The maturity of non-current receivables is as follows:

	2012 £m	2011 £m
In more than one year but not more than two years	**0.2**	10.7
In more than two years but not more than five years	**9.6**	9.7
In more than five years	**26.1**	24.4
	35.9	44.8

Of the amounts due in more than five years £0.4 million (2011: £0.4 million) is due within 11 years (2011: 12 years) and £25.7 million (2011: £24.0 million) is due within 7 years (2011: 8 years). These amounts are unsecured and interest rates vary from bank base rate plus 1.75% to 10%.

As of 30 June 2012, trade receivables of £22.8 million (2011: £10.8 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:

	2012 £m	2011 £m
Number of days past due date:		
Less than 30 days	**18.2**	7.8
Between 30 and 60 days	**0.5**	0.2
Between 60 and 90 days	**0.1**	0.2
Between 90 and 120 days	**0.1**	0.7
Greater than 120 days	**3.9**	1.9
	22.8	10.8

As of 30 June 2012, trade receivables of £2.5 million (2011: £2.5 million) were considered for impairment. The amount provided for these balances was £0.7 million (2011: £0.6 million). The allocation of the provision is as follows:

	2012 £m	2011 £m
Number of days past due date:		
Greater than 120 days	**0.7**	0.6
	0.7	0.6

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20 Current income tax assets

Company	2012 £m	2011 £m
Current income tax assets	–	0.1

21 Cash and cash equivalents

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Cash at bank and in hand	95.8	41.0	358.8	296.4
Short term bank deposit	–	6.8	–	–
Cash and cash equivalents excluding bank overdrafts	95.8	47.8	358.8	296.4
Bank loans and overdrafts (note 25)	–	(10.9)	–	–
Cash and cash equivalents for cash flow purposes	95.8	36.9	358.8	296.4

The short term bank deposit above includes £Nil (2011: £6.8 million) which is held in escrow and cash at bank includes £0.3 million (2011: £Nil) of other restricted cash. The effective interest rate received on cash balances is 0.5% (2011: 1.5%).

Group Net cash	2012 £m	2011 £m
Cash and cash equivalents excluding bank overdrafts	95.8	47.8
Current borrowings (note 25)	(73.3)	(11.5)
Net cash	22.5	36.3

22 Trade and other payables

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Payments received on account on construction contracts	63.3	68.5	–	–
Trade payables	137.8	124.1	–	–
Development land payables	168.3	80.2	–	–
Amounts due to subsidiary undertakings	–	–	146.6	117.8
Amounts due to joint venture undertakings	5.3	1.5	–	–
Other taxation and social security payable	15.6	9.8	–	–
Other payables	25.7	17.7	–	–
Accruals and deferred income	244.6	322.7	1.3	1.3
	660.6	624.5	147.9	119.1

23 Current income tax liabilities

Group	2012 £m	2011 £m
Current income tax liabilities	8.8	6.8

24 Provisions for other liabilities and charges

Group	Onerous leases £m	Other £m	Total £m
At 1 July 2011	3.9	1.7	5.6
Charged to income statement:			
– Provisions made during the year	0.5	–	0.5
Utilised in year	(0.6)	(1.7)	(2.3)
At 30 June 2012	**3.8**	**–**	**3.8**
Analysis of total provisions			
Current	0.7	–	0.7
Non-current	3.1	–	3.1
At 30 June 2012	**3.8**	**–**	**3.8**

Onerous leases

The onerous lease provision relates primarily to properties that continue to be occupied by the Group. 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 was utilised in the year ended 30 June 2012.

25 Financial liabilities – borrowings

	Group		Company	
Current	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Bank overdrafts (i)	**–**	10.9	**–**	–
Bank loans (i)	**72.9**	–	**72.1**	–
Unsecured – Loan notes (ii)	**0.4**	0.6	**0.4**	0.6
	73.3	11.5	**72.5**	0.6

(i) 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% (2011: 2.25 – 2.6%) over LIBOR. The Group has entered into interest rate swaps as set out in note 28.

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

(a) £0.3 million (2011: £0.5 million) of loan notes were issued in 2002 as part of the acquisition of Linden Devon Limited. 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 2013. The loan notes are guaranteed by a bank.

(b) £0.1 million (2011: £0.1 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 2014. The loan notes are guaranteed by a bank.

26 Other non-current liabilities

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Development land payables	**81.2**	27.0	**–**	–
Other payables	**0.4**	0.6	**–**	–
Accruals and deferred income	**1.4**	1.6	**–**	–
	83.0	29.2	**–**	–

27 Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 24% (2011: 26%).

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 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Deferred income tax assets	**7.7**	6.4	**2.5**	0.8
Deferred income tax liabilities	**(0.2)**	(0.9)	**–**	–
	7.5	5.5	**2.5**	0.8

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

	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
At 1 July	**5.5**	11.2	**0.8**	0.3
Income statement				
Current year's deferred income tax	**0.8**	(1.8)	**0.6**	0.5
Adjustment in respect of prior years	**(2.1)**	–	**–**	–
Income/(expense) recognised in equity	**3.7**	(3.3)	**1.2**	–
Change in rate of deferred income tax	**(0.4)**	(0.6)	**(0.1)**	–
At 30 June	**7.5**	5.5	**2.5**	0.8

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 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
Income/(expense) taken to income statement	0.5	–	0.9	(0.2)	(1.2)	–
Income recognised in equity	1.2	–	–	–	–	1.2
Transfer to deferred income tax liabilities	–	–	–	0.1	–	0.1
At 30 June 2012	**2.5**	**–**	**5.0**	**–**	**0.2**	**7.7**

Deferred income tax liabilities Group	Retirement benefit obligations £m	Accelerated tax depreciation £m	Other £m	Total £m
At 1 July 2010	–	0.1	(0.1)	–
Expense 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)
Expense taken to income statement	(1.7)	–	–	(1.7)
Income recognised in equity	2.5	–	–	2.5
Transfer from deferred income tax assets	–	(0.1)	–	(0.1)
At 30 June 2012	**–**	**(0.1)**	**(0.1)**	**(0.2)**

Deferred income tax assets Company	Share based payments £m
At 1 July 2010	0.3
Income taken to income statement	0.5
At 30 June 2011	0.8
Income taken to income statement	0.5
Income recognised in equity	1.2
At 30 June 2012	**2.5**

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 2012, hence gearing was nil at that time (2011: 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 had no material currency exposure at 30 June 2012 (2011: 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 2012, 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 £1.7 million or £1.9 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 £0.8 million (2011: £1.0 million) or decrease of £0.8 million (2011: £1.6 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 2012	
Non-current	(1.6)
At 30 June 2011	
Current	(0.8)

During the year ending 30 June 2012 the Group entered into a five year interest rate swap contract, and the previous interest rate swap contract expired. The notional principal amount of the outstanding interest rate swap contracts at 30 June 2012 was £75 million (2011: £33 million). At 30 June 2012, the fixed interest rate is 1.5% (2011: 5.7%). The five year swap is designated as a hedge and changes in fair value are recognised directly in reserves.

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.

		2012		2011	
Fair value of non-current borrowings	Notes	**Book value £m**	**Fair value £m**	Book value £m	Fair value £m
Long term borrowings	25	**–**	**–**	–	–
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	**73.3**	**73.3**	11.5	11.5
Trade and other payables	22	**581.7**	**581.7**	546.5	546.5
Trade and other receivables	19	**266.8**	**266.8**	296.9	296.9
Cash and cash equivalents	21	**95.8**	**95.8**	47.8	47.8
Other non-current liabilities	26	**83.0**	**83.0**	29.2	29.2

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 only this analysis is required for financial instruments.

28 Financial instruments continued

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:

	2012 Floating rate £m	2011 Floating rate £m
Expiring:		
In more than two years	237.7	302.4
	237.7	302.4

In May 2011 the Group agreed a four year £325 million revolving credit facility with HSBC Bank plc, Barclays Bank PLC and The Royal Bank of Scotland plc. The facility provides long term finance and bonding facilities and 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.

Fair value estimation

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

	2012 Level 2 £m	2011 Level 2 £m
Assets		
Available for sale financial assets		
– Shared equity receivables	24.3	20.0
– Equity securities	2.2	2.2
Total	26.5	22.2

	Level 2 £m	Level 2 £m
Liabilities		
Liabilities at fair value		
– Derivatives used for hedging	1.6	0.8
Total	1.6	0.8

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 are defined as:

- Level 1 – Quoted market prices or dealer quotes in active markets for similar instruments.
- Level 2 – The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of available for sale financial assets is set out in note 14.
- Level 3 – Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

29 Ordinary shares and share premium

Group and Company	Number of shares	Ordinary shares £m	Share premium £m	Total £m
At 1 July 2010 and 1 July 2011	81,849,466	40.9	190.8	231.7
Allotted under share option schemes	3,793	–	–	–
At 30 June 2012	**81,853,259**	**40.9**	**190.8**	**231.7**

Number of shares refers to 50p ordinary shares, which are issued and fully paid. There are no shares issued but not fully paid.

At 30 June 2012 the total number of shares outstanding under the sharesave scheme was 823,916 (2011: 1,079,230) and under the long term incentive plans was 2,124,645 (2011: 2,279,552) as detailed below:

SAYE share option scheme			
Shares under option	Year of grant	Exercise price per share	Exercise period ending
49,252	2008	912p	30.06.13
469,569	2011	271p	30.06.14
305,095	2011	271p	30.06.16
823,916			

Long term incentive plans			
Shares awarded	Year of grant	Share price at grant	Vesting date
547,781	2010	507p	26.09.12
862,619	2011	329p	28.09.13
714,245	2012	457p	22.09.14
2,124,645			

30 Share based payments

The Company operates performance related share incentive plans for executives, details of which are set out in the directors' remuneration report. The Company also operates sharesave schemes. The total charge for the year relating to employee share based payment plans was £8.5 million (2011: £2.5 million), all of which related to equity settled share based payment transactions. After deferred tax, the total charge to the income statement was £8.0 million (2011: £2.0 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 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 vested to the maximum level in March 2012.

The decision to use an alternative averaging period to that originally envisaged in the grant date valuation gave rise to an additional IFRS 2 fair value accounting charge of £5.1 million in the financial year to 30 June 2012, which has no incremental effect on either cash or the balance sheet.

Notes to the consolidated financial statements

30 Share based payments continued

Savings related share options

The Company operates an HM Revenue & Customs approved sharesave scheme 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 sharesave 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
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

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 2012 is shown below:

	2012		2011	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 July	**1,079,230**	**369p**	389,937	759p
Awards	**–**	**–**	849,767	271p
Forfeited	**(20,559)**	**327p**	(316)	912p
Cancelled	**(37,620)**	**398p**	(70,972)	672p
Expired	**(193,342)**	**621p**	(89,186)	902p
Exercised	**(3,793)**	**271p**	–	–
Outstanding at 30 June	**823,916**	**309p**	1,079,230	369p
Exercisable at 30 June	**1,388**	**648p**	70,715	496p

The weighted average fair value of awards granted during the year was Nil (2011: Nil). There were 3,793 share options exercised during the year ended 30 June 2012 (2011: Nil). The weighted average remaining contractual life is 2 years 8 months (2011: 3 years 2 months).

30 Share based payments continued

Performance related long term incentive plans

The Company operates performance related share incentive plans for executives, details of which are set out in the directors' 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
10.03.09	250p	36	1.7%	2.5%	72p
11.09.09	507p	36	5.0%	2.1%	368p
28.09.10	329p	36	1.1%	3.8%	196p
22.09.11	457p	36	0.8%	3.5%	279p

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:

	2012 Number	2011 Number
Outstanding at 1 July	**2,279,552**	1,573,506
Granted	**2,017,975**	862,619
Expired	**(869,152)**	–
Forfeited	**–**	(156,573)
Exercised	**(1,303,730)**	–
Outstanding at 30 June	**2,124,645**	2,279,552
Exercisable at 30 June	**–**	–

The weighted average fair value of awards granted during the year was 279p (2011: 196p). There were 1,303,730 options exercised during the year ended 30 June 2012 (2011: Nil). The weighted average remaining contractual life is Nil as the shares are exercised on the day that they vest (2011: Nil).

31 Other reserves

	Group £m	Company £m
At 1 July 2010, 30 June 2011 and 30 June 2012	5.3	3.0

The Group other reserves relates to a merger reserve amounting to £4.7 million (2011: £4.7 million) and the movement on available for sale financial assets amounting to £0.6 million (2011: £0.6 million).

32 Retained earnings

	Notes	Group £m	Company £m
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	27	(3.3)	–
Dividends paid		(11.2)	(11.2)
Share based payments	30	2.5	2.5
Purchase of own shares		(1.6)	(1.6)
Issue of shares		–	–
At 30 June 2011		218.1	186.1
Profit/(loss) for the year		49.3	(8.9)
Actuarial gains recognised in the retirement benefit obligations	33	(10.7)	1.2
Deferred tax on movements in equity	27	3.7	–
Dividends paid		(16.8)	(16.8)
Share based payments	30	8.5	8.5
Purchase of own shares		(9.1)	(9.1)
Movement in fair value of derivative financial instruments		(1.6)	(1.6)
Issue of shares	29	–	–
At 30 June 2012		**241.4**	**159.4**

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9.5 million (2011: £9.5 million).

At 30 June 2012, the Galliford Try Employee Share Trust held 1,040,223 (2011: 690,689) shares. The nominal value of the shares held is £0.5 million (2011: £0.3 million). 1,000,000 shares were acquired during the year (2011: 380,500) at a cost of £5.3 million (2011: £1.6 million) and a further £3.8 million was paid in relation to other share related transactions. 650,466 (2011: Nil) shares were transferred during the year. 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 2012 was £6.6 million (2011: £3.6 million). No shareholders (2011: 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:

	Notes	2012 £m	2011 £m
Defined benefit schemes – expense/(income) recognised in the income statement		**0.1**	(0.9)
Defined contribution schemes		**14.2**	11.3
Total included within employee benefit expenses	3	**14.3**	10.4

Of the total charge for all schemes £6.1 million (2011: £6.2 million) and £8.2 million (2011: £4.2 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 Galliford Try Final Salary Pension Scheme closed to future accrual with effect from 31 March 2007.

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 2012 and all three schemes are consolidated for disclosure purposes below. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	2012	2011
Rate of increase in pensionable salaries	**n/a**	n/a
Rate of increase in pensions in payment	**2.90%**	3.55%
Discount rate	**4.50%**	5.50%
Retail price inflation	**2.90%**	3.65%
Consumer price inflation	**1.90%**	2.85%

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 (2011: 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 25.1 years (2011: 25.0 years) and for current male pensioners is 22.7 years (2011: 22.6 years). The average life expectancy at 65 for future female pensioners is 25.9 years (2011: 25.9 years) and for current female pensioners is 24.1 years (2011: 24.0 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:

			2012			2011
	Return	**Value £m**		Return	Value £m	
Equities	**6.95%**	**42.3**	**24%**	8.00%	41.6	26%
Gilts	**2.95%**	**64.0**	**37%**	4.00%	52.8	33%
Bonds	**4.50%**	**57.8**	**33%**	5.50%	50.4	32%
Cash and other*	**0.50% – 4.50%**	**9.4**	**6%**	0.50% – 5.90%	13.6	9%
		173.5	**100%**		158.4	100%
Present value of defined benefit obligations		**(173.7)**			(155.2)	
(Deficit)/surplus in scheme recognised as non-current (liability)/asset		**(0.2)**			3.2	

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

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33 Retirement benefit obligations continued

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

Sensitivity analysis of scheme liabilities

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

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.1%	Decrease by £3.5 million
Rate of inflation	Increase by 0.1%	Increase by £2.7 million
Increase in pension payments	Increase by 0.1%	Increase by £1.4 million
Life expectancy	Increase by one year	Increase by £5.0 million

The amounts recognised in the income statement are as follows:

	2012 £m	2011 £m
Gains on settlement (Enhanced Transfer Value)	–	(1.4)
Finance cost	8.4	8.8
Expected return on scheme assets	(8.3)	(8.3)
Net finance costs	0.1	0.5
Expense/(income) recognised in the income statement	0.1	(0.9)

The actual return on scheme assets was of £13.9 million (2011: £19.0 million).

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

	2012 £m	2011 £m
Total amount of actuarial (losses)/gains in the year	(10.7)	12.7
Cumulative actuarial (losses)	(27.9)	(17.2)

Movement in present value of defined benefit obligations	2012 £m	2011 £m
At 1 July	155.2	163.8
Interest cost	8.4	8.8
Experience losses	2.2	0.6
Gains on settlements (Enhanced Transfer Value)	–	(10.1)
Impact of change in assumptions	14.0	(2.6)
Benefit payments	(6.1)	(5.3)
At 30 June	**173.7**	**155.2**

33 Retirement benefit obligations continued

Movement in fair value of scheme assets	2012 £m	2011 £m
At 1 July	**158.4**	146.5
Expected return on scheme assets	**8.3**	8.3
Actual return less expected return on scheme assets	**5.6**	10.7
Employer contributions	**7.3**	6.9
Losses on settlements (Enhanced Transfer Value)	**–**	(8.7)
Benefit payments	**(6.1)**	(5.3)
At 30 June	**173.5**	158.4

The contributions expected to be paid to the defined benefit schemes during the year ended 30 June 2013 is £7.3 million.

Details of experience gains and losses in the year:	2012	2011	2010	2009	2008
Difference between the expected and actual return on assets:					
Amount £m	**5.6**	10.7	15.0	(19.3)	(15.8)
Percentage of assets	**3**	7	10	(16)	(11)
Experience gains and (losses) on scheme liabilities:					
Amount £m	**(2.2)**	(0.6)	9.9	(1.6)	0.4
Percentage of present value of defined benefit obligations	**(1)**	(0)	6	(1)	–
Total amount recognised in statement of comprehensive income:					
Amount £m	**(10.7)**	12.7	4.8	(6.5)	(11.8)
Percentage of present value of liabilities	**(6)**	8	3	(4)	(7)

During 2011 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 was 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 2012, none of the payments due were unpaid (2011: £3.8 million). The 30 June 2012 asset values therefore include a current liability of £Nil (2011: £3.8 million) to reflect the payments due.

34 Financial and capital commitments

The Group had no commitments for subordinated debt to joint ventures or other investments at 30 June 2012 (2011: £Nil).

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:

	2012		2011	
	Property £m	Vehicles, plant and equipment £m	Property £m	Vehicles, plant and equipment £m
Amounts due:				
Within one year	**3.5**	**8.8**	3.7	7.7
Later than one year and less than five years	**12.4**	**15.8**	12.3	15.2
After five years	**12.5**	**1.2**	16.1	–
	28.4	**25.8**	32.1	22.9

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.

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 £135.3 million (2011: £125.5 million).

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

36 Related party transactions

Group

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	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Trading transactions								
Joint ventures	**27.2**	12.6	**0.2**	0.3	**16.7**	16.5	**5.3**	1.5
Jointly controlled operations	**32.7**	19.3	**0.1**	16.0	**–**	–	**–**	–

	Interest income from loans to related parties		Loans to related parties		Loans from related parties		Injection of equity funding	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Non-trading transactions								
Joint ventures	**–**	1.7	**58.2**	45.6	**–**	–	**0.1**	0.1

Services are sold to related parties based on terms that would be available to unrelated third parties. Receivables are due within seven years (2011: eight years) and are unsecured and interest rates vary from bank base rate plus 1.75% to 10%. Payables are due within one year (2011: one year) and are interest free.

Company

Transactions between the Company and its subsidiaries which are related parties, which are eliminated on consolidation, are disclosed as follows:

	Interest income from loans to related parties		Amounts due to related parties		Amounts due from related parties		Capital contributions to related parties	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Non-trading transactions								
Subsidiary undertakings	**–**	–	**146.6**	117.8	**62.2**	51.7	**0.3**	0.5

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 financial guarantees in respect of its joint ventures Crest/Galliford Try (Epsom) LLP and Linden/Downland Graylingwell LLP. The maximum amounts payable under the terms of these guarantees are £4.75 million and £7.5 million respectively.

37 Post balance sheet events

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

Five year record

	2008 £m	2009 £m	2010 £m	2011 £m	**2012** **£m**
Revenue	1,831.9	1,461.2	1,221.9	1,284.2	**1,504.1**
Profit before exceptional items	71.8	24.5	26.1	35.1	**63.1**
Exceptional items	(11.5)	(51.4)	(6.9)	6.6	**–**
Profit/(loss) before taxation	60.3	(26.9)	19.2	41.7	**63.1**
Tax	(17.8)	9.1	(8.4)	(8.9)	**(13.8)**
Profit/(loss) after taxation attributable to shareholders	42.5	(17.8)	10.8	32.8	**49.3**
Fixed assets, investments in joint ventures and available for sale financial assets	24.1	18.4	25.4	32.5	**41.9**
Intangible assets and goodwill	125.2	123.2	121.9	124.0	**126.8**
Net current assets	321.6	269.2	346.4	277.4	**354.2**
Long term receivables	34.4	52.3	49.4	53.5	**43.6**
Long term payables and provisions	(180.0)	(168.5)	(119.9)	(32.3)	**(88.1)**
Net assets	325.3	294.6	423.2	455.1	**478.4**
Share capital	18.9	18.9	40.9	40.9	**40.9**
Reserves	306.4	275.7	382.3	414.2	**437.5**
Shareholders' funds	325.3	294.6	423.2	455.1	**478.4**
Dividends per share (pence)	21.7	10.9	12.5	16.0	**30.0**
Basic earnings per share (pence)	82.5	(34.4)	14.7	40.3	**60.9**
Diluted earnings per share (pence)	82.5	(34.4)	14.7	39.4	**59.7**

All dividend and earnings per share figures above, for the years 2008 and 2009, have been restated for the effect of the share consolidation and rights issue.

Shareholder information

Financial calendar 2012

Half year results announced	22 February
Interim dividend paid	11 April
Full year results announced	18 September
Ex dividend date	3 October
Final dividend record date	5 October
Annual general meeting	9 November
Final dividend payment	16 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.

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 £45 for telephone dealing and a minimum charge of £40 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 (kevin.corbett@gallifordtry.co.uk).

Analysis of shareholdings

at 30 June 2012

Size of shareholding	% of holders	Number of holders	% of shares	Number of shares
1 – 10,000	92	3,911	5	4,395,868
10,001 – 50,000	4	174	5	3,663,343
50,001 – 500,000	3	122	26	21,302,847
500,001 – Highest	1	40	64	52,491,201

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

Registration
England and Wales 00836539

Stockbrokers
Peel Hunt LLP
Jefferies Hoare Govett

Financial advisers
Rothschild

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

Auditors
PricewaterhouseCoopers LLP

Set in 100 acres of Grade II listed English parkland and, with its own cricket pitch and pavilion, Cholsey Meadows is a development of two, three and four bedroom homes in Oxfordshire with views overlooking the River Thames.

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www.farraday.com

www.gallifordtry.co.uk

NOTICE IS HEREBY GIVEN that the forty-eighth 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 9 November 2012 at 11.00 a.m.. The business of the Meeting will be to consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 11 are proposed as ordinary resolutions, and Resolutions 12 to 14 are proposed as special resolutions:

ORDINARY RESOLUTIONS

1. To receive the directors' report and the audited financial statements for the year to 30 June 2012, together with the auditors' report thereon.
2. To approve the directors' remuneration report for the year to 30 June 2012.
3. To declare a final dividend of 21 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 Peter Rogers as a director of the Company.
9. To re-appoint PricewaterhouseCoopers LLP as auditors to the Company.
10. To authorise the directors to determine the remuneration of the auditors.
11. 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 £27,285,126 comprising:
    (a) an aggregate nominal amount of £13,642,563 (whether in connection with the same offer or issue as under (b) below or otherwise); and
    (b) an aggregate nominal amount of £13,642,563 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 2013, 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

12. 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 11 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 £2,046,384.

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 11 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.

13. 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 8,185,537 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 2013, 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.

14. 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

Kevin Corbett
Company Secretary
18 September 2012

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 2012. 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 50. 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 21 pence per ordinary share, payable on 16 November 2012 to holders on the register as at 5 October 2012. The final dividend will not be paid without shareholder approval and the amount may not exceed the amount recommended by the directors.

Resolutions 4 to 8 – 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 again stand for re-appointment in 2012, as explained in the Corporate Governance Report on page 44 of the Annual Report. The biographical details of the directors can be found on page 43 of the Annual Report. A formal performance appraisal of each currently serving director has been undertaken in 2012 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 9 & 10 – 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 11 – Allotment of shares
The Companies Act 2006 provides that the directors may only allot shares if authorised by shareholders to do so. Resolution 11 will, if passed, authorise the directors to allot the Company's unissued shares up to a maximum nominal amount of £27,285,126, 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 18 September 2012, 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 11 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.

The directors have separately committed to individually stand for re-appointment at the 2012 Annual General Meeting and annually going forward. 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 12 – 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 £2,046,384 (representing approximately 5% of the Company's issued share capital as at 18 September 2012, 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 11. 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 13 – 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 18 September 2012, options and restricted share awards over a total of 3,191,509 ordinary shares in the Company (of which 1,040,223 shares are held by the Employee Share Trust), were outstanding representing 3.9% of the issued share capital. This would represent 4.3% of issued share capital if the proposed authority to purchase the Company's shares were exercised in full.

Resolution 14 – 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.

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 6DA so that it is received no later than 11.00 a.m. on 7 November 2012 (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 7 November 2012 (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 81,855,377 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 81,855,377.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by 11.00 a.m. on 7 November 2012. 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. 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 28 September 2012, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

18. The service agreements of the executive directors and copies of the letters of appointment of the non-executive directors are available for inspection during normal business hours at the registered office of the Company and will be available for inspection for fifteen minutes prior to and during the Annual General Meeting.

19. Any electronic address, within the meaning of section 334(4) of the Companies Act 2006, provided in this Notice, or any related documents including the proxy form, may not be used to communicate with the Company for any purpose other than those expressly stated.

www.gallifordtry.co.uk