GALLIFORD TRY PLC ANNUAL REPORT AND FINANCIAL STATEMENTS 2008

STRENGTH IN DIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS 2008

Galliford Try plc

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"Our construction businesses have delivered a record performance, with increased profits and excellent cash generation. Whilst housebuilding has been affected by the severe downturn in the housing market, its effect has been mitigated by our early adoption of a policy of aggressive selling, our strengths in affordable housing and our concentration on managing our debt. Our strategy is to continue to focus on shareholder value to deliver sustainable growth over the long term."

Greg Fitzgerald, Chief Executive

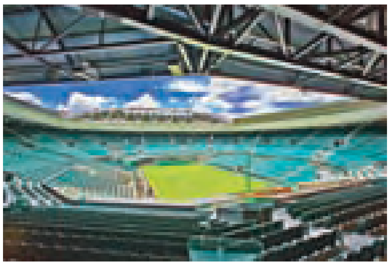
PERFORMANCE

DIRECTORS AND GOVERNANCE

FINANCIALS

The Group at a glance >

Cover photo: Leigh Academy in Dartford, one of six academies being constructed by Galliford Try.



GALLIFORD TRY PLC

The Group provides construction services throughout the UK and is a housebuilder across the South of England, Midlands and Eastern counties with an affordable housing and regeneration business.

We employ 4,450 people, and are an industry leader in collaborative working through partnering and long term relationships throughout our businesses.

Performance
Group revenue £1.83 billion
Profit before tax £60.3 million
Net debt £2 million

Strategy
To increase shareholder value by growing profits in both our construction activities and in housebuilding in the longer term. We aim to maximise our cash position and minimise our exposure to the homes for sale market whilst growing our affordable homes business during the current downturn.

Group website
www.gallifordtry.co.uk

BUILDING

Galliford Try offers a comprehensive range of construction services across the UK with specific sector expertise in education, health, commercial, leisure, interiors and facilities management.

We have a well balanced workload for both public and private sector clients carrying out both single projects and building programmes under long term agreements.

Performance
Revenue £605 million
Profit from operations £11.9 million
Order book £790 million

Strategy
To increase our share of the market for major building projects in the UK by growing our regional businesses, particularly in the North of England, and maintaining a leading range of services to deliver complete building solutions to clients.

Business Review
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INFRASTRUCTURE

Galliford Try is a leading contractor on infrastructure projects, focusing on the water, highways, rail, flood alleviation, remediation and renewable energy sectors.

Our activities span the full range from design through project implementation to aftercare with most of our work in frameworks and long established collaborative relationships with the public and regulated sectors.

Performance
Revenue £541 million
Profit from operations £13.8 million
Order book £942 million

Strategy
To maintain growth by securing more projects within our long term frameworks and achieving framework renewals, as well as adding to our revenue with one off contracts for major clients.

Business Review
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GROUP REVENUE*

£1.83bn

REVENUE

£605m

REVENUE

£541m

*Group revenue excludes joint ventures, revenue shown for each division includes joint ventures.

PPP INVESTMENTS

Galliford Try develops and takes equity participation in public/private partnerships, including private finance initiatives and other Government procurement routes such as the NHS LIFT framework for primary care trusts.

We are a leading provider of education and health facilities, and accommodation for the Ministry of Defence.

Performance
Revenue £5.0 million
Profit from operations £2.9 million
Directors valuation £20.2 million

Strategy
To secure a stream of private finance projects to generate a return on the equity investments made and to provide opportunities for negotiated construction work.

Business Review
Page 13.

HOUSEBUILDING

Galliford Try provides homes for sale on individually designed, bespoke developments, specialising in brownfield sites and conversions.

We operate through four regional brands: Midas Homes and Gerald Wood Homes in the South West, Linden Homes across the South and South East of England and Stamford Homes in the Midlands and Eastern counties.

Performance
Revenue £486 million
Profit from operations £53.8 million
Completions 1,830 units
Landbank 5,400 plots

Strategy
To minimise exposure to the current market downturn, while maintaining a resource sufficient to take advantage of the opportunities that will arise when the market improves.

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AFFORDABLE HOUSING AND REGENERATION

Galliford Try is a leading player in the affordable housing and regeneration sector. We have long term frameworks in place with many affordable housing providers, are a major recipient of Housing Corporation direct grant and are developing several regeneration projects providing up to 1,000 homes each.

We work closely with English Partnerships and other affordable housing and regeneration agencies in conceiving and constructing distinctive community and mixed use schemes.

Performance
Revenue £230 million
Profit from operations £13.8 million
Completions 694 units
Landbank 3,500 plots

Strategy
To deliver an increasing number of affordable homes through our existing frameworks with affordable housing providers, geographically expanding in the North East and South Midlands and by securing new regeneration projects in conjunction with Government agencies.

Business Review
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REVENUE

£5m

REVENUE

£486m

REVENUE

£230m

GROUP REVENUE

£1,832m

PROFIT BEFORE TAX

£60.3m

EARNINGS PER SHARE

11.4p

DIVIDEND PER SHARE

3.0p

> Return on average shareholders' funds of 19.1 per cent (2007: 28.0 per cent).

> Record profits from the Group's building, infrastructure and affordable housing divisions.

> Housebuilding profits hit by severe market conditions, operational restructuring to reduce cost base by £12 million per annum.

> Major focus on cash management resulting in net debt at year end substantially better than expectations at £2 million.

> Public and regulated sectors account for 87 per cent of current contracting order book of £1.9 billion.

> Total housing completions of 2,524 units (housebuilding 1,830, affordable housing and regeneration 694) compared to 1,526 last year (pro forma 2,433 including Linden Homes).

> £62 million (2007: £94 million) of housebuilding sales made in first two months of new financial year.

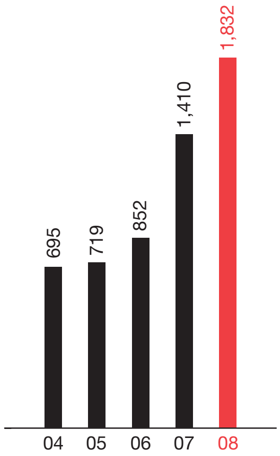
	2008 £m	2007 £m	Change
Group revenue*	1,832	1,410	+30%
Profit before tax			
– Pre exceptional**	71.8	53.0	+35%
– Post exceptional	60.3	60.2	–
Earnings per share	pence	pence	
– Pre exceptional**	13.6	12.5	+9%
– Post exceptional	11.4	14.3	-20%
Dividend per share	3.0	3.0	–

*'Group revenue' excludes joint ventures, 'revenue' where stated includes joint ventures.

**Stated before a net exceptional loss of £11.5 million comprising writedowns on the carrying value of land and abortive costs relating to site acquisitions of £9.1 million, redundancy costs of £1.9 million and provision for onerous lease commitments of £0.5 million.

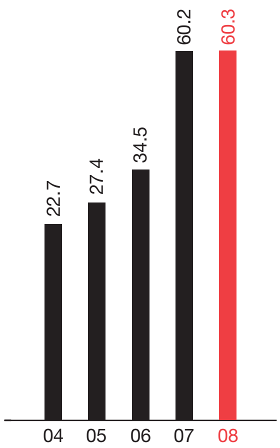
GROUP REVENUE

£M



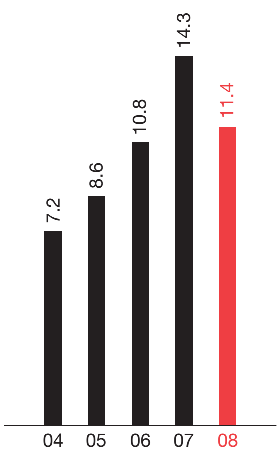
PROFIT BEFORE TAX

£M



EARNINGS PER SHARE

PENCE

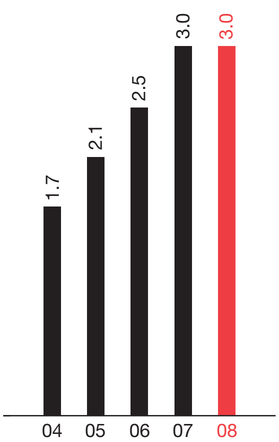


DAVID CALVERLEY CHAIRMAN

"Galliford Try has clearly benefited from its business model of operating in both construction and housebuilding markets during the financial year. Throughout these testing times, our strategy is to continue to focus on shareholder value."

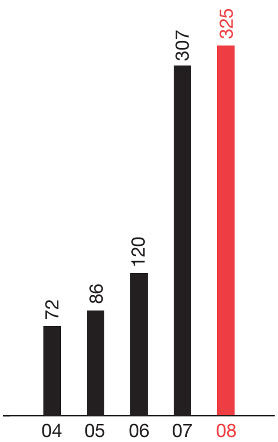
DIVIDEND PER SHARE

PENCE



SHAREHOLDERS' FUNDS

£M



RESULTS

Galliford Try has clearly benefited from its business model of operating in both construction and housebuilding markets during the financial year. Our construction businesses have delivered a record performance with housebuilding affected by the severe downturn in the housing market. Group revenue was up 30 per cent to £1.83 billion, on which the Group achieved a pre exceptional profit before tax up 35 per cent to £71.8 million (2007: £53.0 million). Post exceptional profits were virtually unchanged at £60.3 million (2007: £60.2 million). Basic earnings per share (pre exceptional) rose 9 per cent to 13.6 pence with post exceptional earnings per share down 20 per cent to 11.4 pence.

The return on average shareholders funds in the year was 19.1 per cent and shareholders funds at 30 June 2008 stood at £325.3 million compared to £306.6 million at the end of the previous year.

DIVIDEND

The directors have taken into account the Groups performance and trading prospects in the light of the current economic environment and decided that the level of total dividend paid for the year should remain the same as in the prior year. Consequently, the directors are recommending a final dividend of 2.1 pence per share (2007: 2.2 pence), which with the interim dividend of 0.9 pence paid in April, will result in a total dividend of 3.0 pence per share (2007: 3.0 pence). The final dividend will be paid on 14 November 2008 to shareholders on the register on 17 October 2008. The directors will review the level of future dividends in light of the performance of the business and the prevailing economic outlook at the time.

PEOPLE

The Group critically depends on its employees, of whom there are 4,450. It was very regrettable this year to have redundancies in our housebuilding division as we adjusted our structure to the reduced level of business. I would like to pay tribute to everyone who worked for us during the year and for the commitment shown by our people to their work, some of it in challenging circumstances. We aim to be an employer of choice, and I know that the skills and experience of our teams would be hard to beat. I thank them all.

THE BOARD

Chris Bucknall, currently Deputy Chairman and Senior Independent Director, steps down from the board at the Annual General Meeting on 7 November 2008. He has been a non-executive director of Galliford Try since it was formed in 2000, having previously joined the board of Try Group. Throughout that time the combination of good business sense and advice he has given has been invaluable and on behalf of the board I wish him well for the future.

We were delighted to welcome Peter Rogers to the board as a non-executive director with effect from 1 July 2008. As Chief Executive of Babcock International Group Plc, Peter brings a wealth of experience with him. He is joining our remuneration, nomination and audit committees and, following Chris Bucknall's retirement, will chair the nomination committee, with Amanda Burton chairing the remuneration committee.

OUTLOOK

Our construction businesses are in excellent shape, with a high proportion of work in the public and regulated sectors that we expect to be least affected by the economic slowdown that we anticipate will in due course affect the private commercial sector. We have demonstrated our ability to grow these businesses successfully, and intend to maintain our position as one of the UK's leading construction providers.

We have seen our strategy over the last three years to become a major affordable housing and regeneration provider come to fruition. Our leading presence in this sector is expected to continue to provide us with development opportunities, and stand us in good stead for long term expansion.

In housebuilding the strength of our brands, and our market position across the South and East of the country, will enable us to take advantage of the opportunities that will arise when the market improves and we are able to re-embark on a positive growth plan. In the meantime we will maintain the strategy we embarked on early in the downturn to minimise our exposure to the market and maximise our cash position.

Throughout these testing times, the Group's financial strength and broad sector exposure will stand it in good stead. Our strategy is to continue to focus on shareholder value to deliver sustainable growth in the long term.

David Calverley
Chairman

SHAREHOLDERS' FUNDS

£325m

GREG FITZGERALD CHIEF EXECUTIVE

"Our construction businesses have delivered a record performance, with increased profits and excellent cash generation. Whilst housebuilding has been affected by the severe downturn in the housing market, its effect has been mitigated by our early adoption of a policy of aggressive selling, our strengths in affordable housing and our concentration on managing our debt."

GROUP REVENUE INCREASE

30%

INTRODUCTION

Galliford Try has clearly benefited from its business model of operating in both construction and housebuilding markets during the year. Our construction businesses have delivered a record performance, with increased profits and excellent cash generation. Whilst housebuilding has been affected by the severe downturn in the housing market, its effect has been mitigated by our early adoption of a policy of aggressive selling, our strengths in affordable housing and our concentration on managing our debt.

Group revenue was up 30 per cent to £1.83 billion (2007: £1.41 billion) on which the Group achieved a pre exceptional profit before tax up 35 per cent to £71.8 million (2007: £53.0 million). Post exceptional profits were virtually unchanged at £60.3 million (2007: £60.2 million). Basic earnings per share (pre exceptional) rose 9 per cent to 13.6 pence with post exceptional earnings per share down 20 per cent to 11.4 pence.

The results incorporate a full years contribution from Linden Homes. The integration has been successfully completed with synergy savings achieved ahead of forecast at £3.0 million per annum.

Cash generation has been, and remains, a key focus. Our construction businesses, aided in particular by an excellent cash performance from the building division, exceeded our forecasts throughout the year which, together with our early and aggressive policy on homes sales and stringent controls applied through our housebuilding business as the market deteriorated, resulted in a better than expected net debt position of £2 million (2007: £99 million) at the year end. Overall debt levels do fluctuate throughout the year and we are not relaxing our disciplines. We continue to operate significantly within the headroom and covenants of our bank facility, with HSBC, Barclays, Royal Bank of Scotland and Bank of Scotland, which does not mature until 2012.

UK market analysis

The Group operates in the UK construction and housing markets and is dependent on the size of those markets and the orders awarded in them.

MARKET SECTOR	UK MARKET SIZE – 2007	TOTAL INDUSTRY ORDERS	COMMENT
Infrastructure	The total UK infrastructure market grew 1.8 per cent to £5.0 billion in the year to December 2007.	Overall orders for UK infrastructure projects grew strongly to June 2008, up 18 per cent compared to the previous 12 months. A significant element of this was due to highways.	The increase follows a number of years when overall orders were reducing and, looking forward, this is expected to result in the volume of output carried out by the industry rising until at least 2010.
Commercial and industrial construction	Commercial building output in the UK rose 12.6 per cent to £16.5 billion and industrial building rose 0.4 per cent to £4.0 billion in the year to December 2007.	Overall orders for new work fell in the year to June 2008 by 8 per cent in commercial building and 24 per cent in industrial building, with warehouse facilities down the most.	The credit squeeze and slowdown in economic growth is likely to continue to affect these markets.
Public construction (non housing)	Public construction output was lower by 4.6 per cent at £6.6 billion for the 2007 calendar year.	Orders have increased by 14 per cent over the year to June 2008 with significant growth in the education and health sectors.	Current Government spending plans would be expected to maintain growth over the next 2-3 years.
Public housing	New public housing output in 2007 grew 13.1 per cent to £2.5 billion, with a further £6.3 billion spend on repairs and maintenance.	For the year to June 2008 new orders were down 16 per cent.	Increased funding for affordable housing has been announced by the Government for the three years to 2011, as part of the Government's stated ambition of achieving 240,000 net additional new homes per annum by 2016.
Private housing	The private housing market carried out £11.2 billion of work in 2007, 2 per cent down on the previous year.	Orders for the year to June 2008 were down 20 per cent and the Bank of England reported mortgage lending in June 2008 was nearly 70 per cent lower than the previous year.	Housing transactions were down 43 per cent in May 2008 compared to a year ago and while 185,000 homes started to be constructed in 2007, this figure is anticipated to fall significantly in 2008.

Sources: Office for National Statistics, Land Registry, Bank of England.

STRATEGY

In the long term Galliford Try's strategy remains to grow profits by expanding both its construction and housebuilding activities with a specific focus on affordable housing and regeneration. The severe downturn in the housing market following the onset of the credit crunch, and the poorer outlook for the economy generally in the UK, has changed our strategy for the immediate future.

In construction, we operate in both the public and private sector markets. Public expenditure on buildings, particularly in the education, health and custodial sectors, is being maintained although there are signs that reduced economic confidence is starting to affect the private commercial sector. We have an industry leading presence for major building projects in the South, Midlands and Scotland, and aim to increase our share of the markets in the other areas in which we operate, particularly in the North of England.

In our infrastructure businesses there are long term improvement programmes, such as those in the water industry, that are driven by a requirement to improve operational and environmental standards, and we expect these will continue. The leading position in framework and long term relationship contracting that Galliford Try has developed will continue to underpin our strategy. We aim to supplement this base workload with one off projects for our key infrastructure clients and to develop our growing renewable energy business to meet the increasing demand of projects for ever higher standards of environmental sustainability.

We will continue to invest in public/private partnerships. Our involvement in public sector projects through the private finance initiative is supported by equity stakes taken by Galliford Try Investments to both earn an equity return and give the opportunity for negotiated construction work.

We have taken significant steps to reduce our exposure to the housebuilding market during the current market downturn and will maintain these measures until there are signs of a recovery. We have reduced the work in progress on our sites to a minimum level, priced our homes to maintain an achievable level of sales and have reduced our costs through reductions in our operational structure and by driving savings in our supply chain. Our strategy is geared towards conserving our resources in order to take advantage of the opportunities that will undoubtedly arise when the market improves.

When the housing market improves the Group will have scope to grow its market share in its areas of operation within the UK, which spread from the South West of England across the South East to the Eastern counties. Our expertise and track record in brownfield development and conversions will continue to set us apart from much of our competition, together with the differentiation of our developments through individual designs, avoiding standard house types, showing sensitivity to local architecture and providing excellent customer service.

We aim to continue the growth of our regeneration and affordable housing business, building on our relationships with our housing association partners, English Partnerships and the Housing Corporation, from whom we now secure direct developers grant, and controlling our exposure carefully to the homes for sale element of developments during the current market downturn. These schemes tend to be complex and require the development skills we have in our housebuilding division, our building expertise and our infrastructure skills to remediate contaminated land, construct the infrastructure and contract for the commercial elements as well as develop the homes that create whole new communities.

Our strategy is to continue with our joint construction and housebuilding business model. With the onset of the credit crunch during the year, our cash position clearly demonstrates the benefits of the model in our financing as well as the business synergies described. Our construction operations generate cash which is used to invest in our housebuilding business which, to generate profit, has a cash requirement. We therefore minimise our need for external borrowings.

The Group aims to deliver its strategy through the combination of organic growth, and in the sectors where we are seeking to expand, by selective acquisition if and when suitable opportunities arise.

"In the long term Galliford Try's strategy remains to grow profits by expanding both its construction and housebuilding activities with a specific focus on affordable housing and regeneration."

Key performance indicators

Key performance indicators (KPI's), together with a number of other measures, are used by the board to measure the overall progress of the Group against its business objectives and its strategy. The primary KPI's are:

KPI	OBJECTIVE	MEASURE	2008 PERFORMANCE	COMMENT
Profit before tax	To achieve consistent increases in profit before tax each year.	Profit on ordinary activities, excluding exceptional items, stated before tax.	Increase of 35 per cent to £71.8 million. After the exceptional loss in housebuilding, unchanged at £60.3 million.	Record profits were made from construction activities. A full year's results following the acquisition of Linden Homes are included, however, overall housing profits fell below forecasts as the market worsened.
Earnings per share	To provide year on year growth in earnings per share.	Earnings per share based upon profit attributable to ordinary shareholders before exceptional items, divided by the average number of shares in issue during the year.	Up 9 per cent to 13.6 pence but down 20 per cent to 11.4 pence after the exceptional loss is taken into account.	The weighted average number of shares in issue in the year was 372.7 million compared to 305.4 million in the previous year. 100.2 million shares were only in issue following the acquisition of Linden Homes in March 2007.
Dividend per share	To pay a progressive dividend each year.	The sum of the interim dividend and the final proposed dividend per share for the financial year.	Unchanged at 3.0 pence per share.	The directors have decided that in light of the Group's performance and trading prospects in the current economic climate an increase in the total dividend cannot be justified this year.
Cash and capital manage-ment	For our construction activities to generate cash and for our housebuilding businesses to maximise their return on capital employed.	Net cash/debt and capital turn (the number of times in the year we turn our capital, calculated as housing revenue divided by average capital employed in housing.)	Net debt at 30 June 2008 was £2 million compared to £99 million at 30 June 2007, our capital turn was 1.2 times compared to 1.4 times in 2007.	We have taken strong action to generate as much cash as possible from sales, and minimised spend in housebuilding as the downturn grew. We have achieved excellent cash balances in our construction businesses.
Staff churn	To attract and retain the highest calibre of employees by being an employer of choice.	The number of employees within the Group who voluntarily leave during the year divided by the average number of employees expressed as a percentage.	An 8 per cent improvement, with churn falling to 16.5 per cent from 18 per cent the previous year.	The competition for staff remained strong during the year in our construction activities but fell away for employees in housebuilding towards the financial year end. We would expect churn to remain between 15-20 per cent under normal circumstances.
Health and safety	To ensure our operations are carried out safely and without causing injury.	Total number of reportable injuries in the financial year divided by the average number of direct employees and sub contractors employed during the year expressed as incidents per 1,000 people.	Improved to 5.58 incidents per 1,000 people at risk compared to 8.6 last year.	The integration of recent acquisitions into the Group's health and safety processes was completed and more consistency in our focus on and approach to managing health and safety issues has been achieved across the Group. Further details of our health and safety performance are on page 27.

CONSTRUCTION OVERVIEW

The Group's construction activities are organised into two divisions, building and infrastructure. These divisions are supported by PPP investments, with one of its objectives being to generate negotiated construction work from public and private finance opportunities.

Total construction profit from operations, stated before finance costs, exceptional items, amortisation and share of joint ventures' interest and tax, rose 24 per cent to £25.7 million on revenue of £1,147 million, including joint ventures, representing a margin of 2.2 per cent (2007: 2.1 per cent). Our total contracting order book (construction plus affordable housing contracting) currently stands at £1.9 billion compared to £2.1 billion last year. 87 per cent is in the public and regulated sectors and 89 per cent has been secured on a basis other than on pure price competition.

Construction key performance indicators

Our performance in construction is reported below. We also apply these KPI's to both our building and infrastructure divisions.

KPI	OBJECTIVE	MEASURE	PERFORMANCE
Profit from operations	To increase profit from operations year on year.	The measure is profit on ordinary activities stated before finance costs, exceptional items, amortisation, share of joint ventures interest and tax.	Increased by 24 per cent to £25.7 million in 2008.
Work in hand	To secure a balanced visible stream of future profitable workload.	We measure the size of the order book which is the total revenue expected to be generated from orders received.	Stood at £1.9 billion at the end of 2008 compared to £2.1 billion a year ago.
Operating margin	To deliver an upper quartile operating margin for each of the sectors we work in.	We measure profit from operations divided by revenue, expressed as a percentage.	Increased from 2.1 per cent to 2.2 per cent in 2008.
Cash	To monitor progress against the Group's overall cash objectives.	The Group sets specific cash targets for each business unit within the divisions on an average per month, and month end basis.	Overall group performance reported on page 7.

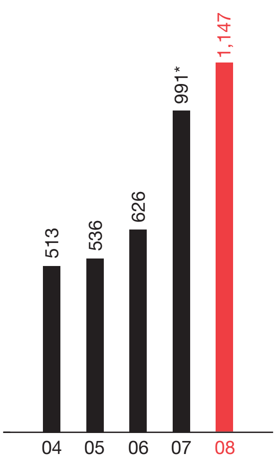
Construction record

The Group's construction businesses have grown organically and by acquisition, particularly through the acquisition of Morrison Construction in 2006, following which the Group's building and infrastructure divisions were formed.

REVIEW

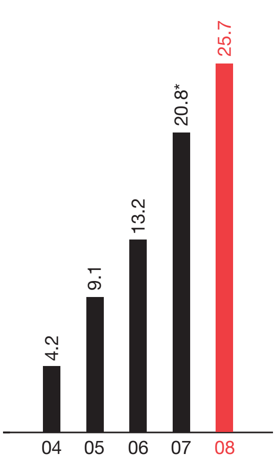
REVENUE

£M



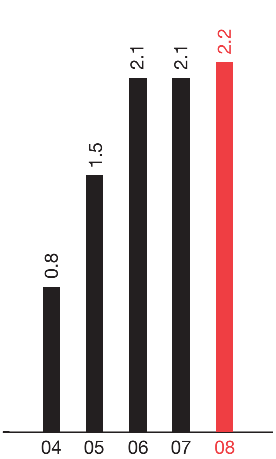
PROFIT FROM OPERATIONS

£M



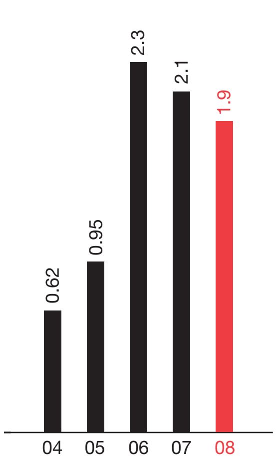
OPERATING PROFIT MARGIN

%



ORDER BOOK

£Bn



*Restated.

BUILDING

Market

The market for building works has generally been good over the past year although there are now signs that some private sector clients are reappraising their building programmes as economic confidence reduces. Government investment continues to be made in the key public sector markets where Galliford Try has a strong reputation and long term client relationships, in particular in education, health and the custodial sector.

Whether working for private sector clients with on going building programmes, or the public and regulated sector, many clients are continuing to let construction work to limited panels of contractors under framework or partnering agreements to take advantage of the benefits of early involvement and planning with consequent improvements in buildability and cost effectiveness. Galliford Try is a key player in this market as it can offer the experience, cultural fit and strength of covenant required.

Strategy

The building division's strategy is to deliver complete building solutions and services to clients across the country. In the South of England and the Midlands the business operates as Galliford Try Construction and, based on its long heritage, as Morrison Construction in Scotland. There remains scope for the division to both grow revenue and profits by increasing its market share, particularly in its more recently established business in the North of England.

Performance

	2008	2007
Revenue	**£605 million**	£580 million
Profit from operations	**£11.9 million**	£11.0 million
Operating margin	**2.0%**	1.9%
Order book	**£790 million**	£1,000 million

Profit from operations of £11.9 million on revenue of £605 million, including joint ventures, represented a margin of 2.0 per cent, underpinned by the generation of exceptional cash balances throughout the year.

The division has almost completed its two major multi school PFI projects, the 41 schools for Northamptonshire County Council and 11 schools for the Highland Council in Scotland. Both projects have delivered good performances. We are now carrying out a number of projects in the further education sector, such as Liverpool Community College and in secondary education we are working on six academies, completing the Leigh Academy in Dartford and the Westminster Academy, which recently secured the RIBA London Building of the Year Award. In the health sector we have five NHS LIFT partnership frameworks with primary care trusts, completing our sixth project for Liverpool and Sefton during the year. Examples of other public building projects include the £7 million Caludon Battlefield Museum, the £41 million National Museum of Liverpool and the £27 million Corby Cube project.

Our project to rebuild the centre court stadium at the All England Lawn Tennis Club at Wimbledon progressed significantly during the year, with the structural work and the fixed perimeter roof completed and in operation for the 2008 championships. We are on course to complete the installation of the translucent retractable central roof for the 2009 championships. We have carried out a number of projects for retail clients, including further work for Marks and Spencer as part of their store refurbishment programme. We have secured our first facilities management contract in the health sector and are expanding our work for insurance companies.

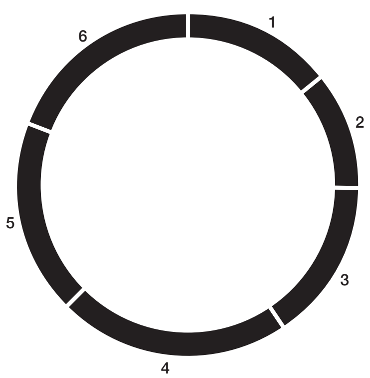
Looking forward

During the forthcoming year our objective is to continue to grow both revenue and margin. With the Northampton and Highland Council PFI contracts completing, reducing the absolute level of our order book, we aim to convert a number of the good opportunities we are currently working on to live projects. Specific opportunities include projects in the prison sector, and in both the secondary and further education sectors. Initial progress in bringing together our facilities management business has been good and we aim to expand further.

The division's order book is £790 million, of which 88 per cent has been secured on a basis other than on pure price competition and 71 per cent is in the public and regulated sectors.

BUILDING ORDER BOOK

£M



1 **Health**	114	4 **Commercial**	172
2 **Education**	87	5 **Interiors and other**	145
3 **Prisons**	121	6 **Facilities management**	151

WORKING IN COLLABORATION

Relationships are crucial to Galliford Try. Successful projects result from all involved working together as a team – clients and advisors, partners and funders, consultants and supply chain, employees and external stakeholders. We aim to maintain our leading track record for collaborative working.

2008 HIGHLIGHTS

- > Completed the sixth building under our LIFT framework for the Liverpool and Sefton Health Partnership (pictured).
- > Received partner of the year award from Yorkshire Water.
- > Won £445 million M74 highways contract in a four party consortium.
- > Maintained construction order book at 89 per cent secured other than by pure price competition.
- > Over 35 years of working for the All England Lawn Tennis Club at Wimbledon and on programme to complete the rebuilding of the Centre Court in 2009.

INFRASTRUCTURE

Market

The infrastructure market has been strong over the past two years with expenditure in the major public and regulated utility sectors in which we work having increased. Going forward, we expect current real levels of investment in the country's infrastructure to be maintained.

In water, the current asset management programmes with the water utilities (AMP4) are at their peak, with the cycle due to expire in 2010. The AMP5 programmes, commencing thereafter and running to 2015, are being planned by our key clients and we are participating in the framework renewal process. In the transport sector we expect to see a reduction in the number of road schemes in England and Wales being let under the early contractor involvement method although we expect an increase in the number of projects let for road widening and other traffic management improvements. We are seeing more opportunities from Network Rail's commitment to increasing investment in the rail network.

There is a growing market in flood alleviation and other environmental improvements, particularly following the instances of flooding in 2007, for which our civil engineering business is well placed.

The Government's commitment to increasing the proportion of energy generated through renewable sources is underpinning the market for windfarms and other alternative energy projects in which we have a proven capability.

Strategy

Our strategy is to provide services to the national infrastructure markets from centres of sector expertise. We intend to grow our market share in the transport, water, civil engineering, remediation, renewable energy and related specialist services sectors throughout the UK, increasing our share of the market in the geographic areas where we are currently least represented, such as the South East of England.

We aim to maintain the share of work we secure through our long term frameworks, supplementing these projects with additional one off contracts for our key client base and generating additional revenues from the cross opportunities within the Group, for example in remediating and providing infrastructure services to the Group's regeneration projects.

Performance

	2008	2007
Revenue	**£541 million**	£411 million
Profit from operations	**£13.8 million**	£9.8 million
Operating margin	**2.6%**	2.4%
Order book	**£942 million**	£1,100 million

Profit from operations of £13.8 million was achieved on revenue of £541 million, including joint ventures, representing a margin of 2.6 per cent.

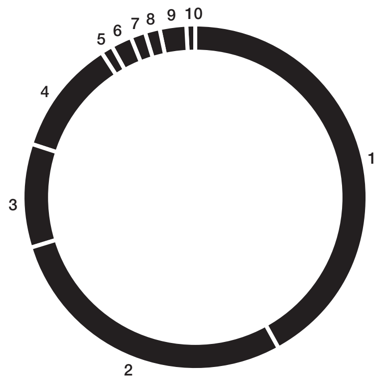
In water we continue to deliver asset management improvements through long term framework contracts to 70 per cent of the largest water utilities in the UK. We are currently at the peak of our water clients' five year AMP4 and Q&S3 regulatory cycles and as we work through these programmes we have also been successful in securing additional projects outside the existing frameworks for both existing and new clients.

Our joint venture contract for Anglian Water's largest investment project at Wing Water Treatment Works has commenced on site and the civil engineering element is progressing well. During the year we secured a number of additional emergency flooding schemes for Yorkshire Water and our overall performance for this client was recognised recently when we were awarded their 2008 overall contract partner award.

Our water clients measure all their contractors through a series of Key Performance Indicators in which we have regularly achieved leading scores. This places us in a good position as the procurement process for the new AMP5 regulatory period commences.

INFRASTRUCTURE ORDER BOOK

£M



1	**Water**	396	6	**Rail**	20
2	**Highways**	268	7	**International**	12
3	**Remediation**	93	8	**Waterways**	15
4	**Flood alleviation**	102	9	**Communications**	23
5	**Renewable energy**	9	10	**Ground engineering**	4

We have grown our British Waterways framework geographically across the whole of the UK and are aiming to secure more work within our Flood Prevention Framework for the Environment Agency.

In Civil Engineering the remediation framework at Olympic Park in East London for the Olympic Delivery Authority is performing well and securing growing volumes of work. Our civil engineering work on the largest land based wind farm in Europe at Whitelee, near Glasgow, continues to progress well and is on target to be completed ahead of programme. We have also had a successful year in our new on site renewables operation, with local energy regeneration schemes being carried out for commercial clients such as Tesco and McCain Foods and new projects being planned in the water utilities sector.

In the Highways sector we now have over £200 million of road projects currently under construction across the UK. In England we continue to work on several projects under the Early Contractor Involvement scheme of procurement for the Highways Agency and, in a four party consortium, have secured the £445 million scheme to extend the M74 in Glasgow.

Following a period in which our telecommunications clients limited their investment we are beginning to see some signs of improved activity in the sector and have secured a 21st century network contract from BT.

Looking forward

During the next 12 months our overall objective is to continue to grow our market share in our key sectors, improve overall revenue and margin and maintain our leading position in customer satisfaction in our clients KPI measures. Securing renewals of our existing framework contracts, particularly for our water clients in 2010, will be a key focus. We also plan to develop our major projects offering to our clients across the division.

The absolute size of our future order book depends on the timing of framework awards and revenues and will reduce as we near the end of long term programmes. Our current order book of £942 million is therefore at a very satisfactory level taking into account the work carried out under the AMP cycle for the water utilities. 83 per cent is in frameworks, 98 per cent is in the public and regulated sectors and 93 per cent has been secured on other than a pure price competitive basis.

PPP INVESTMENTS

Market

The Government continues to support the procurement of public assets through the private finance initiative under which the private sector designs, builds, finances and operates facilities on behalf of the public sector. There are active PFI procurement programmes in place for prisons, libraries, housing, fire services, health, certain infrastructure projects as well as education, albeit the building schools for the future programme in England has not developed as quickly as was expected. In Scotland the change of control in the Scottish Parliament has held projects back as the overall strategy for the procurement of public assets was reviewed by the incoming Government. However, we do anticipate a number of significant public sector accommodation and civil engineering projects may be released to the market over the forthcoming year.

Strategy

Galliford Try Investments strategy is to bid for public/private partnership projects that create both investment opportunities and provide the opportunity to secure negotiated construction contracts for the Group. The selection of projects to bid is crucial, with the recent introduction of an additional stage in the selection process for “competitive dialogue” prior to preferred bidder selection increasing the costs of bidding. We restrict the number of projects bid to those with the greatest likelihood of success and where we are able to negotiate contributions towards bid costs from our partners and supply chain.

Our objective is to focus strongly on the specific sectors in which we have an expertise and track record, such as those listed above. The construction element is likely to be between several tens and hundreds of millions rather than the smaller projects that cannot support the level of bid cost required and those very large programmes of approaching £1 billion and above that require a commensurate level of bid resource. Galliford Try Investments aims to have projects at different stages of the competitive process, preferred bidder stage, constructional phase and operational phase, at any one time.

Performance

	2008	2007
Revenue	**£5.0 million**	£3.5 million
Profit/(loss) from operations	**£2.9 million**	£(1.1) million
Directors valuation	**£20.2 million**	£17.9 million

Total revenue, including joint ventures, rose to £5.0 million. The profit from operations was £2.9 million (2007: loss of £1.1 million on revenue of £3.5 million). The loss before tax was £0.2 million (2007: loss of £1.0 million).

APPLYING OUR EXPERTISE

To be construction provider of choice in our selected markets we need to demonstrate that we have the knowledge, capability and resources to deliver. Sectors in which Galliford Try is an industry leader include buildings for education and health, highways, water, renewable energy, site remediation, affordable housing, brownfield development and regeneration.

2008 HIGHLIGHTS

> Constructing Europe's largest onshore windfarm comprising 140 turbines at Whitelee in Scotland (pictured).

> Secured framework with Severn Trent Water for multiple installations of micro-renewable power sources.

> Completed the UK's largest multi school PFI contract to date in Northamptonshire.

> Undertaking Olympic Park remediation in East London under a four year framework.

> Secured English Partnerships first major net zero carbon development scheme in Chichester by applying an integrated approach to sustainability.

The major programmes for the Highlands Schools project and the Ministry of Defence Housing in Portsmouth completed their construction phase and entered their long term operational phase. During the year the division achieved financial close on the St Andrews Hospital project in Scotland, with the construction phase commencing and 50 per cent of our initial 100 per cent equity investment successfully sold to an infrastructure investment fund. Further sales in the year included our minority interest in schools projects in Bedford and Coventry.

We were not successful in achieving preferred bidder status on the Birmingham Schools BSF Project and, in light of the speculative cost and resources required in bidding for the largest BSF projects in the UK, we have refocused our approach towards the mid sized projects.

The directors' valuation of the Group's PFI/PPP portfolio as at 30 June 2008 was carried out, as in previous years, on a discounted cash flow basis. The valuation took into account current restricted levels of liquidity within the banking and funding markets for long term PFI projects and the potential impact on refinancing. The result showed a valuation of £20.2 million, which compares to the carrying value in the Group's accounts of £9.1 million (2007: valuation of £17.9 million and carrying value of £6.9 million).

Looking forward

We are shortlisted for the Worcester Library and History Centre and on the Maghull and Belmarsh Prison projects. We anticipate a number of public sector accommodation and civil engineering projects being released to the market in the coming year. We will be refocusing our attention on opportunities for mid size education projects, and are carrying out a review of our partners and supply chain for the projects that we have identified are likely to come to the market during the next 12 months. Equity sales will continue to be made when they can realise best value, particularly in respect of those projects where we remain equity holders in the operational phase.

HOUSING

Housing key performance indicators

Our performance in housing is reported below. We apply the KPI's to our housebuilding and affordable housing and regeneration divisions.

KPI	OBJECTIVE	MEASURE	PERFORMANCE
Completions	To grow completions in excess of underlying market growth.	Total number of homes that have been legally completed, including the equivalent number of completions from joint ventures represented by our share of ownership.	2,524 homes, 1,830 in housebuilding and 694 in affordable housing, up from 1,526 in 2007 (2,430 on pro forma basis including Linden Homes).
Profit from operations	To increase profit from operations year on year.	Profit on ordinary activities stated before finance costs, exceptional items, amortisation and share of joint ventures interest and tax.	Up to £53.8 million from £44.1 million last year in housebuilding and up to £13.8 million from £6.1 million last year in affordable housing.
Operating margin	To deliver upper quartile operating margin for our sector.	Profit from operations divided by revenue, expressed as a percentage.	11.1 per cent in housebuilding, down from 14.5 per cent last year. 6.0 per cent in affordable housing, up from 4.8 per cent last year.
Net debt	To monitor progress against the Group's overall net debt objectives.	The Group sets specific net debt targets for each business unit within the divisions on an average per month, and month end basis.	Overall group performance reported on page 7.
Landbank	To improve the size, quality and balance of our landbank over time.	We measure the total number of owned and controlled plots in the landbank.	8,900 plots, down from 11,200 in 2007, 5,400 are in housebuilding and 3,500 in affordable housing.
Customer satisfaction	To maintain and improve our customer satisfaction scores.	The percentage of our house buyers who would recommend the Company to their best friend, calculating using responses to research carried out by an independent external research company that contacts every customer after they have purchased one of our homes.	Unchanged at over 90 per cent.

HOUSEBUILDING

Market

The housing market initially deteriorated gradually during the first half of the financial year, further worsened in early 2008 and then suffered a severe fall in April. This was primarily caused by the impact of the credit crunch feeding through to the mortgage market, with significant rises in mortgage costs coinciding with lenders placing severe restrictions on mortgage availability. The combination of these factors reduced consumer confidence to a level such that, by the end of May, the number of transactions in the UK housing market had reduced by 43 per cent compared to the previous year and in June 2008 new mortgage finance being granted by the banks and building societies was nearly 70 per cent below the previous year.

In the long term, the demand for homes in the UK remains positive, with the Government forecasting that by 2016, an additional 240,000 new homes annually will be required to cater for the change in the demographics of the population in the UK. Increasing requirements for the sustainability of new homes and purchasers remaining very discerning will mean that, when more normal levels of demand return, the requirement for well designed homes on individually designed developments, in which the Group specialises, should remain more attractive than standard house types, and those on large consortium sites.

Strategy

The Group revised its strategy to adapt to the new market conditions and forecasts during the financial year. At an early stage in the falling market we vigorously promoted sales. The severity of the downturn in spring 2008 resulted in a reappraisal of the entire business, and the adoption of a strategy of reducing our operational structure to meet the lower levels of demand together with implementing stringent controls on work in progress and stock levels, price adjustments and increased initiatives to generate sales. We also, with very limited exceptions, ceased to purchase new land, and either did not start, or stopped development on existing sites where there was little prospect of selling homes in the short term. Our strategy is to conserve the Group's resources during this period so that it is in a good position to take advantage of the opportunities that will occur when the market ultimately starts to improve.

Performance

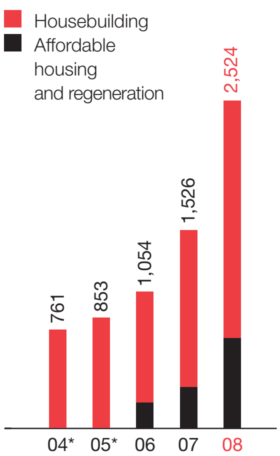
	2008	2007
Revenue	**£486 million**	£304 million
Completions	**1,830**	1,209
Profit from operations	**£53.8 million**	£44.1 million
Operating margin	**11.1%**	14.5%
Landbank	**5,400**	7,600

Profit from operations was £53.8 million on revenue, including joint ventures, of £486 million, representing a margin of 11.1 per cent (2007: £44.1 million on £304 million, representing 14.5 per cent). Completions for the year were 1,830 at an average sales price of £220,000 (2007: 1,209 at £242,000). We have continued to sell aggressively into the new financial year and at the end of August reserved, contracted and completed sales totalled £126 million (2007: £243 million) an increase of £62 million in the first two months of our financial year. Although visitor levels to our sites are down 15 per cent, this is an encouraging level of sales, albeit with the widespread use of incentives. In addition our cancellation rate has reduced from a peak of over 60 per cent in the spring to around 20 per cent.

Housing record

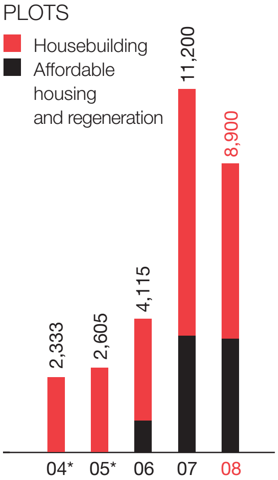
COMPLETIONS

UNIT NUMBERS



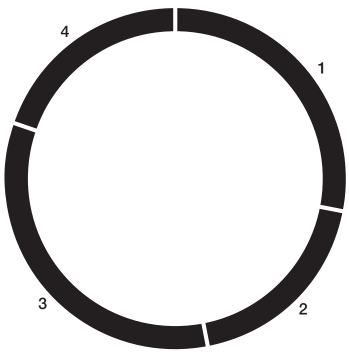
LANDBANK

PLOTS



REGIONAL SPLIT

COMPLETIONS



1 **West and South West**	712	3 **South East**	846
2 **South**	474	4 **Eastern Counties**	493

*The affordable housing and regeneration division data commenced in 2006.

DELIVERING SUSTAINABLE COMMUNITIES

Galliford Try can bring the full range of construction and development skills to projects that transform difficult sites into thriving communities. We carry out community consultations, remediate sites and install infrastructure, construct commercial and community buildings and develop homes for sale or affordable provision.

2008 HIGHLIGHTS

- > Completed the £26 million contract for the regeneration of Suttons Wharf in London in partnership with One Housing Association (pictured).
- > Awarded highest ever private developers grant by the Housing Association for affordable homes.
- > Secured the largest site in English Partnerships hospital disposal programme at Graylingwell in Chichester.
- > Frameworks in place with 33 Housing Associations.
- > Contracted major estate regeneration schemes in Grimsby and Plymouth.
- > Acquired Kendall Cross, an established affordable housing contractor in the North East of England.
- > Secured 2007 National Regeneration award.

The results include the first full years trading following the acquisition of Linden Homes in March 2007. The integration has been successfully completed, with annual synergy cost savings of £3.0 million achieved compared to £2.5 million forecast at the time of acquisition.

At an early stage in the falling market we vigorously promoted sales and, as the downturn became severe in the second half of the year, conducted a reappraisal of our strategy and operational structure. This regrettably resulted in redundancies throughout our housebuilding business, an office closure and the merging of regions and functions. These actions have reduced our cost base by £12 million per annum. We are maintaining the pressure on our supply chain to improve efficiency and drive our cost base down, helped by an easing in the market for labour.

As the market conditions changed, we adapted our sales incentives accordingly and, particularly towards the financial year end, the level of discounts and the cost of incentives increased. These sales tools give us a significant advantage when marketing against the key competition of the second hand market. We continue to have minimal exposure to consortium sites, where we are in competition with other housebuilders offering comparable homes, and currently have 75 active selling sites across the country, which will fall as we complete existing developments. We are controlling carefully the capital we have locked up on properties taken in part exchange and have specific targets in place to minimise the number of unsold stock homes.

Although the market for bulk sales to investors has significantly reduced, we have strong links with many housing associations and, where suitable homes are available, have increased the number of sales to the affordable housing providers.

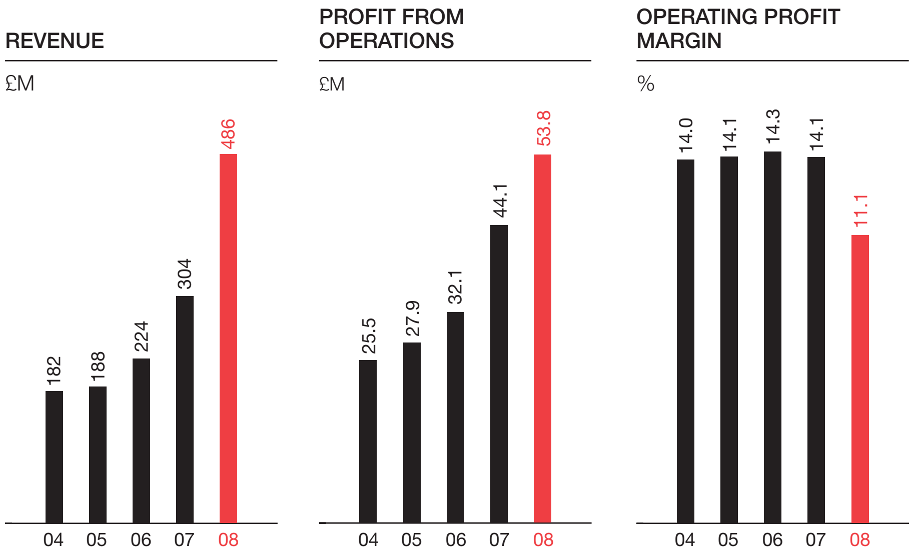
A number of our larger developments are being carried out in joint venture, which both reduces the investment required and shares the project risk. We have significant schemes in Epsom, Chichester and in joint venture with Bank of Scotland in Colchester, St Albans, East London and Hammersmith. These are primarily long term projects with sales spread over several years.

The land market has become virtually inactive with few transactions. With very limited exceptions, we have ceased buying land, although we are continuing to look for opportunities to secure options or conditional contracts for the longer term, where we retain control over whether we proceed with an ultimate purchase. Our landbank of owned and controlled plots currently stands at 5,400 plots, down from 7,600 a year ago. Our strategic land holdings stand at 1,430 acres compared to 1,500 last year, from which we would ultimately expect to generate over 3,000 units.

Throughout the year we have maintained our focus on customer service. We continue to achieve industry leading scores in customer research carried out by the NHBC and the Housebuilding Federation, and the independent research company In House surveys continue to show over 90 per cent of our purchasers stating that they would recommend us to their best friend. This helps minimise our after sales costs and supports our reputation among homebuyers generally in the market.

Housebuilding record

The Group has expanded organically and by acquisitions, particularly with the acquisitions of Chartdale Homes in 2006 and Linden Homes in 2007.



For the fourth consecutive year we received the Building award for Housebuilder of the Year, four of the annual Evening Standard awards, the Regeneration Housebuilder of the Year and three top awards from What House?, including best medium sized housebuilder and best mixed use development. We also hold the CABE Silver Builder for Life award for our development at The Village in St Austell.

Looking forward

We expect the market to remain difficult which will continue to impact on our profit margins and the number of completions we expect to achieve. The market will not improve until the mortgage providers ease their lending criteria and there is an increase in the amount of mortgage finance available from the current severely depressed levels. We will therefore continue to minimise our exposure to the market, ensuring we maximise our cash position. We will maintain our strengths in customer satisfaction and continue to manage our supply chain to deliver best value at minimum cost. We will focus strongly on our relationships with the affordable housing providers and regeneration agencies who continue to act as our partners in affordable or regeneration led developments. We therefore aim to retain the resources within the business that will enable us to take advantage of the opportunities that will arise when the market improves.

AFFORDABLE HOUSING AND REGENERATION

Market

The last year has seen a growing role for private sector providers in delivering the Government's ambition to increase the supply of new affordable homes. Releases of surplus public sector land to stimulate supply and the award of tranches of funding direct to developers under the National Affordable Housing Programme, has provided organisations familiar with the specialist requirements of the sector with increased market opportunities.

The market in public-led regeneration opportunities has been strong as housing commissioners (encouraged by resident ballots) have preferred new build solutions to estate regeneration rather than focusing on the retention of stock in unsatisfactory environments. Former hospital sites and releases of brownfield land under land remediation programmes have also stimulated supply. The impact of tightened liquidity in the lending markets has reduced the capacity of some housing associations to commission new schemes, particularly where these relied on shared ownership sales, focusing delivery through the larger organisations.

The long term drivers for growth remain, with public sector investment of £8 billion over three years intended to stimulate a 30 per cent increase in supply to 70,000 new affordable homes each year by 2010-11. Over this period, the Government aims to double the provision of rented social homes as it seeks to address the historic supply deficit.

Strategy

Our affordable housing and regeneration division strategy is to grow revenue and achieve sustained profitability through both contracting and development activity and to generate value through the combined business.

The market continues to favour the hybrid contractor/developer approach. Our ability to align development expertise with a strong partnering ethos and to extract synergies across the wide range of services we can bring to a project gives us a competitive edge.

The production of affordable homes arising from planning gain has fallen as the housing market has deteriorated, but this will continue to create opportunities to mitigate speculative sales risk by sales of stock direct to housing associations and by promoting land and build contracts to clients.

Our strategy of sustained presence in this market assists us across the cycle. We will capitalise on our strong client base and our reputation as a provider with specialist market knowledge delivered through strong regional businesses. We continue to emphasise our joint venture offering and our ability to deliver cash generative contracting.

This follows the establishment of a regional presence in the North West the previous financial year and the acquisition of North East affordable housing contractor, Kendall Cross, in the current financial year.

Performance

	2008	2007
Revenue	**£230 million**	£128 million
Completions	**694**	317
Profit from operations	**£13.8 million**	£6.1 million
Operating margin	**6.0%**	4.8%
Landbank	**3,500 plots**	3,600 plots
Build contracts order book	**£149 million**	£107 million

Profit from operations of £13.8 million was achieved on revenue of £230 million, including joint ventures, representing a margin of 6 per cent. During the year we achieved 694 completions at an average selling price of £123,000 with revenue from build contracts of £124 million (2007: 317 completions at £130,000, build contract revenue of £87 million).

Our planned growth was delivered in the year, and we anticipate that any pause in the activity levels of housing associations that have some dependence on private sector sales will be short term. We now carry out regeneration developments and affordable housing contracting across the South of England and the Eastern Counties, during the year extending our geographical coverage to the South Midlands, opening an office in Milton Keynes, and to the North East of England. In November 2007 we acquired Kendall Cross Holdings, a long established affordable housing contractor based in Newcastle on Tyne and are embarking on a strategy to grow the business in the North East using our proven mixed contractor/developer model.

During the year we increased our portfolio of English Partnerships regeneration sites to six including, in joint venture with Affinity Sutton Housing Association, contracting the 800 unit net carbon neutral development near Chichester that will provide homes over a ten year period. Regeneration schemes at Grimsby and in Plymouth achieved planning consents and started on site with sales to be delivered over the next five years.

We have a strong presence in East London, and completed the £26 million contract at Suttons Wharf and the £45 million Tarling estate regeneration for One Housing Group in the year, both of which are good examples of the projects we carry out in the frameworks we have in place with 33 affordable housing providers.

Following an initial award of funding from the Housing Corporation of £15 million, we have now secured a total of £25 million of direct funding for 811 homes, the largest allocation of any private sector developer. The overwhelming majority of this funding is on committed schemes for early development.
We aim to build on our strong position as a lead development partner with the Housing Corporation and English Partnerships, which puts us in a good position to secure further investment when they merge to form the Homes and Communities Agency.

Affordable housing and regeneration record

The Group established a separate division in 2007 to bring together its activities for affordable housing providers and to carry out regeneration projects.

Looking forward
Our affordable housing landbank now stands at 3,500 plots compared to 3,600 last year. Since the start of the new financial year we have secured £85 million of work for One Housing Group, Circle Anglia and ASRA Greater London with our order book for affordable housing build contracts currently at £149 million.

We expect the affordable housing market in the UK to show a reduction in output in the 2009 financial year and to then expand during 2010 as the market achieves balance between supply pressures and funding flexibility. Pre-commencement work on regeneration schemes, which by their nature have longer lead-in times, is continuing with increased flexibility from funders and clients, reducing cash demands and facilitating opportunities as the market improves. We continue with our strategy for each business unit to have an anchor regeneration scheme as part of its portfolio.

As the business cycle matures, our housing association clients are adapting to a changing risk profile through increased joint venture activity and the introduction of new forms of tenure to encourage the takeup of affordable housing. We expect an increase in contracting opportunities and joint ventures designed to bring forward supply.

RISK MANAGEMENT
The board is committed to identifying, evaluating and managing the significant risks facing the Group and has a set of processes and procedures that enable it to do so. They are embedded within our management structure so that they are followed as part of our normal operating procedures.

The board has an established register detailing the strategic, financial and operational risks potentially affecting the Group's businesses and relating them to the Group's objectives. These include economic factors and market conditions, the effect of competitor activities, gearing, regulation and project risk. Each risk is rated based on its likelihood and its potential impact on the Group should it materialise. This is then related to how the risk is managed, the responsibility for management and how achieving the objective is monitored.

The Group carries out a review of its risk management processes annually in conjunction with the requirement to review and demonstrate effective internal controls. This ensures that as new risks emerge in connection with general market developments, group strategy or projects, appropriate action can be planned. Further detail on the board's internal controls and risk management procedures are included in the Corporate Governance Report.

The following principal risks have been identified that may have an impact on the Group.

Market related
The market sectors in which the Group operates are subject to the macro economic conditions in the UK and Government policies. Our housebuilding business will be affected by the state of the housebuilding market as it impacts the ultimate price that purchasers are prepared to pay for their homes and the price and terms under which the Group purchases land for development.

Public sector spending and the investment programmes of the regulated infrastructure sectors affect the markets for much of our construction activities. The conditions for each market sector change over time and we react to this by a business planning process that sets the level of resources allocated. We gather both published and informal intelligence on the markets, monitoring closely our order books and potential opportunities.

Project related
The Group is undertaking several hundred projects across its divisions at any one time. In our housebuilding division we have a rigorous pre acquisition appraisal process covering purchase, construction and sel on our developments. In our construction business the commercial risk we take on each contract depends on the contractual terms under the procurement route that the contract has been secured, the nature and complexity of the works and the duration of the project. We have a rigorous approach to contract selection to ensure that the work we undertake matches our capabilities and the resources we have available, that the terms under which we are to carry out the work are acceptable and that clear responsibility for scrutiny and approval is given by the right level of management.

Health, safety and environmental
We are operating at any one time on several hundred sites on which construction operations are being carried out. We need to provide a safe working environment for our employees, all others who work on our sites and members of the public. We recognise the significant impact on individuals and our business if we do not achieve this. The Group therefore treats health, safety and environmental issues as a priority and has a comprehensive policy and framework in place to manage these risks, details of which are set out in the Corporate Responsibility Review.

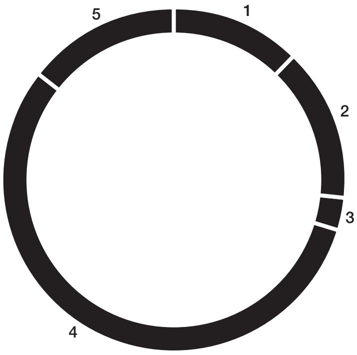
Human resources
The future success of the Group is critically dependent upon attracting, developing and retaining talented individuals in the business at all levels. We base our human resources policies on the Investor in People (IIP) principles. We have achieved IIP accreditation for almost all the Linden Homes operations since their acquisition in March 2007, and aim to achieve accreditation for Kendall Cross, acquired in November 2007. Further details of our approach are given in the Corporate Responsibility Review.

"Cash generation has been a key focus this year. Our construction businesses, aided in particular by an excellent cash performance from the building division, exceeded our forecasts throughout the year and, together with stringent controls applied throughout our housebuilding business as the market deteriorated, resulted in a better than expected net debt position of £2 million at the year end."

FRANK NELSON FINANCE DIRECTOR

PROFIT FROM OPERATIONS*

£M



1 **Building**	11.9	4 **Housebuilding**	53.8
2 **Infrastructure**	13.8	5 **Affordable housing**	13.8
3 **PPP Investments**	2.9		

*Stated before Group costs of £6.9 million.

FINANCIAL RESULTS

Group results

Group revenue for the year to 30 June 2008 was £1,832 million (2007: £1,410 million). Profit from operations (stated before finance costs, amortisation, exceptional items and joint ventures' interest and tax) increased to £89.3 million from £62.8 million. The Group has recorded a net exceptional loss of £11.5 million (2007: profit £7.2 million).

Segmental reporting

Construction profit from operations was up 24 per cent to £25.7 million representing a margin of 2.2 per cent. Within this the profit from operations of our building division was £11.9 million, representing a margin of 2.0 per cent and of our infrastructure division was £13.8 million, representing a margin of 2.6 per cent. PPP Investments made a profit from operations of £2.9 million in the year compared to a loss of £1.1 million in the previous year. This was as a result of the sale of equity investments during the year giving rise to a profit of £2.8 million. Our housebuilding division's profit from operations was up 22 per cent to £53.8 million representing a margin of 11.1 per cent.

The segmental information in note 2 has been restated to fully disclose the profit from operations from our construction and housebuilding segments that relate to the regeneration and affordable housing activities carried out by the divisions. This shows that the profit from operations in this segment has risen by 126 per cent in the year to £13.8 million on revenue of £230 million representing a margin of 6.0 per cent.

Acquisitions

On 14 November 2007, the Group acquired the entire share capital of Kendall Cross Holdings Limited, an affordable housing contractor based in the North East of England. The total consideration payable, including expenses, was £9.3 million in cash of which £1.8 million was on deferred terms. The results stated above include the trading since the date of acquisition to 30 June 2008. The acquisition gave rise to goodwill of £5.7 million. Details of the transaction are given in detail in note 32 on page 82.

The acquisition resulted in the recognition of intangible assets of £0.2 million. This represents the forward order book and is being amortised in line with the expected profits generated.

Goodwill and intangibles

The carrying value of goodwill and intangibles is £10.2 million and £115.0 million respectively. The Group carries out annual impairment tests in relation to these amounts. 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 gross margin achievable. Further details of the impairment tests performed are set out in note 10 on page 64. The calculations were carried out following the year end on 30 June 2008 and do not indicate that there is an impairment of these assets.

Exceptional items

The Group restructured it's housebuilding division consequent on the downturn in the housing market resulting in an exceptional loss of £11.5 million (2007: gain £7.2 million). This comprises writedowns relating to site acquisitions on the carrying value of land and abortive costs of £9.1 million, redundancy costs of £1.9 million and provision for onerous lease commitments of £0.5 million.

Taxation

The total tax charge of £17.8 million on the profit before taxation of £60.3 million represents an effective rate of 29.5 per cent. The standard rate of corporation tax reduced from 30 per cent to 28 per cent with effect from 1 April 2008.

Financing

The Group's construction businesses continued to generate excellent cash flows throughout the year and at the year end net debt was £2 million compared to £99 million at the previous year end.

Net Group interest payable was £10.8 million (2007: £8.1 million) on average net borrowings of approximately £118 million (2007: £32 million). The net interest payable was covered seven times (2007: eight times) by the profit before interest and tax.

The Group entered into a five year bank facility for an aggregate total amount of £450 million in February 2007 with HSBC Bank plc, Barclays Bank PLC, Royal Bank of Scotland plc and Bank of Scotland. The facility provides working capital, development finance and bonding. £150 million of this facility is on an amortising basis to £96 million by the facility maturity date in 2012, and at 30 June 2008 stood at £138 million. The facility is subject to covenants on interest cover, minimum net assets, gearing and security over housebuilding development sites.

Overall debt levels do fluctuate throughout the year, and we continue to operate significantly within the headroom and covenants of the bank facility. The facilities bear interest at floating rates, subject to interest rate swap arrangements referred to in note 25 on page 74.

Treasury management

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

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

All material activities of the Group take place within the United Kingdom and consequently there is little direct exchange risk other than payments to overseas suppliers who require settlement in their currency. If there is any material foreign exchange exposure, the Group's policy is to enter into forward foreign currency contracts. The Group has no material currency exposure at 30 June 2008.

The main risk arising from the Group's financial instruments is interest rate risk and this is reviewed by the board on a regular basis. The Group policy is to accept a degree of interest rate risk as long as the effect of various changes in rates remains within prescribed ranges. The Group has entered into a swap agreement which has the effect that £69 million of borrowings are fixed at 5.7 per cent for the period of the existing bank facility.

Further information on the Group's financial instruments is disclosed in note 25.

Pension costs

The Group's main final salary pension scheme was closed to future service accrual during the previous financial year. The Group is making regular deficit funding contributions to the scheme of £7 million per annum.

The total cost of pensions charged to the income statement in the financial year amounted to £6.1 million (2007: £7.2 million, before curtailment credit of £5.2 million).

Under IAS19 "Employee Benefits" the defined benefit deficit of the Group's final salary pension schemes was calculated as at 30 June 2008 by an independent qualified actuary and the gross deficit recognised on the balance sheet as £27.4 million (2007: £25.0 million). This has an overall impact net of deferred tax, of £19.7 million (2007: £18 million). Further detail on pensions is given in note 33 on page 83.

CORPORATE RESPONSIBILITY

Galliford Try aims to make a positive impact within the communities in which it operates by contributing economically, environmentally and socially. Our vision is to be leaders in the construction of a sustainable future. We recognise that many stakeholders have an interest in our activities, and that achieving our vision is dependent on the strength and the effectiveness of our relationships with them. Our values represent the culture of our business, and are: Excellence, Passion, Integrity and Collaboration.

We promote these core values in all our relationships as our way of working towards the future sustainability of our business in a responsible way. More details are given in the Corporate Responsibility Review and for the first time this year we have produced a separate Corporate Responsibility Report to explain our approach in more detail.

OUR PEOPLE

The value we place on our employees is central to our culture. Galliford Try employs 4,450 people, compared to 4,000 a year ago. Continuing to develop strategic human resources policies and practice, underpinned by our commitment to the Investor in People standard, is our objective as we aim to be an employer of choice.

SIGNIFICANT RELATIONSHIPS

Relationships are important to Galliford Try: the business has been built on a collaborative culture that permeates throughout each of our operating divisions.

Clients and customers – Our building and infrastructure businesses have many long term relationships with key clients that provide work over many projects, particularly those that operate through five or ten year framework agreements. Although no one client accounts for more than 4 per cent of revenue in the year, major clients in our building and infrastructure divisions will include:

> Companies for whom we carry out infrastructure frameworks such as the regulated water utilities for whom we are working under their current asset management programmes.
> The Olympic Delivery Authority, for whom we are carrying out a major remediation framework at the Olympic Park.
> The private finance initiative project companies through which our major PFI projects are constructed, such as the £192 million schools contract being carried out over three years for Northamptonshire County Council.
> The All England Lawn Tennis Club at Wimbledon with whom we have been working for over 35 years and for whom we are carrying out the reconstruction of the new centre court, due for completion in 2009.
> The Scottish Executive and The Highways Agency for whom our infrastructure business carries out significant programmes of highways work.

Our performance in delivering projects to our construction clients and meeting our home buyers aspirations is fundamental to the success of the business. For our construction clients, our achievement of performance standards and their feedback is used to improve our service going forward.

In our housebuilding business, we carry out detailed customer care research using independent external consultants that monitor the satisfaction of home buyers both with their new home and the service they receive during the buying process. For a further year we have over 90 per cent of our customers stating they would recommend us to their best friend and we have achieved again the highest rating compared to other housebuilders in the annual Housebuilders Federation survey.

Business partners – We carry some work in joint venture with other partners. Our key joint venture partners are engineers, other contractors and consultants on our frameworks for the water utilities and our larger highways projects in our infrastructure business, and in housebuilding where we redevelop some of the larger sites in joint venture. These include the Epsom Hospital Clusters, being carried out with Crest Nicholson, Graylingwell being carried out with Affinity Sutton Housing Association, and a series of joint ventures with Bank of Scotland in London and the South East.

Shareholders – Galliford Try is committed to helping its shareholders develop a clear understanding of the Company's strategy, performance and growth potential. We send all new shareholders a welcome letter with information about the Group, maintain a section of our website specifically for shareholders, make a detailed presentation on the business at the annual general meeting and aim to provide written communications that are clear, timely and relevant.

Supply chain and service providers

We believe that developing long term relationships with all who provide services to our business, such as consultants, sub contactors, service providers and materials suppliers is crucial to our ability to provide our clients and customers with projects that deliver to the highest standard. By working closely with these providers, we find new and better ways to improve our service, increasing our efficiency, minimising our costs and addressing key performance requirements for health, safety and environmental matters.

Throughout its businesses the Group has relationships with firms of architects, engineers and other consultants as well as with larger firms of sub contractors and materials providers.

The Group also has key relationships with its providers of corporate services such as surety bonding, insurance and finance.

FORWARD LOOKING STATEMENTS

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

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

VISION AND VALUES

The Group undertook a major review of its vision and values during the year, involving all parts of the Group in assessing how the business has moved on since the previous vision was adopted in 2001. The previous vision – to be leaders in building partnerships for service excellence – had served the Group well but it was decided to adopt a new vision and set of values that reflected today's business environment and recognised the way in which the culture of the Group has evolved over the period.

Our new vision is:

To be leaders in the construction of a sustainable future.

It was communicated throughout the Group and has been backed up by individual mission statements for each of the Group's divisions. Our values represent the culture of our business and have been adopted across the Group.

They are:

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

MANAGING CORPORATE RESPONSIBILITY

The Group recognised during the year that its significant growth over the period since 2006 meant that its operations were organised in many more individual business units of a far greater diversity across the UK. Accordingly, if the Group was to achieve its objectives for continual improvement, it would need to structure its approach to corporate responsibility differently to ensure the whole Group benefited from the expertise within the business and that best practice was more effectively gathered and disseminated. Accordingly, the board established a small working party during the year to assess the Company's current position and map out a way forward.

As a result of the work undertaken during the year, a corporate responsibility steering group has been formed comprising representatives from the operating businesses as well as key central services management under the chairmanship of the company secretary to move the business forward. A corporate responsibility manager has been appointed and will take up his position during the current financial year.

The committee has generated the Company's first separate corporate responsibility report, available on request to the Company and on the Company's website, to better outline the Group's position and approach to stakeholders and how we are aiming to live up to our values.

HEALTH AND SAFETY

Galliford Try places the highest priority on the health, safety and welfare for everybody affected by its operations. As the Group has grown in size in recent years we have made significant investments in the size and calibre of our health and safety team, building a culture that places health and safety as a priority in all we do.

Ken Gillespie is the nominated executive board director responsible for health, safety and the environment. Reporting to him is the health and safety director, who now has 59 staff in a health, safety and environmental team that is organised into four geographic regions.

Performance

Monitoring and reporting our performance across the Group is a major part of our control system and enables us to target areas for improvement. In the year to 30 June 2008 the Group recorded significant improvements in its performance compared to the previous year. Our accident incidence rate for each 1,000 persons at risk was 5.58, compared to 8.60 in the previous year. We also measure the frequency of reportable accidents across the Group which fell from 100 to 83 in the year leading to a rate of 0.24 reportable accidents per 100,000 hours worked compared to 0.36 the previous year. Our measures do not just relate to our own employees but all those working on our sites whether employed by ourselves or one of our contractors. Most regrettably, there was one fatality during the year when a forklift overturned onto an onsite vehicle.

There was one health and safety related prosecution, that was in a joint venture, during the year compared to none in the previous year. The number of reportable dangerous occurrences was thirteen compared to three in the previous year. All reported accidents and incidents are investigated by our professional health and safety team and the findings reported back to the relevant business with lessons learnt disseminated across the Group as appropriate. We received over 120 Health and Safety Executive visits to our sites nationwide, receiving only three HSE enforcement notices which were rectified shortly after the event.

We have successfully maintained our group wide certification to the independently assessed health and safety management system standard, OHSAS 1801, which is regularly audited. We received 18 gold medal awards in the Royal Society for the Preventions of Accidents annual health and safety awards, up from 13 last year.

GOLD SAFETY AWARDS

18

Objectives
Every year we set a health and safety action plan which takes account of the objectives of the previous year, the progress made and priorities going forward. The action plan for the year to 30 June 2008 remained focused on our six key principles for continual improvement; Leadership, Planning, Teamwork, Communication, Control and Behaviour.

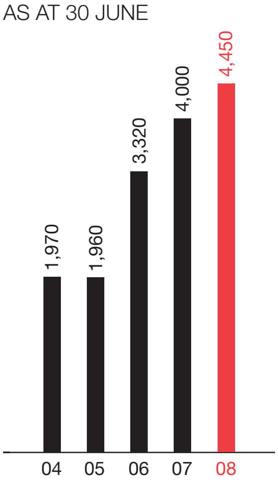
The key objectives were to develop more visible senior management leadership and presence across the Group, raising awareness with other stakeholders on health and safety performance, enhanced planning and more robust processes for the identification and appropriate rectification of health and safety issues across the Group and designing a behavioural safety programme.

During the year we completed the implementation of one management system for health and safety across the Group incorporating one policy and one set of standards. These were communicated through an extensive four week road show around each of the businesses, with every employee receiving a copy of the health and safety policy. A programme of daily refreshers on site for safety issues has been developed and we carried out over 2,200 internal training days on health and safety issues during the year. Over 400 specific health and safety visits were made by directors and senior management over and above the regular visits they make in the normal course of their jobs.

Behavioural safety programme
We have started to implement our behavioural safety programme across the Group. Over 4,500 people working on our sites completed an anonymous questionnaire on all issues regarding safety on our sites which has been used to help design our programme going forward.

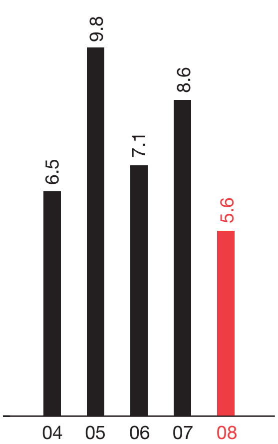
NUMBER OF EMPLOYEES

AS AT 30 JUNE



ACCIDENT INCIDENCE RATE

PER 1,000 PEOPLE



Looking forward
Our key objectives in the forthcoming year comprise:

> Extending the scale and scope of the specific senior management health and safety visits.
> Rolling out the first phase of the behavioural safety training programme.
> Reducing further our incident rate.

PEOPLE
Our people occupy a strategic position at the heart of our business and we aim to develop a committed and flexible workforce. The values which underpin our employment relationship are founded on the competence of our employees, effort, compliance, commitment and loyalty in return for fairness, equity, consistency, security, a career and involvement and trust from management.

The Group human resources director is responsible to the executive board for the delivery of our policy and objectives, and has a team of human resource professionals spread throughout the Group to support our businesses.

Underpinning our strategy is the Investor in People standard. During the year we successfully incorporated the Linden Homes businesses, acquired in the previous financial year, all of which are now accredited under the Investor in People standard or are in the process of obtaining accreditation.

Our main KPI, measuring the proportion of employees who leave voluntarily, improved significantly in the year, with a figure of 16.5 per cent compared to 18 per cent in 2007.

Employee survey
We carried out a review of the effectiveness of our annual employee survey during the year. Following this, we changed our method of delivering the survey from an annual event to one carried out three times a year, encompassing one third of our employees each time. This is to enable the Group to obtain more up to date and consistent feedback on trends and changing attitudes amongst our workforce. The overall results of our survey show an increase in employees satisfaction with their jobs, up 10 per cent to 90 per cent during the year with similar increases in questions dealing with whether the business values its employees, employees are proud to work for the Group and a positive attitude towards health and safety.

Training and development
Learning and career development remains an important part of our business ethos. Having adopted a strategy based on the principles of incremental stepping stones last year, the Group has implemented a six step career development framework that covers courses on personal effectiveness and managing communication skills from step one through leadership programmes to executive development at the highest levels.

We are approved trainers for all the relevant professional bodies in our industry – and have new recruitment and development plans which are being implemented as part of our new Galliford Try Academy, tailored to school leavers, graduates or day release trainees.

All employees undertake an annual performance and development review which is based on a competency framework and the measurement of behavioural skills to inform our investment in learning and development initiatives, to help the preparation of our detailed training plans which are developed across each business unit as well as ensuring employees focused on their own career objectives.

Recruitment and communications

Our commitment to equal opportunities is designed to ensure that all our employees, regardless of race, gender, nationality, age, disability, sexual orientation, religion or background, have the opportunity to develop their full potential within the Group. We recognise the value of a diverse workforce and have policies and practices in place that provide a fair opportunity for everyone in respect of employment, entry to employment, benefits, training, placement and promotion. We encourage effective communication throughout our organisation. A monthly Group brief is disseminated, which informs regular team and business unit briefings, an open door policy between management and staff, and publication of internal communications through our Group intranet and our employee magazine. During the year we carried out a study into the requirements for our Group magazine, resulting in the launch of a new publication "Evolve" which is now produced twice each year and incorporates significantly greater employee input.

Looking forward

We will continue to use the Investor in People standard as the cornerstone of our commitment for continuous improvement in human resources policies and practices. We will review the progress of the training delivered under our academy framework to ensure that it is updated and adapted to the Group's requirements. We will also review the communications with employees on their benefit packages, such as pension provision, to ensure improved understanding and involvement.

ENVIRONMENT

Our core business is dealing with the built environment, and we recognise that environmental impacts can have a far-reaching and obvious potential to affect lives and the communities around our centres of operation.

Performance

Our action plan for 2008 included:

> implementing the Galliford Try environmental standards across all Company activities
> appointing an additional Environmental Advisor to ensure that the level of environmental resource required for the enlarged Group is achieved
> initiating an extensive environmental training programme across the Group to further raise awareness of environmental issues, as well as of the requirements of Galliford Try's environmental standards
> engaging the services of a leading external certification body to drive forward the process of gaining certification to ISO 14001:2004 across the remaining businesses with the Group.

We have made progress during the year with:

> An updated environmental policy and standard agreed and published throughout the Group, with copies of the policy sent to every employee
> The appointment of the necessary Environmental Advisor on the key projects requiring specialist resources and advice across the Group
> Delivery of 1,155 training days under our environmental awareness course which is examined and resulted in a pass rate of 92 per cent

BSi is our third-party certification body and our aim is to achieve the widely recognised environmental standard ISO 14001:2004 across the whole Group. We made significant progress in 2008 with 25 business units (out of a possible 39) obtaining this certification (2007: 8 business units). Our target remains at 100 per cent.

No environmentally related prosecution has been brought against the Company.

Standards

In March 2008 our new environmental standards were launched across the Group. Our environmental team has also developed our own set of environmental management objectives covering performance measures and KPIs against which to improve our impacts, collect data and report on targets in the future. We are also considering joining the Business in the Community (BiTC) index; our focus until now has been on achieving environmental awards, such as CEEQUAL (Civil Engineering Environmental Assessment and Award Scheme) and BREEAM, (Building Research Establishment Environmental Assessment Method) at each development.

JOB SATISFACTION SURVEY

90%

Resources
How we measure and manage our effect on the places where we work, and plan to minimise them, is key.

Our health, safety and environment director is supported by a Group environment manager who advises on legislation, four regional environmental advisors, a systems manager and administrator.

Training and awareness
So far, 1,155 employees have completed our own Group environmental awareness course, which is based on our new standards that were launched in March 2008; the current pass rate is 92 per cent. Our commitment has also resulted in the Group planning to start a four-day, IOSH accredited course on managing environmental awareness. This will cover the various stages at which we can make a difference: from the design stage, for example, where we can reduce the amount of packaging brought on to site, through better environmental procurement and supply chain management, to generating less waste, minimizing our water usage and ensuring that nuisance to neighbours is kept as low as possible.

Impacts
One of our most significant environmental impacts is waste management, consequently, our environmental team run regular one-day waste management courses, as required by our training matrix. Our focus related to waste management is to minimise the quantities initially generated; thereafter, our focus is to find a variety of possible uses of the waste, whether it be re-use, recycling or recovery – with our least favoured option being disposal.

We are signatories to the Major Contractors Group (MCG) Sustainability Charter, which addresses waste and energy management issues. Alongside this, our HS&E Advisors make monthly inspections of every Galliford Try site in order to complete their 'SSER' (Site Safety and Environmental Review) process that includes a process for assessing our performance regarding waste management. Our site Project Environmental Plans (PEPs) require us to specify environmental objectives and targets at the start of each project. Internal compliance audits are being carried out during the second half of 2008.

As required by our internal waste management standard, each site irrespective of size reports waste performance data to their business unit which, in turn, report this data to the Group to enable waste key performance indicator information to be generated.

Objectives and strategy
Our action plans remain focused on our six key objectives – performance, leadership, planning, teamwork, communication and control.

Performance – To assure policy commitments to prevent pollution, by reducing the number of environmental incidents.

Leadership – Senior management leadership/presence across the business, with senior management to attend site following any and all significant environmental incidents and a visible environmental charter.

Planning – Effective environmental planning for all construction projects with a pre-construction environmental risk register for all new projects.

Teamwork – Working with key stakeholders to raise environmental awareness and performance by delivering internal environmental awareness courses for those in charge of sites.

Communication – Effective communication of environmental information and the integration of environment into the Group 'near miss' reporting system.

Control – Robust standards for the systematic identification and appropriate rectification of environmental issues across the Group by preparing and promoting the new Group Environmental Policy; developing, agreeing and implementing Group Environmental Standards; and establishing and maintaining Group-wide third party certification to ISO 14001:2004.

ENVIRONMENTAL TRAINING DAYS

1,155

COMMUNITY

Galliford Try's priority is to make a positive impact within the areas where we work. By keeping our efforts local, we are able to engage far more successfully with each community around our offices and sites. During the year, we conducted a study to identify a new approach to community which resulted in identifying four key areas.

> Contributing to the community through our core activities – the provision of capital projects such as schools, healthcare facilities, affordable housing and transport
> Engaging with communities and individuals in the areas in which we operate
> Delivering wider community benefits such as local employment and participating in local projects that benefit society
> Charitable investment

Community engagement

We aim to improve the way in which we coordinate our activities and disseminate best practice within the Group on ways in which to engage with communities. Examples are:

> School visits and participating in education programmes
> Managing team building activities
> Participating in community involvement work
> Involving residents where possible to name streets
> Promoting safety on building sites through campaigns and competitions, particularly targeted at schools
> Raising money for local charities through sponsored sporting and other events in which our employees take part
> Carrying out volunteer work in local schools, care homes and hospitals

Charitable investment

We take part in projects for the single homeless as a patron of CRASH, the construction industry charity for action on the single homeless and we are sponsors of the Lighthouse Club, an industry charity that provides assistance to employees or former employees of the construction industry who are in need. The total of our direct charitable donations during the year was £61,000 (2007: £58,000), although this is only a small part of the money our employees raise for charity through their own efforts and the value of the benefit that we aim to provide to local communities.

Looking forward

We are looking at improving the ways we measure and communicate our involvement to stakeholders, and will use the newly established CR steering committee to act as a coordinating body for future action.

We have published our first detailed Corporate Responsibility Report, also available online at www.gallifordtry.co.uk.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DIRECTORS

1. **DAVID CALVERLEY** FCA
NON-EXECUTIVE CHAIRMAN

David Calverley was appointed to the board in September 2000 as chief executive, a position he held until 30 June 2005. He is also Non-Executive Chairman of Tricone Development Limited and Millward Designer Homes Limited. Chief Executive of Try Group from 1995, he was formerly a director of Trafalgar House, Chairman of Ideal Homes and Managing Director of Trafalgar House Property. Age 66.

2. **GREG FITZGERALD**
CHIEF EXECUTIVE

Greg Fitzgerald was appointed to the board in July 2003 and was Managing Director of the housebuilding division before being appointed chief executive on 1 July 2005. He was a founder of Midas Homes in 1992 and its Managing Director when it was acquired in 1997, subsequently chairing Midas and Gerald Wood Homes. Age 44.

3. **FRANK NELSON** FCMA
FINANCE DIRECTOR

Frank Nelson was appointed to the board in September 2000. Finance Director of Try Group since 1988, he was formerly a divisional finance director with Wiltshier and a management consultant with Coopers & Lybrand. Age 57.

4. **CHRIS BUCKNALL** † ‡
NON-EXECUTIVE DEPUTY CHAIRMAN AND SENIOR INDEPENDENT DIRECTOR

Chris Bucknall was appointed to the board in September 2000. He was recently an executive board director and Group Chief Executive, Commercial Services of Compass Group plc. Previously he was director of operations at Coca Cola, and Chief Executive of Norwest Holst. Age 58.

5. **JONATHAN DAWSON** † ‡
NON-EXECUTIVE DIRECTOR

Jonathan Dawson was appointed to the board in January 2004. He is currently the Senior Independent Non-Executive Director of NEXT plc and a Non-Executive Director of National Australia Group Europe Limited. He is also a partner in Penfida Partners LLP. He was previously an investment banker at Lazard. Age 56.


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6. **AMANDA BURTON** † ‡
NON-EXECUTIVE DIRECTOR

Amanda Burton was appointed to the board in July 2005. She is currently Director of Global Business Services at Clifford Chance LLP and a Non-Executive Director of Fresca Group Limited. She was previously a director of Meyer International Limited and Chairman of its timber group. Age 49.

7. **PETER ROGERS** † ‡
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 Acordis BV and of Courtaulds plc having earlier held senior executive positions with the Ford Motor Company. Age 60.

EXECUTIVE BOARD MEMBERS*

8. **KEN GILLESPIE**
MANAGING DIRECTOR, INFRASTRUCTURE DIVISION

Ken Gillespie joined the Group in March 2006 on the acquisition of Morrison Construction, having been its Managing Director since 2005. He joined Morrison in 1996 having spent the previous 13 years holding senior positions in construction with George Wimpey. Age 43.

9. **RICHARD BARRACLOUGH** FCIS
COMPANY SECRETARY AND LEGAL DIRECTOR

Richard Barraclough has been Company Secretary since September 2000. He joined Try Group as a director and company secretary in 1991 and was formerly deputy company secretary of George Wimpey PLC. Age 53.

10. **IAN BAKER**
MANAGING DIRECTOR, MIDLANDS, SOUTH & SOUTH WEST HOUSEBUILDING DIVISION

Ian Baker was appointed to the executive board in March 2007. He joined the Group in 1995, initially with Midas Homes, subsequently becoming Managing Director of Stamford Homes in the eastern counties in 2003. Age 38.

*The executive board comprises the chief executive, finance director and the members listed above
†Member of the audit committee
‡Member of the remuneration and nomination committees

The directors have pleasure in presenting their Annual Report and the audited financial statements for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

Galliford Try is a construction and housebuilding group. Further details of the Group's activities during the year under review and of its prospects are contained in pages 2 to 31. The principal subsidiary companies operating within the Group are shown on page 98.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The directors consider that the requirements to produce a business review are fulfilled by the inclusion in this Annual Report and Financial Statements of a Business Review, Corporate Governance Report and Remuneration Report. Information on the Group's employment practices, including its policies on equal opportunities for disabled employees and employee involvement is set out in the Corporate Responsibility Review on pages 27 to 31. The financial risk management policies are detailed in the Business Review.

RESULTS AND DIVIDENDS

The profit for the year after tax of £42.5 million is shown in the consolidated income statement on page 47. The directors recommend a final dividend of 2.1 pence per share be paid, which together with the interim dividend of 0.9 pence results in a total dividend for the year of 3.0 pence, which will absorb a total of £11.3 million of shareholders' funds. The final dividend will be payable on 14 November 2008, to shareholders on the register at 17 October 2008.

SHARE CAPITAL

The Company has a single class of share capital which is divided into ordinary shares of 5 pence each. There are no restrictions on the transfer or voting rights of the Company's ordinary share capital.

Resolutions to be proposed at the 2008 Annual General Meeting will renew the limited authority of the directors to allot the unissued share capital of the Company and to issue shares for cash other than to existing shareholders.

A resolution will also be proposed to renew the directors' authority to make market purchases of its shares within prescribed limits. No such purchases were made in the year to 30 June 2008.

Further explanation of the resolutions is included with the notice of the meeting circulated to shareholders with this report.

CHANGE OF CONTROL PROVISIONS

The Group has entered into certain agreements that may alter on a change of control of the Group. The significant agreements are the Group's banking and surety agreements, details of which are included under financing in the Business Review and under contingent liabilities in note 35 on page 86.

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

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

ARTICLES OF ASSOCIATION

The articles of association set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment or removal of directors and the conduct of the Board and general meetings. In accordance with the articles of association, directors can be appointed or removed by the Board or shareholders in general meeting. Subject to company law and the articles of association, the board of directors may exercise all the powers of the Company, and may delegate authorities to committees and day-to-day management and decision making to individual directors. Details of the board and its committees can be found in the Corporate Governance Report on pages 36 to 39.

A special resolution will be proposed at the 2008 Annual General Meeting to adopt new articles of association that allow the directors to authorise conflicts of interest and potential conflicts of interest in accordance with the provisions of the 2006 Companies Act. Further details of the proposed changes are included in the notice of meeting.

DIRECTORS AND THEIR INTERESTS

The board of directors at the date of this report is shown on pages 32 to 33. Chris Bucknall will retire at the forthcoming Annual General Meeting on 7 November 2008 and will not offer himself for re-election. David Calverley, Frank Nelson and Amanda Burton will retire by rotation at the forthcoming Annual General Meeting and each will offer themselves for re-election. Peter Rogers was appointed to the board as a non-executive director on 1 July 2008. He will retire at this Annual General Meeting and offer himself for re-election.

The biographies of all of the Company's directors are on pages 32 to 33.

The interests of the directors in the share capital of the Company and details of their service contracts are set out in the Remuneration Report on pages 40 to 45.

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

SUBSTANTIAL SHAREHOLDINGS

As at 11 September 2008, the following beneficial interests in 3 per cent or more of the Company's ordinary share capital had been notified to the Company.

	No. of shares	%
Standard Life Investments Ltd	30,301,351	8.0
Prudential plc group of companies	23,519,743	6.2
Legal & General Group	21,073,805	5.6
Barclays PLC	19,003,449	5.0
Schroders plc and its subsidiaries	18,632,226	4.9
AXA S.A.	18,775,664	4.9
JP Morgan Chase & Co.	17,873,676	4.7
Lloyds TSB Group plc	15,019,333	3.9

CHARITABLE AND POLITICAL CONTRIBUTIONS

Contributions for charitable purposes during the year amounted to £61,000 (2007: £59,000). No political donations were made.

CREDITORS' PAYMENT POLICY

The Group's policy concerning creditors is to agree payment terms with its suppliers, ensure the relevant terms of payment are included in contracts and to abide by those terms when it is satisfied that goods or services have been provided in accordance with the contracts. Galliford Try plc as a holding company, did not have any amounts owing to trade creditors as at 30 June 2008 (2007: Nil). Trade creditors for the Group represented 28 days (2007: 33 days) of average daily purchases.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at The Ivory Suite, The Grove, Chandler's Cross, Rickmansworth, Hertfordshire WD3 4TG on 7 November 2008 at 12 noon.

AUDITORS

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

AUDIT INFORMATION

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

IMPORTANT EVENTS SINCE THE YEAR END

There have been no important events affecting the Company or any of its subsidiaries since 30 June 2008.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation and the parent company financial statements and the Remuneration Report comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the board

Richard Barraclough
Company Secretary
11 September 2008

COMPLIANCE STATEMENT

Galliford Try is firmly committed to attaining high standards of corporate governance and conducting the Group's operations in accordance with the best principles of corporate governance and the Turnbull Guidance. Throughout the year the Company complied with the provisions set out in Section 1 of the Combined Code of Corporate Governance as revised in 2006 (the "Code") and maintained by the Financial Reporting Council.

This statement, together with the Remuneration Report on pages 40 to 45, describes how the Company has complied with the code provisions and has applied the main and supporting principles set out in the Code throughout the year.

THE BOARD AND ITS DIRECTORS

The Company is led by a board which currently consists of a non-executive chairman, two executive directors and four other non-executive directors (including the deputy chairman and senior independent director). Peter Rogers was appointed a non-executive director on 1 July 2008 following a recommendation from the nomination committee, and Chris Bucknall will retire at the 2008 Annual General Meeting.

Biographical details of all of the directors, together with details of board committee memberships are set out on pages 32 to 33.

Each of the non-executive directors is considered by the board to be independent, with the exception of the chairman, David Calverley, who did not meet the independence criteria set out in the Code on his appointment in 2005, having previously been the chief executive of the Company. There have been no changes to his external commitments since then which may affect his responsibilities to the Company. Chris Bucknall is the deputy chairman and senior independent director who is an additional point of contact for shareholders. The board's structure during the year, with half of the Company's directors being independent non-executives, met the requirements of the Code for such companies whilst the Company was part of the FTSE 250 index.

Any director appointed during the year is required, under the provisions of the Company's Articles of Association to retire and seek election by shareholders at the next Annual General Meeting. The Articles also require that one-third of directors retire by rotation each year, and each director is subject to re-election at intervals of not more than three years. Peter Rogers will stand for election at the forthcoming Annual General Meeting and David Calverley, Frank Nelson and Amanda Burton will retire and seek re-election.

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

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

The board meets regularly during the year. Further details of the attendance of directors at board and committee meetings are provided on page 38. The chairman has held meetings with non-executive directors, and the Company Secretary also attended part of these meetings by invitation. There is a formal schedule of matters reserved for decision by the board. The board agrees the Group's business plan, determines overall group strategy, acquisitions, investment, human resources, environmental and health and safety policies, and is responsible for the approval of major items of capital expenditure, significant financial matters, and reviewing the Group's risk management processes and system of internal control. All directors receive appropriate and timely information and briefing papers in advance of the board meetings. All directors have access to the advice and services of the Company Secretary. There is an agreed procedure for directors to take independent professional advice, if necessary, at the Company's expense in furtherance of their duties. The Company has a directors and officers liability insurance policy in place.

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

Every director participated in an evaluation of their individual performance during the year using a self-assessment questionnaire with rating scales followed by an appraisal interview. The process also enables appropriate training and development to be planned. This year the results of the reviews have helped plan for more effective management of the board's committees and also resulted in a number of briefings on key financial topics and updates on recently introduced accounting practices being given by the Company's auditors. The senior independent director conducted the appraisal process for the chairman and chaired the meeting in the absence of the chairman at which his performance was evaluated, as well as on other such occasions as were deemed appropriate.

THE BOARD AND ITS COMMITTEES

A process of monitoring and evaluating the performance of the board and its committees and individual directors has been undertaken during the course of the year. As in previous years, members of the board completed a confidential questionnaire covering business and strategy, board effectiveness and management together with governance issues. The company secretary collated the results from the questionnaires and prepared a report on the findings for an initial discussion with the chairman. The findings were then discussed by the board, and a number of actions were agreed. Changes were implemented to the content and structure of divisional presentations to the board, the content of information circulated to the board, and the timing of meetings, all geared towards improving the quality time spent by the board on discussing strategic issues.

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

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

Executive board – Chaired by the chief executive and comprising the executive directors, two of the divisional managing directors and the company secretary, the executive board is responsible for the operational management of the Group and meets on a twice monthly basis.

Chris Coates left the Group on 30 June 2008, and Andy Sturgess stepped down from the board on 1 July 2008 in advance of his forthcoming retirement.

Audit committee – The members are Chris Bucknall, Amanda Burton, Peter Rogers and Jonathan Dawson, who has a background in investment banking and significant recent and relevant financial experience and chairs the audit committee. Each of these non-executive directors is considered independent and served throughout the year, except Peter Rogers who was appointed after the year end. The chairman, chief executive and finance director attend the meetings. The committee meets at least three times a year.

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

The main responsibilities of the committee are to:

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

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

> Meeting prior to the board meeting at which the Annual Report and Financial Statements, and the Interim Report, were approved. In doing so, the committee reviewed significant accounting policies, financial reporting issues and judgements and reports from the external auditors;
> Reviewing the effectiveness of the external audit process, the external auditors strategy and plan for the audit, and the qualifications, expertise, resources and independence of the external auditors;
> Agreeing the terms of engagement and fee of the external auditors for the audit;
> Reviewing the policy on auditor independence and the provision of non-audit services by the external auditors;
> Receiving and considering regular reports on the findings and the follow up actions from management on internal audit reviews, and the remit, organisation, annual plan and resources of the internal audit function;
> Undertaking a review of the structure and effectiveness of the internal audit function;
> Reviewing the committee's terms of reference and its effectiveness. The review concluded that no substantive amendments to the terms of reference were required and that the committee was operating in an effective manner;
> Reviewing the Annual Report disclosure items relevant to the committee;
> Reviewing the potential impact on the Group's financial statements of significant corporate governance and accounting matters;
> Reviewing the findings of the external auditors, their management letters on accounting procedures and internal financial controls and audit representation letters;
> Meeting separately with the Chief Executive, Group Finance Director, the external auditors in the absence of any executives and the internal audit team;
> Reviewing the procedures under which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other matters.

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

All non audit services require approval of the audit committee before the external auditors can be appointed, and the Committee will not approve the use of the external audit if a conflict of interest could arise that might impact their objectivity or independence.

A report is made to the committee setting out the non audit services provided by the external auditors during the year and the fees charged. Details of the amount paid to the external auditors are given in note 5 to the Group financial statements on page 61. Having undertaken a review of the non audit related services provided during the year, the committee is satisfied that they were not material and did not prejudice the external auditors' independence.

During the year, the committee reviewed the processes that PricewaterhouseCoopers LLP have in place to safeguard their independence and received a letter from them confirming that, in their opinion, they remained independent.

Remuneration committee – The members are Chris Bucknall, Jonathan Dawson, Amanda Burton and Peter Rogers. The remuneration committee is chaired by Chris Bucknall until he retires at the forthcoming Annual General Meeting, when Amanda Burton will chair the committee. Each of these non-executive directors is considered independent and served throughout the year, except Peter Rogers who was appointed after the year end. The remuneration committee is responsible for deciding on all elements of executive directors' remuneration. It also monitors the remuneration levels of the Company's senior management. Further information on the role of the remuneration committee is included in the Remuneration Report on page 40.

Nomination committee – The members are Chris Bucknall, Jonathan Dawson, Amanda Burton and Peter Rogers. The nomination committee is chaired by Chris Bucknall until he retires at the forthcoming Annual General Meeting, when Peter Rogers will chair the nomination committee. Each of these non-executive directors is considered independent and served throughout the year, except Peter Rogers who was appointed after the year end. The committee's role is to consider the structure and composition of the board, to make recommendations for filling vacancies, and to consider the nature of the role and the capabilities required, taking external advice where appropriate. It ensures that appointments to the board are made on merit and against objective criteria.

During the year, in anticipation of Chris Bucknall's retirement from the board, the nomination committee conducted a recruitment process for a new non-executive director which resulted in the appointment of Peter Rogers. This entailed defining a job description, involving an external recruitment agency and conducting interviews.

The committee also satisfies itself that, in terms of succession planning, the necessary processes are in place in respect of board and senior management appointments. It carried out a review, with the chief executive, of the potential successors for each of the Group's executive board and senior management positions. Part of this process involved ensuring that the development needs for potential candidates were being planned and carried through. This process has now been integrated into the Group's annual business planning process to ensure regular updating and review.

The following table indicates the number of meetings of the board and each of its committees held during the year and the number of those meetings that each of the directors attended as a member:

	Board	Audit committee	Remuneration committee	Nomination committee
Total meetings held	11	3	11	1
David Calverley	11	–	–	–
Greg Fitzgerald	11	–	–	–
Frank Nelson	11	–	–	–
Chris Bucknall	11	3	11	1
Amanda Burton	11	3	11	1
Jonathan Dawson	10	3	11	1

SHAREHOLDER COMMUNICATIONS

The Company places a high priority on maintaining good relationships with all its shareholders. The chief executive and the finance director regularly meet with all major shareholders. Any new non-executive appointments are referred to at such meetings. Feedback on such meetings and shareholder views generally are communicated to the board as a whole, and brokers' reports are routinely circulated to all members of the board. This ensures that the non-executive directors are aware of and are able to develop an understanding of the views held by major shareholders about the Company. The chairman is available to discuss governance and strategy with major shareholders when required, and non-executive directors will also attend if requested to do so. While the focus of dialogue is with the major institutional shareholders, care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time within the constraints of the UK Listing Authority guidelines. The company secretary oversees communications with private shareholders.

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. At the Annual General Meeting proxy votes are announced after the show of hands on each occasion. The Company has a comprehensive investor relations section within its website to provide shareholders with all relevant information, including institutional presentation documents and annual and interim reports and financial statements, in an effort to ensure that they are well informed about the Company.

ACCOUNTABILITY AND AUDIT

The board seeks to present a balanced and understandable assessment of the Company's position and prospects which is covered in the statement and reviews on pages 2 to 31.

The board has an audit committee as described above. The work undertaken by the audit committee on behalf of the board in reviewing the published statements, supported by the external auditors, allows the directors to make their responsibility statement on page 35 and the going concern statement on page 39.

INTERNAL CONTROL AND RISK MANAGEMENT

The board has reviewed in detail the major areas of risk that the Group faces in its business and operations and the management controls and processes that are in place to manage those risks. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against misstatement or loss. A high-level register is maintained which includes risks specific to the divisional activities of the business, as well as environmental, social, governance, financial and human resources risks. It was revised and substantially updated during the year to recognise in particular the growth in the number and scale of the joint ventures being undertaken by the Group.

The Group operates under an established internal control framework which is described below.

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

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

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

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

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

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

Disclosure policy – The Company has a disclosure 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, to enable the Company to investigate fully and take whatever corrective action is deemed to be appropriate. The audit committee has responsibility for reviewing these arrangements, and for ensuring independent investigation of such matters and appropriate follow-up action where necessary.

Competition policy – The Group completed the revision of its policies and procedures for ensuring compliance with competition law during the year. In conjunction with issuing new guidelines throughout the Group, a training programme was implemented across the Group's contracting businesses and a bi-annual certification of compliance system was introduced.

As part of its investigations into alleged anti competitive practices in the construction industry, The Office of Fair Trading (OFT) issued a Statement of Objections to the Company during the year alleging breaches of the 1998 Competition Act in respect of cover prices being given or taken in the Group's building division on three tenders for building work during the period from 2000 to 2004. The Company submitted formal representations on the Statement of Objections and is awaiting the OFT's decision which is not expected until early 2009. If the Group is found to have infringed competition law it may be liable to a fine, which is currently unquantifiable. An appropriate note to this effect is included in note 35 to the financial statements on contingent liabilities.

Annual review – The board has reviewed the operation and effectiveness of the internal controls for the year ended 30 June 2008. They have been in place during the period under review up to the date of approval of the annual report and financial statements.

GOING CONCERN

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

Richard Barraclough
Company Secretary
11 September 2008

The report has been prepared by the remuneration committee in accordance with schedule 7A to the Companies Act 1985 (the ‘Act’), as amended by the Remuneration Report regulations 2002. It also meets the relevant requirements of the UK Listing Authorities Listing Rules and the Combined Code of Corporate Governance (the ‘Combined Code’), as maintained by the Financial Reporting Council. In accordance with the Act as amended, the report will be submitted to shareholders at the forthcoming Annual General Meeting for approval. Part one of the report consists of unaudited information. Part two consists of audited information.

PART ONE: UNAUDITED INFORMATION

THE REMUNERATION COMMITTEE

The Remuneration Committee (‘the Committee’) is governed by formal terms of reference agreed by the board and is composed entirely of non-executive directors, whom the board considers are independent. Chris Bucknall, who chairs the committee, Jonathan Dawson and Amanda Burton were the members of the committee throughout the year. Peter Rogers joined the committee on 1 September 2008 and Amanda Burton will take over the Chair of the committee when Chris Bucknall retires from the board at the forthcoming Annual General Meeting. The chairman, chief executive and company secretary are invited to attend meetings of the committee, although no executive is present when their own remuneration is being considered.

The committee recommends to the board the framework for remuneration to attract and retain its executive directors and it determines the specific remuneration packages of executive directors. It also determines the remuneration packages of members of the Company’s executive board and monitors and makes recommendations on remuneration for the level of senior management below the members of the executive board. To ensure executive remuneration is considered in the context of the Group as a whole, the committee receives details of, and takes into account, the pay and benefit structure for other employees in the Group. The committee keep itself fully informed of developments and best practice in the field of remuneration and obtains advice from independent external consultants when required on individual remuneration packages and on executive remuneration practices in general. Independent consultants MM&K Limited have advised the committee on directors’ remuneration matters throughout the year. Independent legal advice may be sought by the committee as and when required. The committee is supported by the Company Secretary.

REMUNERATION POLICY

During the year, the committee operated in accordance with the following remuneration policy:

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

The committee carried out a major review of director’s remuneration packages in conjunction with its independent remuneration consultants during the previous financial year and implemented a number of changes that took effect for the financial year commencing on 1 July 2007. This review took into account comparable data from a selected peer group comprised of companies with a similar market capitalisation and size to Galliford Try and with externally published data on director’s remuneration. The results of the review were outlined in last years’s report and can be summarised as:

> Increases to basic salaries, effective from 1 July 2007 to reflect the responsibilities, skills and experience of the individuals, taking into account their performance to date.
> A revised annual bonus scheme that took effect from 1 July 2007. Executive directors are able to earn a maximum of 100 per cent of their basic salaries based on stretching financial objectives, which for the year to 30 June 2008 the committee decided would be based on profit and cash targets. Two thirds of any bonus earned over 50 per cent of the executives basic salary will not be paid in cash, but by the award of restricted shares that will be subject to forfeit if the executive leaves the Company during the period of three years following their award, unless the Remuneration Committee agrees otherwise.
> Annual awards to continue to be made under the Company’s share based long term incentive plan.

The committee also decided that, taking account of the maximum potential earnings under the new annual bonus scheme, no further awards would be made to executive directors under the Company’s long term bonus plan following the three year performance period that ended on 30 June 2008.

The committee considered retaining personal, non-financial targets within the annual bonus structure but concluded that directors' and shareholders' interests would be most closely aligned through focusing solely on measurable and objective financial targets. However, the committee continues to ensure that the incentive structure for executive directors and senior management will not raise environmental, social or governance risk by inadvertently motivating irresponsible behaviour. There are no restrictions on the committee which prevent it from taking into account such matters generally when determining remuneration issues.

The remuneration committee has carried out a review of the Long Term Incentive Plan (LTIP) and concluded that the structure is not appropriate for the next three year performance period. It is proposed that the LTIP be amended to improve the alignment with the interests of long term shareholders, whilst also improving the incentivisation of the executives to deliver an excellent performance. Resolution 12 to be proposed at the forthcoming Annual General Meeting enables this objective to be met.

Under the LTIP, Awards vest at the end of the Plan Cycle (normally three years later) subject to achieving two performance conditions:

1. Comparative total shareholder return against a peer group of construction and housebuilding companies; and

2. a performance underpin set so as to demonstrate the achievement of demanding and stretching financial performance over the Plan Cycle. For awards made in 2006 and 2007, the underpin was growth in earnings per share (EPS) of RPI plus 2 per cent compound over the Plan Cycle.

In determining the performance condition(s) for any Award, the Committee is mindful of guidelines issued from time to time by the bodies representing institutional shareholders, and in particular that the performance condition(s) for each Award is set so as to demonstrate the achievement of demanding and stretching financial performance over the Plan Cycle.

It is expected that these performance conditions shall continue to be the most appropriate for 2009-10 and subsequent Plan Cycles, including an earnings per share underpin of RPI plus 2 per cent compound over the Plan Cycle.

Current market conditions mean that the achievement of the Company's earnings per share underpin over the three years for the financial years ending 30 June 2009, 2010 and 2011 respectively will be highly challenging. Awards made to executives over the last two financial years are not expected to vest and the executives will therefore get nothing. The Committee believes that this is equitable and aligns the executives' position with that of shareholders.

However, the executive team still needs to be motivated going forward. Therefore the Committee has concluded that for awards made in the financial year ending 30 June 2009:

1. the TSR target is still appropriate;

2. the performance underpin set so as to demonstrate the achievement of demanding and stretching financial performance over the Plan Cycle shall be the achievement of

   i. an absolute share price target equivalent to 10 per cent per annum compound growth from the commencement of the performance period; and

   ii. a target or targets that the remuneration committee will set (for example over cash management or other objectives) that will satisfy the committee that an award will only vest if there has been an underlying improvement in the Group's financial performance. The committee will report on the target in the next appropriate Remuneration Report.

3. the maximum vest under the award that currently applies if the Company is in the top TSR position shall be reduced from two times to one and a half times the initial award value.

The committee's objective is for performance related pay to account for two thirds of a directors remuneration (excluding pension contributions).

BASIC SALARY AND BENEFITS

Following the increases referred to above that took effect from 1 July 2007 the committee decided that, in the light of the current economic climate and in particular the downturn in the housebuilding sector, there would be no increases to executive directors basic salaries at the 2008 annual review. However, the committee will review the position at the half year.

Benefits for the executive directors comprise the provision of a fully expensed company car together with life and health insurance.

ANNUAL BONUS SCHEME

The annual bonus scheme enables executive directors to earn a maximum annual bonus of 100 per cent of their basic salary dependent on stretching financial targets that have been set by the remuneration committee being achieved.

Under the scheme, the committee establishes a base target for Group profit. No bonus is paid unless 90 per cent of the base is achieved increasing on a scale to a maximum target that is set as a challenging percentage uplift to the base target. Cash targets are based on the achievement of regular net debt/cash positions throughout the year. Overall, 40 per cent of basic salary is paid for achieving target performance with the maximum bonus payable for exceptional performance. Two thirds of any amount earned in excess of 50 per cent of an individual's basic salary will be received in restricted shares that will be forfeit if the recipients employment has terminated before the end of a further three years, unless agreed otherwise by the remuneration committee.

The Group did not achieve its profit targets for the financial year to 30 June 2008 and no bonus in respect of year end profit was therefore earned. However, it did significantly improve on its cash management targets, and the annual bonus payable to the executive directors was therefore 23 per cent of basic salary.

All staff throughout the Group participate in an annual bonus scheme, with targets linked to the performance of their particular responsibilities or business unit. The scope and extent of these schemes varies between levels of management and business sector. The remuneration committee monitors the operation of these schemes to ensure fairness and compatibility with executive remuneration.

LONG TERM BONUS PLAN

Executive directors have participated in the Group's long term bonus plan for a three year performance period to 30 June 2008, which has a total value of £225,000 (equivalent to £75,000 annually) if the three year profit target is met.

The original three year profit before tax target was set by the remuneration committee in July 2005 at £100 million, following the 2004/05 financial year in which the Group had delivered £27.4 million. Following the placing and open offers carried out by the Company in March 2006 and February 2007, the committee increased the profit target under the plan to ensure that it remained stretching in light of the additional capital available to the Group and to maintain the alignment of the plan to the interests of shareholders. This was achieved by targeting the same level of earnings per share allowing for the additional capital on a time weighted basis. The committee also increased the target further to allow for certain windfall profits such as exceptional profits made on certain sale and leaseback transactions during the period. The final three year target was therefore a profit before tax of £142 million. The actual pre exceptional profit before tax achieved was £157.3 million (post exceptional: £155 million). Consequently the executive directors have qualified for the payment. Under the rules of the Plan, two thirds will be payable in cash following the announcement of the half year results for the new financial year in February 2009, with the remainder in shares restricted for a year. As referred to above, following the review of executive remuneration in 2007, the committee does not intend to make any further awards under the plan to executive directors.

LONG TERM INCENTIVES

There is one outstanding award under the 1997 Galliford Try performance related share incentive scheme, the Galliford Try Restricted Share Plan (the 'Plan'). The last award under this Plan was made in September 2005 and will mature in September 2008 when 24.1 per cent of the original award is expected to vest. The total market value of shares in awards under the Plan did not exceed 75 per cent of that executive's basic annual salary. Awards made under the Plan are held on trust for a restricted period of three years. External consultants measure the total shareholder return during the three financial years starting with the one in which the award is made, against the performance of a chosen peer group within the FT Actuaries Building and Construction Sector. The Company's performance is then ranked within the peer group on a scale of 0 to 100, with no allocation of shares for a ranking of 50 or less. A ranking of 51 will result in an allocation of 20 per cent of the shares and a ranking of between 52 and 90 in an allocation between 20 per cent and 100 per cent of the shares pro rata.

Under the 2006 long term incentive plan, the committee may make an award annually. The maximum value of an award that may be granted in any financial year to any individual shall not exceed 100 per cent of his basic annual salary at the award date. The value of awards made is calculated on the average closing mid market price of the Company's shares for the 30 days prior to the date of grant. The vesting of an award depends on the achievement of performance conditions applied to that award over a three year plan cycle.

There is a performance underpin so that only if the Company first achieves a compound growth in earnings per share of at least the retail price index plus 2 per cent per annum over a plan cycle shall awards be considered for vesting. If the earnings per share performance condition has been met, the performance of the Company shall then be measured by reference to a peer group of comparable companies in the Construction and Housebuilding sectors. The comparable companies selected for the awards made in the financial year to 30 June 2008 were as follows:

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
Crest Nicholson plc
M J Gleeson plc
Kier Group plc
Morgan Sindall plc
Persimmon plc
Redrow plc
ROK plc
Taylor Wimpey plc

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

There is a performance underpin so that, for historic awards, only if the Company first achieves a compound growth in earnings per share of at least the retail price index plus 2 per cent per annum over a plan cycle shall awards be considered for vesting. It is proposed to amend the LTIP rules so that the Remuneration Committee can for future awards set the underpin so as to demonstrate the achievement of demanding and stretching financial performance over the Plan Cycle.

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

The Company operates a share retention policy that requires executive directors to build up a holding of shares in the Company over a five year period equivalent in value to 1 x basic salary or 1.5 x basic salary in the case of the chief executive. As at 30 June 2008, the executive directors met this requirement.

PENSIONS
The executive directors receive a salary supplement of 20 per cent of basic salary for pension purposes.

Greg Fitzgerald and Frank Nelson are entitled to deferred benefits under the Galliford Try Final Salary Pension Scheme, which provided defined benefits based on service up until, and Final Pensionable Salary to, its closure to future service accrual on 31 March 2007.

Greg Fitzgerald's accumulated total accrued pension at 30 June 2008 was £24,291, an increase of £912 in the year. The transfer value of the accrued pension at 30 June 2008 was £209,514, an increase of £62,065 on the transfer value of the accrued pension at 30 June 2007 which was £147,449. Frank Nelson's accumulated total accrued pension as at 30 June 2008 was £169,975, an increase of £6,390 for the year ended 30 June 2008. The transfer value of the accrued pension at 30 June 2008 was £3,017,171, an increase of £413,057 on the transfer value of the accrued pension as at 30 June 2007 which was £2,604,114.

The transfer values stated above are calculated in accordance with version 8.1 of guidance note GN11 adopted by the board of actuarial standards. The increase in the GN11 transfer values includes the effect of fluctuations due to factors beyond the control of the Company. The GN11 transfer value of the increase in accrued pensions is nil and there was no increase in the accrued pension (excluding inflation) for the year ended 30 June 2008 as the scheme is closed to future service accrual.

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

In the light of the increases granted from 1 July 2007 to the chairman and non-executive directors, whose pay had not been reviewed for two years previously, no increases have been awarded for 2008.

EXTERNAL APPOINTMENTS

With the approval of the board in each case, executive directors may normally accept an external appointment as a non-executive director of another company and retain any fees received. No such appointments were held by executive directors during the year.

PERFORMANCE

The Group's total shareholder return performance (share price movements plus dividends reinvested) over the last five financial years relative to the FTSE 250 and FTSE All Share indexes based on a 30 trading day average values is shown below. The Company was a member of the FTSE 250 index for most of the financial year. Going forward the Company is in the FTSE Small Cap index but as there is no appropriate sector index that includes both construction and housebuilding companies the Group believes that the All Share index would be the most appropriate comparator as it encompasses all of its key competitors, as well as the full cross section of other companies.

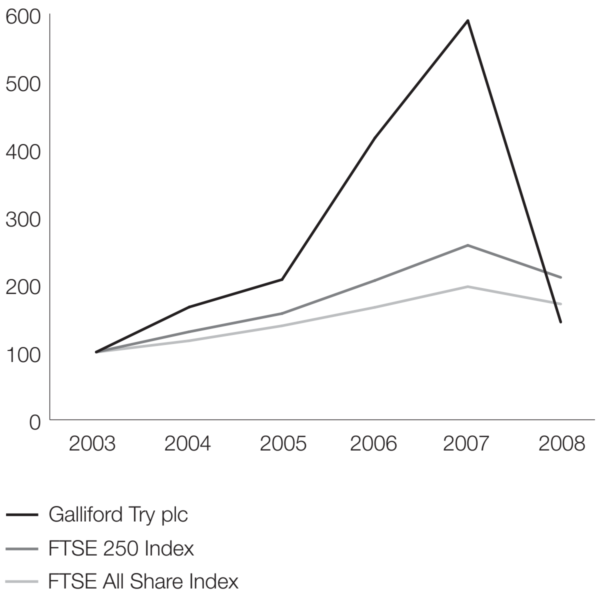

TABLE 1: DIRECTORS' INTERESTS

The directors at 30 June 2008 held the following beneficial interests in the ordinary shares of the Company:

	at 01.07.07	at 30.06.08
David Calverley	1,656,250	1,656,250
Greg Fitzgerald	2,181,317	3,148,317*
Frank Nelson	756,261	1,002,256
Chris Bucknall	163,333	263,333
Jonathan Dawson	35,454	35,454
Amanda Burton	23,636	82,559

*Greg Fitzgerald also has a beneficial interest in 3,136,763 shares held by Crownway Builders Limited, a company in which he owns 37.5 per cent of its issued share capital.

Peter Rogers held no shares in the Company at the date of his appointment on 1 July 2008.

There were no changes in the directors' interests from 30 June 2008 to 11 September 2008.

TABLE 2: DIRECTORS' SERVICE CONTRACTS

Name	Contract date	Notice – months
Non-executive directors		
David Calverley	1 July 2005	6
Chris Bucknall	15 September 2000	6
Jonathan Dawson	1 January 2004	6
Amanda Burton	1 July 2005	6
Peter Rogers	1 July 2008	6
Executive directors		
Greg Fitzgerald	1 July 2003	12
Frank Nelson	15 September 2000	12

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

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

PART TWO: AUDITED INFORMATION

TABLE 3: DIRECTORS' REMUNERATION

Name		Salary and fees £000	Annual bonus £000	Benefits £000	Pension £000	2005-08 Long Term Bonus	Total 2008 £000	Total 2007 £000
Executive directors								
Greg Fitzgerald	– 2008	475	109	20	95	75	774	644
	– 2006/07 Long term bonus					150	150	–
	– Total					225	924	644
Frank Nelson	– 2008	312	71	28	62	75	548	434
	– 2006/07 Long term bonus					150	150	–
	– Total					225	698	434
Non-executive directors								
David Calverley		105	–	1	–	–	106	86
Chris Bucknall		44	–	–	–	–	44	30
Jonathan Dawson		40	–	–	–	–	40	30
Amanda Burton		33	–	–	–	–	33	25
		1,009	**180**	**49**	**157**	**450**	**1,845**	**1,249**

The long term bonus covers the three year period to 30 June 2008 and is payable in accordance with the details given on page 42. The salary supplement paid to the directors for pension purposes is shown under 'Pension'.

TABLE 4: DIRECTORS' INTERESTS IN LONG TERM INCENTIVE PLANS

Name	Award date	Market price at award date	Number of shares at 01.07.07	Shares awarded	Shares vested	Shares lapsed	Number of shares at 30.06.08	Value vested £	Vesting date
Greg Fitzgerald	22.03.05	60.75p	234,000	–	234,000	–	–	124,605	22.03.08
	13.09.05	71.00p	290,000	–	–	–	290,000	–	13.09.08
	30.10.06	131.75p	297,600	–	–	–	297,600	–	30.10.09
	10.09.07	146.50p	–	328,700	–	–	328,700	–	10.09.10
Total			**821,600**	**328,700**	**234,000**	**–**	**916,300**	**124,605**	
Frank Nelson	22.03.05	60.75p	246,000	–	246,000	–	–	130,995	22.03.08
	13.09.05	71.00p	232,000	–	–	–	232,000	–	13.09.08
	30.10.06	131.75p	206,300	–	–	–	206,300	–	30.10.09
	10.09.07	146.50p	–	215,900	–	–	215,900	–	10.09.10
Total			**684,300**	**215,900**	**246,000**	**–**	**654,200**	**130,995**	

Awards granted on 30 October 2006 and later were under the Galliford Try 2006 Long Term Incentive Plan. Earlier awards were granted under the Galliford Try Restricted Share Plan. Details of both plans are on page 42. Value vested represents the gain made on vesting.

Aggregate emoluments for each director comprises the value vested and the total shown in table 3 above.

The market price of the Company's shares at 30 June 2008 was 37.75 pence and the range of market prices during the year was between 31.00 pence and 172.00 pence. The market price on the vesting date on 22.03.08 was 53.25 pence.

TABLE 5: DIRECTORS' INTERESTS IN SAYE SHARE OPTION SCHEME

	Date of grant	At 01.07.07	Granted in year	Exercised in year	Lapsed in year	At 30.06.08	Exercisable from	Exercisable to	Exercise price
Greg Fitzgerald	20.12.05	12,284	–	–	–	12,284	01.02.09	31.07.09	68.5p
Total		**12,284**	**–**	**–**	**–**	**12,284**			
Frank Nelson	20.12.05	3,760	–	–	–	3,760	01.02.11	31.07.11	68.5p
	09.11.06	6,225	–	–	–	6,225	01.01.10	30.06.10	102.0p
	30.11.07	–	1,097	–	–	1,097	01.01.11	30.06.11	126.0p
Total		**9,985**	**1,097**	**–**	**–**	**11,082**			

Details of this scheme are given in the Remuneration Report on page 43.

Chris Bucknall
Chairman, Remuneration Committee
11 September 2008

We have audited the Group financial statements of Galliford Try plc for the year ended 30 June 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Galliford Try plc for the year ended 30 June 2008 and on the information in the Remuneration Report that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Report reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Group at a Glance, Highlights, the Chairman's Statement, the Business Review, the Corporate Responsibility Review, the Directors and Executive Board, the Directors' Report, the Corporate Governance Report, the Five Year Record, Contacts, Shareholder Information and the unaudited part of the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

OPINION

In our opinion:

> the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2008 and of its profit and cash flows for the year then ended;

> the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and

> the information given in the Directors' Report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
11 September 2008

CONSOLIDATED INCOME STATEMENT For the year ended 30 June 2008

	Notes	2008 £m	2007 £m
Continuing operations			
Revenue	2	**1,831.9**	1,409.7
Cost of sales		**(1,669.7)**	(1,275.8)
Gross profit		**162.2**	133.9
Administrative expenses		**(93.1)**	(67.0)
Share of post tax profits from joint ventures	12	**2.0**	1.4
Profit before finance costs	2	**71.1**	68.3
Profit before finance costs, amortisation and exceptional item		**84.6**	62.5
Amortisation of intangibles	9	**(2.0)**	(1.4)
Net exceptional item	5	**(11.5)**	7.2
Profit before finance costs		**71.1**	68.3
Finance income	4	**6.5**	9.3
Finance costs	4	**(17.3)**	(17.4)
Profit before income tax	5	**60.3**	60.2
Income tax expense	6	**(17.8)**	(16.6)
Profit for the year from continuing operations	30	**42.5**	43.6
Earnings per share from continuing operations*			
– Basic	8	**11.4p**	14.3p
– Diluted	8	**11.4p**	14.1p

*A reconciliation of the reported earnings per share to the pre exceptional earnings per share is given in note 8.

The notes on pages 50 to 87 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE For the year ended 30 June 2008

	Notes	2008 £m	2007 £m
Profit for the year		**42.5**	43.6
Net (losses)/gains on movement in fair value of available for sale financial assets taken to equity	13	**(0.3)**	2.0
Realisation of gains on available for sale financial assets taken to equity	30	**(1.1)**	–
Actuarial losses and gains recognised on retirement benefit obligations	33	**(11.8)**	3.9
Deferred tax on items credited/(charged) to equity	6	**1.9**	(1.9)
Current tax on items credited to equity	6	**–**	0.9
Net (losses)/gains recognised directly in equity		**(11.3)**	4.9
Total recognised income for the year		**31.2**	48.5

	Notes	2008 £m	2007 £m
Assets			
Non current assets			
Intangible assets	9	**10.2**	12.0
Goodwill	10	**115.0**	109.2
Property, plant and equipment	11	**8.0**	5.8
Investments in joint ventures	12	**12.5**	6.4
Financial assets			
– Available for sale financial assets	13	**3.6**	3.2
– Derivative financial assets	25	**0.7**	1.0
Trade and other receivables	17	**23.0**	4.7
Deferred income tax assets	24	**10.7**	10.0
Total non current assets		**183.7**	152.3
Current assets			
Inventories	14	**1.7**	0.6
Developments	15	**610.3**	704.9
Trade and other receivables	17	**308.7**	278.5
Financial assets			
– Derivative financial assets	25	**–**	0.4
Cash and cash equivalents	18	**134.4**	39.5
Total current assets		**1,055.1**	1,023.9
Total assets		**1,238.8**	1,176.2
Liabilities			
Current liabilities			
Financial liabilities – borrowings	22	**(15.8)**	(50.0)
Trade and other payables	19	**(704.9)**	(653.4)
Current income tax liabilities	20	**(10.3)**	(6.2)
Provisions for other liabilities and charges	21	**(2.5)**	(2.3)
Total current liabilities		**(733.5)**	(711.9)
Net current assets		**321.6**	312.0
Non current liabilities			
Financial liabilities – borrowings	22	**(120.3)**	(88.2)
Retirement benefit obligations	33	**(27.4)**	(25.0)
Deferred income tax liabilities	24	**(17.4)**	(20.3)
Other non current liabilities	23	**(14.5)**	(24.0)
Provisions for other liabilities and charges	21	**(0.4)**	(0.2)
Total non current liabilities		**(180.0)**	(157.7)
Total liabilities		**(913.5)**	(869.6)
Net assets		**325.3**	306.6
Shareholders' equity			
Ordinary shares	26	**18.9**	18.8
Share premium	28	**190.8**	190.6
Other reserves	28	**5.3**	6.7
Retained earnings	29	**110.3**	90.5
Total shareholders' equity		**325.3**	306.6

The notes on pages 50 to 87 are an integral part of these consolidated financial statements.

The financial statements on pages 47 to 87 were approved by the board on 11 September 2008 and signed on its behalf by:

Greg Fitzgerald
Chief Executive

Frank Nelson
Finance Director

	Notes	2008 £m	2007 £m
Cash flows from operating activities			
Net cash generated from operations	31	**149.6**	10.4
Interest received		**4.5**	8.0
Interest paid		**(14.6)**	(16.3)
Income tax paid		**(16.0)**	(10.0)
Net cash generated from/(used in) operations		**123.5**	(7.9)
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	32	**(6.1)**	40.1
Acquisition of investments in joint ventures	12	**(4.5)**	(2.7)
Income from investments in joint ventures	12	**–**	0.2
Acquisition of available for sale financial assets	13	**(2.9)**	–
Proceeds from sale of joint ventures		**–**	0.3
Proceeds from sale of investments	13	**3.9**	–
Acquisition of property, plant and equipment	11	**(3.3)**	(2.0)
Proceeds from sale of property, plant and equipment		**0.3**	19.6
Net cash (used in)/generated from investing activities		**(12.6)**	55.5
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**0.3**	147.0
Purchase of own shares	30	**(2.5)**	(3.0)
Repayment of borrowings		**(34.2)**	(1.7)
Increase in borrowings		**32.1**	99.7
Repayment of borrowings acquired with subsidiary		**–**	(261.0)
Dividends paid to Company shareholders	7	**(11.7)**	(7.1)
Net cash used in financing activities		**(16.0)**	(26.1)
Net increase in cash and cash equivalents		**94.9**	21.5
Cash and cash equivalents at 1 July	18	**39.5**	18.0
Cash and cash equivalents at 30 June	18	**134.4**	39.5

The notes on pages 50 to 87 are an integral part of these consolidated financial statements.

1 ACCOUNTING POLICIES

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

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

Basis of accounting
These financial statements have been prepared in accordance with EU adopted International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, available for sale investments, retirement benefit obligations, share based payments, and financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee relevant to its operations and effective on 1 July 2007.

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

> IAS1, Amendment to IAS1 presentation of financial statements: Capital disclosures. The adoption of this amendment had no impact on the financial statements.
> IFRS7, Financial instruments: disclosures and the consequential amendments to IAS1, Presentation of financial statements. The effect of the adoption of IFRS7 is to expand the disclosures provided in the financial statements of the Group's financial instruments and management of capital but has no effect on the reported profit or net assets of the Group.
> IFRIC10, Interim financial reporting. The adoption of IFRIC10 has had no impact on the Group's financial statements.
> IFRIC11, IFRS2 – Group and treasury share transactions. The adoption of IFRIC11 has had no impact on the Group's financial statements but will affect the accounting by the Company for share options granted to the employees of its subsidiaries.
> IFRIC14, IAS19 – The limit on a defined benefit asset, minimum funding requirement and their interaction has been adopted early. The Group has adopted IFRIC14 early but it had no impact on the current year financial statements. This may affect the financial statements in future periods should material surpluses arise within the defined benefit pension schemes, but this is not currently anticipated, with the exception of the recent acquisition of Kendall Cross Holdings Limited.

The principal accounting policies adopted, all of which have been consistently applied throughout the year and the preceding year, are set out below.

Critical accounting estimates and judgements
The preparation of the Group financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

(i) Impairment of goodwill and intangible assets
The determination of the recoverable amount 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 calculation are included in note 10.

(ii) Estimation of costs to complete
In order to determine the result 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 have established internal controls to review and ensure the appropriateness of estimates made.

(iii) Defined benefit retirement benefit 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 plan assets
> inflation rate
> mortality
> discount rate
> salary and pension increases

Details of the assumptions used are included in note 33.

1 ACCOUNTING POLICIES continued

Basis of consolidation

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

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

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

Segment reporting

Segment reporting is presented in the Group 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. Revenue within the Group is 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.

(ii) Facilities management contracts

Revenue is recognised on an accruals basis once the service has been performed. 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 contracted development sales. 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. 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 probable 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 are stated at cost plus attributable profit less any foreseeable losses and payments on account and are included in receivables and payables respectively.

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.

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.

1 ACCOUNTING POLICIES continued

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

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

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

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

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

Intangible assets are being amortised over the following periods:

(a) Brand – on a straight line basis over 4-10 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 three years.

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

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

Freehold buildings	2%
On cost or reducing balance:	
Plant and machinery	15% to 33%
Fixtures and fittings	10% to 33%

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

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 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
The Group accounts for jointly controlled operations 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.

1 ACCOUNTING POLICIES continued

Leases
Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

Assets held under finance leases and hire purchase contracts are included in property, plant and equipment and depreciated over their anticipated useful lives or the length of the lease, whichever is shorter. The capital element of outstanding obligations is included in payables. The finance element of lease payments is charged to the income statement as finance cost.

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 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 an unavoidable obligation arises and 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. To the extent that the Group anticipates selling a development in its current state then net realisable value is taken as its open market value at the balance sheet date less any anticipated selling costs.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate 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 (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an impairment provision, and the amount of the loss is recognised in the income statement within 'cost of sales'.

When a trade receivable is uncollectable, 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 an impairment for estimated irrecoverable amounts.

Long term receivables
The Group operates schemes under which part of the agreed sales price for a residential property can be deferred until the earlier of 10 years, remortgage or resale of the property. If the deferred payment is of a fixed amount the receivable amounts are designated as loans and receivables. The initial carrying value of amounts receivable under this scheme is the discounted amount at the prevailing interest rate. The carrying amount at each subsequent year end is then amortised cost with an assessment of the recoverability of the deferred amount. The unwind of the discount is recognised as finance income in the year. Any provision made against the recoverable amounts is adjusted in revenue. Schemes under which the Group receives a final payment linked to the property value at the time of settlement are recognised as available for sale financial assets. Other long term receivables are accounted for in accordance with the trade receivables policy above.

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, repayable on demand, are also included as they are an integral part of the Group's cash management.

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.

1 ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

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 and 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 consolidated statement of recognised income and expense. 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 schemes or are sold, any consideration received is included in shareholders' equity.

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

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

The credits associated with the amounts charged to the income statement are included in retained earnings until the awards are exercised.

1 ACCOUNTING POLICIES continued

Dividend policy
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.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received net of directly attributable incremental issue costs. Consideration paid for shares in the Group held by the Employee Share Trust are deducted from total shareholder's equity.

New IFRS standards and interpretations not applied
IFRIC12, Service concession arrangements (effective for accounting periods beginning on or after 1 January 2008) which outlines an approach to account for contractual arrangements arising from entities providing public services. The Group will apply IFRIC12 from 1 July 2008 but it is not expected to have a material impact on the Group's financial statements.

IFRIC13, Customer loyalty programmes (effective for accounting periods beginning on or after 1 July 2008) provides guidance on accounting for customer loyalty programmes. IFRIC13 is not relevant to the Group's operations.

IFRS8, Operating segments (effective for accounting periods beginning on or after 1 January 2009) replaces IAS14 and aligns segment reporting with the requirements of the US standard SFAS131, Disclosures about segments of an enterprise and related information. The new standard uses a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS8 from 1 July 2009 but it is not expected to have a significant impact on the Group's financial statements.

Amendment to IAS23, Borrowing costs (effective for accounting periods beginning on or after 1 January 2009), which gives guidance on the accounting for borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The Group will apply IAS23 from 1 July 2009. The impact of the adoption of this amendment is currently being considered by the Group.

Amendment to IAS32, financial instruments presentation and IAS1 presentation of financial statements: Puttable financial instruments and obligations arising on liquidation (effective for accounting periods beginning on or after 1 January 2009). This amendment is not relevant to the Group's operations.

Amendment to IAS39, Financial instruments: Recognition and measurement on eligible hedged items (effective for accounting periods beginning on or after 1 July 2009). This amendment is not relevant to the Group's operations.

IAS27 (Revised), Consolidated and separate financial statements (effective for accounting periods beginning on or after 1 January 2009) specifies accounting for transactions with non controlling interests and where control of an entity is lost. The Group will apply IAS27 from 1 July 2009 but it is not expected to have a significant impact on the Groups financial statements.

IFRS3 (Revised), Business combinations (effective for accounting periods beginning on or after 1 July 2009). The revised standard makes significant changes to the acquisition method of accounting for business combinations but will only affect the Group's financial statements if a material acquisition is made after 1 July 2009 as the standard will not apply retrospectively.

IAS1 (Revised), Presentation of financial statements (effective for accounting periods beginning on or after 1 January 2009). The Group will apply IAS1 (Revised) with effect from 1 July 2009 but it is not expected to have a significant impact on the Group's financial statements.

Amendment to IFRS2, Share based payments (effective for accounting periods beginning on or after 1 January 2009). The Group will apply this amendment from 1 July 2009 but it is not expected to have a significant impact on the Group's financial statements.

IFRIC15, Agreements for the construction of real estate (effective for accounting periods beginning on or after 1 January 2009). The Group will apply IFRIC15 with effect from 1 July 2009. The impact of the adoption of this amendment is currently being considered by the Group.

IFRIC16, Hedges of a net investment in a foreign operation (effective for accounting periods beginning on or after 1 October 2008). IFRIC16 is not relevant to the Group's operations.

2 SEGMENTAL REPORTING

Segment reporting is presented in the consolidated financial statements in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting reflects the Group's management and internal reporting structure. Segment results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. With effect from 1 July 2007, the Group has changed its management and internal reporting structure to include an affordable housing and regeneration segment. The comparative figures for the year ended 30 June 2007 have been restated accordingly. Had the restatement not been made, in 2007 the revenue for construction would have been £1,066.1 million and for housebuilding £340.1 million. As the Group has no material activities outside the UK, segmental reporting is not required by geographical region. Inter-segment revenue is not material.

Primary reporting format – business segments

	Construction							
	Building £m	Infrastructure £m	Total £m	PPP Investments £m	Affordable housing and regeneration £m	House-building £m	Group £m	Total £m
Year ended 30 June 2008								
Group revenue and share of joint venture revenue	**605.4**	**541.3**	**1,146.7**	**5.0**	**230.4**	**486.3**	**0.3**	**1,868.7**
Share of joint ventures' revenue	**(1.6)**	**(9.4)**	**(11.0)**	**(3.5)**	**(7.0)**	**(15.3)**	**–**	**(36.8)**
Revenue	**603.8**	**531.9**	**1,135.7**	**1.5**	**223.4**	**471.0**	**0.3**	**1,831.9**
Segment result:								
Profit before joint ventures	**11.8**	**13.8**	**25.6**	**0.2**	**12.7**	**51.0**	**(6.9)**	**82.6**
Share of joint ventures' profit	**0.1**	**–**	**0.1**	**2.7**	**1.1**	**2.8**	**–**	**6.7**
Profit from operations*	**11.9**	**13.8**	**25.7**	**2.9**	**13.8**	**53.8**	**(6.9)**	**89.3**
Share of joint ventures' interest and tax	**–**	**–**	**–**	**(2.6)**	**(0.8)**	**(1.3)**	**–**	**(4.7)**
Profit before finance costs, amortisation and exceptional items	**11.9**	**13.8**	**25.7**	**0.3**	**13.0**	**52.5**	**(6.9)**	**84.6**
Amortisation of intangibles	**(0.3)**	**(0.3)**	**(0.6)**	**–**	**(0.2)**	**(1.2)**	**–**	**(2.0)**
Net exceptional item	**–**	**–**	**–**	**–**	**–**	**(11.5)**	**–**	**(11.5)**
Profit before finance costs	**11.6**	**13.5**	**25.1**	**0.3**	**12.8**	**39.8**	**(6.9)**	**71.1**
Net finance costs	**5.5**	**1.3**	**6.8**	**(0.5)**	**(4.5)**	**(29.2)**	**16.6**	**(10.8)**
Profit before taxation	**17.1**	**14.8**	**31.9**	**(0.2)**	**8.3**	**10.6**	**9.7**	**60.3**
Income tax expense								**(17.8)**
Profit for the year from continuing operations								**42.5**
Year ended 30 June 2007 (Restated)								
Group revenue and share of joint venture revenue	580.1	410.7	990.8	3.5	128.4	304.4	1.1	1,428.2
Share of joint ventures' revenue	(2.1)	(9.5)	(11.6)	(1.1)	(0.9)	(4.9)	–	(18.5)
Revenue	578.0	401.2	979.2	2.4	127.5	299.5	1.1	1,409.7
Segment result								
Profit before joint ventures	10.9	9.8	20.7	(1.6)	5.9	43.2	(7.1)	61.1
Share of joint ventures' profit	0.1	–	0.1	0.5	0.2	0.9	–	1.7
Profit from operations*	11.0	9.8	20.8	(1.1)	6.1	44.1	(7.1)	62.8
Share of joint ventures' interest and tax	–	–	–	0.4	–	(0.7)	–	(0.3)
Profit before finance costs, amortisation and exceptional items	11.0	9.8	20.8	(0.7)	6.1	43.4	(7.1)	62.5
Amortisation of intangibles	(0.4)	(0.3)	(0.7)	–	–	(0.7)	–	(1.4)
Net exceptional item	1.6	1.4	3.0	–	–	(1.9)	6.1	7.2
Profit before finance costs	12.2	10.9	23.1	(0.7)	6.1	40.8	(1.0)	68.3
Net finance costs	3.0	0.7	3.7	(0.3)	(1.8)	(20.3)	10.6	(8.1)
Profit before taxation	15.2	11.6	26.8	(1.0)	4.3	20.5	9.6	60.2
Income tax expense								(16.6)
Profit for the year from continuing operations								43.6

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

2 SEGMENTAL REPORTING continued

Primary reporting format – business segments continued

	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Affordable housing and regeneration £m	House-building £m	Group £m	Total £m
Year ended 30 June 2008								
Assets								
Goodwill	**18.0**	**37.2**	**55.2**	**1.9**	**12.5**	**45.4**	**–**	**115.0**
Intangibles	**0.2**	**0.9**	**1.1**	**–**	**1.5**	**7.6**	**–**	**10.2**
Investment in joint ventures	**0.3**	**–**	**0.3**	**9.1**	**–**	**3.1**	**–**	**12.5**
Other assets excluding income taxes and cash	**125.7**	**144.1**	**269.8**	**1.5**	**117.1**	**551.0**	**16.6**	**956.0**
Total	**144.2**	**182.2**	**326.4**	**12.5**	**131.1**	**607.1**	**16.6**	**1,093.7**
Liabilities								
Other liabilities excluding income taxes and debt	**275.1**	**213.0**	**488.1**	**3.2**	**74.3**	**136.9**	**47.2**	**749.7**
Net assets/(liabilities) excluding income taxes, net debt, goodwill and intangibles	**(149.1)**	**(68.9)**	**(218.0)**	**7.4**	**42.8**	**417.2**	**(30.6)**	**218.8**
Goodwill and intangibles	**18.2**	**38.1**	**56.3**	**1.9**	**14.0**	**53.0**	**–**	**125.2**
Net assets/(liabilities) excluding income taxes and net debt	**(130.9)**	**(30.8)**	**(161.7)**	**9.3**	**56.8**	**470.2**	**(30.6)**	**344.0**
Income taxes								**(17.0)**
Net debt								**(1.7)**
Net assets								**325.3**
Year ended 30 June 2007								
Assets								
Goodwill	17.9	37.2	55.1	1.9	6.8	45.4	–	109.2
Intangibles	0.4	1.2	1.6	–	1.5	8.9	–	12.0
Investment in joint ventures	0.4	–	0.4	4.9	–	1.1	–	6.4
Other assets excluding income taxes and cash	150.5	103.2	253.7	3.8	73.4	667.6	0.6	999.1
Total	169.2	141.6	310.8	10.6	81.7	723.0	0.6	1,126.7
Liabilities								
Other liabilities excluding income taxes and debt	243.3	126.2	369.5	2.7	52.8	227.7	52.2	704.9
Net assets/(liabilities) excluding income taxes, net debt, goodwill and intangibles	(92.4)	(23.0)	(115.4)	6.0	20.6	441.0	(51.6)	300.6
Goodwill and intangibles	18.3	38.4	56.7	1.9	8.3	54.3	-	121.2
Net assets/(liabilities) excluding income taxes and net debt	(74.1)	15.4	(58.7)	7.9	28.9	495.3	(51.6)	421.8
Income taxes								(16.5)
Net debt								(98.7)
Net assets								306.6

2 SEGMENTAL REPORTING continued

Other segment items

	Notes	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Affordable housing and regeneration £m	House-building £m	Group £m	Total £m
Year ended 30 June 2008									
Contracting revenue		**592.7**	**507.1**	**1,099.8**	**–**	**204.8**	**–**	**–**	**1,304.6**
Capital expenditure (including acquisitions)									
– Property, plant and equipment	11	**1.5**	**1.6**	**3.1**	**–**	**–**	**0.2**	**1.2**	**4.5**
– Intangible assets	9	**0.2**	**–**	**0.2**	**–**	**–**	**–**	**–**	**0.2**
– Goodwill	10	**5.8**	**–**	**5.8**	**–**	**–**	**–**	**–**	**5.8**
Depreciation	11	**0.5**	**0.5**	**1.0**	**–**	**–**	**0.4**	**0.7**	**2.1**
Impairment of receivables	5	**0.2**	**–**	**0.2**	**–**	**–**	**0.3**	**–**	**0.5**
Share based payments	3	**0.5**	**0.6**	**1.1**	**–**	**–**	**0.3**	**–**	**1.4**
Amortisation of intangible assets	5	**0.2**	**0.3**	**0.5**	**–**	**0.3**	**1.2**	**–**	**2.0**
Year ended 30 June 2007 (Restated)									
Contracting revenue		574.4	397.1	971.5	–	109.5	–	–	1,081.0
Capital expenditure (including acquisitions)									
– Property, plant and equipment	11	0.1	0.3	0.4	–	–	10.6	0.8	11.8
– Intangible assets	9	–	–	–	–	–	11.1	–	11.1
– Goodwill	10	–	–	–	–	6.8	45.4	–	52.2
Depreciation	11	0.4	0.6	1.0	–	–	0.9	0.4	2.3
Impairment of receivables	5	–	–	–	–	–	–	–	–
Share based payments	3	0.2	0.2	0.4	–	–	0.2	0.5	1.1
Amortisation of intangible assets	5	0.4	0.3	0.7	–	–	0.7	–	1.4

3 EMPLOYEES AND DIRECTORS

Employee benefit expense for the Group during the year	2008 £m	2007 £m
Wages and salaries	**175.3**	141.1
Redundancy and termination costs	**2.0**	0.6
Social security costs	**18.3**	16.4
Retirement benefit costs (see note 33)	**6.1**	2.0
Share based payments (see note 27)	**1.4**	1.1
	203.1	161.2

Average monthly number of people (including executive directors) employed	2008 Number	Restated 2007 Number
By business group:		
Building	**1,372**	1,265
Infrastructure	**1,829**	1,709
Construction total	**3,201**	2,974
PPP Investments	**21**	22
Affordable housing and regeneration	**359**	207
Housebuilding	**694**	530
Group	**236**	152
	4,511	3,885

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 IAS24, Related party disclosures. Further information about the remuneration of individual directors is provided in the audited part of the Remuneration Report.

	2008 £m	2007 £m
Salaries and short term employee benefits	**4.8**	3.0
Retirement benefit costs	**0.5**	0.2
Share based payments	**–**	0.4
	5.3	3.6

4 NET FINANCE COSTS

	2008 £m	2007 £m
Interest payable on borrowings	**(11.7)**	(10.9)
Unwinding of discounted payables	**(4.7)**	(5.1)
Fair value losses on financing activities – interest rate swaps	**(0.7)**	–
Net finance cost on retirement benefit obligations	**–**	(0.7)
Other	**(0.2)**	(0.7)
Finance costs	**(17.3)**	(17.4)
Interest receivable on bank deposits	**3.2**	7.9
Interest receivable on joint venture loans	**1.3**	0.7
Net finance income on retirement benefit obligations	**0.9**	–
Fair value gains on financing activities – interest rate swaps	**–**	0.7
Other	**1.1**	–
Finance income	**6.5**	9.3
Net finance costs	**(10.8)**	(8.1)

5 PROFIT BEFORE INCOME TAX

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

	2008 £m	2007 £m
Employee benefit expense (note 3)	**203.1**	161.2
Depreciation of property, plant and equipment:		
– Owned assets (note 11)	**2.1**	2.3
Profit on sale of property, plant and equipment	**(0.1)**	(0.6)
Profit on sale of investments	**(2.8)**	–
Other operating lease rentals payable:		
– Plant and machinery	**81.6**	52.1
– Property	**3.3**	2.5
Inventories recognised as an expense	**12.3**	13.0
Developments recognised as an expense	**484.7**	293.3
Repairs and maintenance expenditure on property, plant and equipment	**0.8**	0.5
Impairment of receivables	**0.5**	–
Amortisation of intangible assets (note 9)	**2.0**	1.4
Net exceptional item	**11.5**	(7.2)

Net exceptional item

The net exceptional item relates to the restructuring of the Group's housebuilding division consequent on the downturn in the housing market. It comprises the writedown in carrying value of land and abortive costs relating to site acquisitions of £9.1 million, redundancy costs of £1.9 million and provision for onerous lease commitments of £0.5 million. Of these amounts £9.1 million has been included in cost of sales and £2.4 million in administrative expenses.

The net exceptional item in 2007 was made up of restructuring costs of £1.9 million, profit from property rationalisation of £3.9 million and a pension curtailment credit of £5.2 million. These amounts were included in administrative expenses.

These amounts have been treated as exceptional items in accordance with the Group's accounting policy. The income tax credit associated with the net exceptional item amounts to £3.4 million (2007: charge £1.8 million).

5 PROFIT BEFORE INCOME TAX continued

Services provided by the Group's auditors and network firms
During the year the Group obtained the following services from the Group's auditors at costs as detailed below:

	2008 £m	2007 £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
Other services pursuant to legislation – reporting accountant	**–**	0.4
Services relating to corporate finance transactions	**–**	1.0
Total non audit services	**0.3**	1.7
Total	**0.5**	1.9

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

Analysis of charge in year	Note	2008 £m	2007 £m
Current year's income tax			
Current tax		**19.2**	17.1
Deferred tax	24	**(1.5)**	(0.4)
Adjustments in respect of prior years			
Current tax		**0.9**	(0.1)
Deferred tax		**(0.8)**	–
Income tax expense		**17.8**	16.6

Tax on items (credited)/charged to equity	2008 £m	2007 £m
Current tax credit on share based payments	**–**	(0.9)
Deferred tax charge/(credit) for share based payments	**1.8**	(0.9)
Deferred tax (credit)/charge on retirement benefit obligations	**(3.3)**	2.2
Deferred tax on movement in fair value of available for sale financial assets	**(0.4)**	0.6
	(1.9)	1.0
Total taxation	**15.9**	17.6

6 INCOME TAX EXPENSE continued

The income tax expense for the year of £17.8 million is higher (2007: lower) than the year end standard rate of corporation tax in the UK of 28 per cent (2007: 30 per cent).The differences are explained below:

	2008 £m	2007 £m
Profit before income tax	**60.3**	60.2
Profit before income tax multiplied by the year end standard rate in the UK of 28 per cent (2007: 30 per cent)	**16.9**	18.1
Effects of:		
Expenses not deductible for tax purposes	**1.4**	0.6
Non taxable income	**(1.6)**	–
Change in rate of deferred income tax	**–**	(0.4)
Change in rate of current income tax	**0.9**	–
Capital gains tax indexation adjustment	**–**	(0.6)
Utilisation of capital gains tax losses	**–**	(0.1)
Adjustments in respect of prior years	**0.1**	(0.1)
Other	**0.1**	(0.9)
	17.8	16.6

7 DIVIDENDS

The following dividends were paid by the Company:

	2008		2007	
	£m	Pence per share	£m	Pence per share
Previous year final	**8.3**	**2.2**	5.0	1.8
Current period interim	**3.4**	**0.9**	2.1	0.8
Dividend recognised in the year	**11.7**	**3.1**	7.1	2.6

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

	2008		2007	
	£m	Pence per share	£m	Pence per share
Interim	**3.4**	**0.9**	2.1	0.8
Final	**7.9**	**2.1**	8.3	2.2
Dividend relating to the year	**11.3**	**3.0**	10.4	3.0

The directors are proposing a final dividend in respect of the financial year ending 30 June 2008 of 2.1 pence per share, bringing the total dividend in respect of 2008 to 3.0 pence (2007: 3.0 pence). The final dividend will absorb an estimated £7.9 million of shareholders' funds. Subject to shareholder approval at the Annual General Meeting to be held on 7 November 2008, the dividend will be paid on 14 November 2008 to shareholders who are on the register of members on 17 October 2008.

8 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 29), which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted by the number of potentially dilutive ordinary shares that are expected to be converted. 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.

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

	2008			2007		
	Earnings £m	**Weighted average number of shares**	**Per share amount pence**	Earnings £m	Weighted average number of shares	Per share amount pence
Basic EPS						
Earnings attributable to ordinary shareholders	**42.5**	**372,678,133**	**11.4**	43.6	305,428,612	14.3
Effect of dilutive securities:						
Options		**974,331**	**–**		4,194,331	(0.2)
Diluted EPS	**42.5**	**373,652,464**	**11.4**	43.6	309,622,943	14.1

Earnings adjusted for post tax exceptional item of £8.1 million (2007: £5.4 million) amount to £50.6 million (2007: £38.2 million). The basic earnings per share calculated on this adjusted basis is 13.6 pence (2007: 12.5 pence) (diluted: 13.6 pence (2007: 12.3 pence)).

9 INTANGIBLE ASSETS

	Brand £m	**Customer contracts £m**	**Customer relationships £m**	**Total £m**
Cost				
At 1 July 2006	0.5	1.9	0.4	2.8
Recognised on acquisition of subsidiaries	10.3	0.8	–	11.1
At 1 July 2007	10.8	2.7	0.4	13.9
Recognised on acquisition of subsidiaries (note 32)	–	0.2	–	0.2
At 30 June 2008	**10.8**	**2.9**	**0.4**	**14.1**
Amortisation				
At 1 July 2006	(0.1)	(0.4)	–	(0.5)
Charge for the year	(0.4)	(0.9)	(0.1)	(1.4)
At 1 July 2007	(0.5)	(1.3)	(0.1)	(1.9)
Charge for the year	(1.1)	(0.8)	(0.1)	(2.0)
At 30 June 2008	**(1.6)**	**(2.1)**	**(0.2)**	**(3.9)**
Net book amount				
At 30 June 2008	**9.2**	**0.8**	**0.2**	**10.2**
At 30 June 2007	10.3	1.4	0.3	12.0

The intangible assets recognised in the year were acquired as a result of the acquisition of Kendall Cross Holdings Limited, as set out in note 32. All amortisation charges in the year have been included in administrative expenses.

10 GOODWILL

	£m
Cost	
At 1 July 2006	57.9
Adjustment relating to prior year acquisition	(0.2)
Recognised on acquisition of subsidiaries	52.2
At 1 July 2007	109.9
Recognised on acquisition of subsidiaries (note 32)	5.8
At 30 June 2008	**115.7**
Accumulated amortisation and aggregate impairment	
At 1 July 2006 and 2007	(0.7)
Charge for the year	–
At 30 June 2008	**(0.7)**
Net book amount	
At 30 June 2008	**115.0**
At 30 June 2007	109.2

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:

	2008 £m	2007 £m
Building	**18.0**	17.9
Infrastructure	**37.2**	37.2
PPP Investments	**1.9**	1.9
Affordable housing and regeneration	**12.5**	6.8
Housebuilding	**45.4**	45.4
	115.0	109.2

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 gross 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. In establishing future gross margins, the margins currently being achieved are considered in conjunction with expected inflation rates in each cost category.

Cash is monitored very closely on a daily, weekly and monthly basis for the purposes of managing both treasury and the business as a whole. Details of the Group's treasury management are included within the Business Review on page 25 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 outcome and are management's best estimate of the future cash flows of each business unit. Cash flows beyond a three year period are extrapolated using an estimated growth rate of 3 per cent per annum within construction and 0 per cent per annum within housebuilding and affordable housing and regeneration. The growth rate used is the Group's estimate of the average long term growth rate for the market sectors in which the CGU operates. A pre tax discount rate of 11.5 per cent (2007: 10.9 per cent) has been applied to the future cash flows.

Following the impairment test during the year and the prior year, no impairments have been identified. The impairment test carried out above in respect of Linden Homes indicates that an increase of more than 10 per cent in the pre tax discount rate or a reduction of 17 per cent in the forecast operating profits of the CGU would give rise to an impairment.

11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2006	4.6	3.8	9.6	18.0
Acquired on acquisition of subsidiaries	9.7	–	0.1	9.8
Additions	0.2	0.5	1.3	2.0
Disposals	(12.0)	(1.4)	(3.1)	(16.5)
At 1 July 2007	2.5	2.9	7.9	13.3
Acquired on acquisition of subsidiaries (note 32)	0.8	0.3	0.1	1.2
Additions	0.2	1.3	1.8	3.3
Disposals	–	(0.9)	(1.3)	(2.2)
At 30 June 2008	**3.5**	**3.6**	**8.5**	**15.6**
Accumulated depreciation				
At 1 July 2006	1.4	2.1	6.5	10.0
Charge for the year	0.2	0.5	1.6	2.3
Disposals	(1.0)	(1.1)	(2.7)	(4.8)
At 1 July 2007	0.6	1.5	5.4	7.5
Charge for the year	0.2	0.6	1.3	2.1
Disposals	–	(0.8)	(1.2)	(2.0)
At 30 June 2008	**0.8**	**1.3**	**5.5**	**7.6**
Net book amount				
At 30 June 2008	**2.7**	**2.3**	**3.0**	**8.0**
At 30 June 2007	1.9	1.4	2.5	5.8

Included above are assets held under finance leases with a net book value of £Nil (2007: £Nil).

The cost of land and building primarily relates to freehold properties. Certain of the Group's freehold land and buildings have been charged as security for bank borrowings. More information is given in note 22.

There has been no impairment of property, plant and equipment during the year (2007: £Nil).

12 INVESTMENTS IN JOINT VENTURES

	2008 £m	2007 £m
At 1 July		
– Net assets excluding goodwill	**3.2**	2.7
– Goodwill	**3.2**	0.6
	6.4	3.3
Additions[a]		
– Net assets	**4.5**	0.1
– Goodwill	**–**	2.6
Transferred to subsidiary undertaking[b]	**(0.4)**	(1.0)
Disposal	**–**	0.2
Dividend received from joint venture	**–**	(0.2)
Share of post tax profits	**2.0**	1.4
At 30 June		
– Net assets excluding goodwill	**9.3**	3.2
– Goodwill	**3.2**	3.2
	12.5	6.4

Joint ventures
At 30 June 2008 the Group held interests in the following principal joint ventures all of which are incorporated in England and Wales, except where stated:

Name	Year end	% shareholding	Principal activity
Alpha Schools (Highland) Limited	31 January	50%	Construction and facilities management
Tricomm Housing Portsmouth Limited	30 September	50%	Construction and facilities management
Projco (St Andrews Hospital) Limited	31 March	50%	Construction and facilities management
gbconsortium2 Limited	31 March	45%*	PPP Investment
Urban Vision Partnership Limited	31 December	30%*	Infrastructure
Wates Homes BR1 Limited	31 December	50%	Housebuilding
Wates Linden (Cuckfield) Limited	31 December	50%	Housebuilding
Linden Wates (Ridgewood) Limited	31 December	50%	Housebuilding
Linden and Dorchester Limited	31 December	50%	Housebuilding
Linden and Dorchester Portsmouth Limited	31 December	50%	Housebuilding
Linden Properties Western Limited	30 June	50%	Housebuilding
Crest/Galliford Try (Epsom) LLP	31 October	50%	Affordable housing and regeneration
Linden/Downland Graylingwell LLP	31 March	50%	Affordable housing and regeneration
Linden London LLP	30 June	50%	Housebuilding
Linden Homes Eastern Newhall Limited	30 June	50%	Housebuilding
Sentient Ventures LLP	30 June	50%	Affordable housing and regeneration
Linden St Albans LLP	30 June	50%	Housebuilding

*Under the terms of the shareholders' agreement and in relation to voting rights these investments are treated as joint ventures.

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

12 INVESTMENTS IN JOINT VENTURES continued

(a) Additions comprise the following:

(i) During the year the Group entered into a joint venture relationship with Bank of Scotland through their subsidiary Uberior Ventures Limited. Four separate joint venture companies (Sentient Ventures LLP, Linden London LLP, Linden Homes Eastern Newhall Limited and Linden St Albans LLP) have been established for four development sites. Each joint venture company is 50 per cent owned by Uberior Ventures Limited with the other 50 per cent owned by a subsidiary undertaking of Galliford Try plc.

(ii) On 2 July 2007 the Group subscribed for £1,715,000 of subordinated debt in Tricomm Housing (Portsmouth) Limited.

(iii) On 24 April 2008 and 2 June 2008 the Group subscribed for £770,000 and £1,763,000 respectively of subordinated debt in Alpha Schools (Highland) Limited and has a commitment to provide a further £5,090,000 of subordinated debt by August 2009.

(iv) On 21 November 2007, the Company invested £10,000 in Projco (St Andrews Hospital) Limited comprising 10,000 ordinary shares of £1 each (representing 100 per cent of the issued ordinary share capital). On 8 February 2008, the Company disposed of 50 per cent of its investment and therefore at 30 June 2008 held an investment of £5,000 representing 50 per cent of the issued ordinary share capital. The Group has a commitment to provide a further £1,289,000 of subordinated debt by 30 June 2012.

(v) On 21 January 2008 the Group entered into a joint venture relationship with Affinity Sutton Group, a Housing Association. A joint venture company, Linden/Downland Graylingwell LLP, was established for a development site in Chichester. The joint venture company is 50 per cent owned by Affinity Sutton Group with the other 50 per cent owned by a subsidiary undertaking of Galliford Try plc.

(b) On 25 January 2008, the Group acquired a further 10 per cent interest in Oak Fire Protection Limited, increasing its shareholding to 90 per cent. This investment is now treated as a subsidiary undertaking (note 32).

The Group's share of unrecognised losses of joint ventures is £2.7 million (2007: £Nil).

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

	2008 £m	2007 £m
Current assets	187.8	52.9
Non current assets	107.5	70.1
Current liabilities	(111.8)	(18.0)
Non current liabilities	(171.0)	(98.6)
	12.5	6.4
Amounts due from joint ventures	41.4	5.2
Amounts due to joint ventures	3.2	–
Revenue	36.8	18.5
Expenses	(30.1)	(16.8)
	6.7	1.7
Finance (cost)/income	(3.9)	0.3
Income tax	(0.8)	(0.6)
Share of post tax profits from joint ventures	2.0	1.4

The joint ventures have no significant contingent liabilities to which the Group is exposed. The joint ventures had no capital commitments as at 30 June 2008 (2007: £Nil).

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

13 AVAILABLE FOR SALE FINANCIAL ASSETS

	2008 £m	2007 £m
At 1 July	**3.2**	1.2
Net (losses)/gains on movement in fair value taken to equity (note 28)	**(0.3)**	2.0
Additions	**2.9**	–
Disposals	**(2.2)**	–
At 30 June	**3.6**	3.2

The available for sale financial assets relate to PPP/PFI investments and shared equity debtors in which the Group's interest depends on future property prices. Additions in the year relate to additional loans made to the investments and additional shared equity debtors. The shared equity debtors are secured by a charge over the related property.

During the year available for sale financial assets were sold for cash consideration of £2.1 million, giving rise to a realised profit of £1.0 million. In addition £1.8 million was received in cash for the sale of a 50 per cent share in Projco (St Andrews Hospital) Limited giving rise to a profit of £1.8 million.

There were no impairment provisions made on available for sale financial assets in 2008 or 2007. None of the financial assets are either past due or impaired.

The fair value of unlisted investments is based on future expected cash flows discounted using a rate of 9 per cent (2007: 7.5 per cent to 9 per cent) based on the type of investment and stage of completion of the underlying assets held.

14 INVENTORIES

	2008 £m	2007 £m
Materials and consumables	**1.7**	0.6

No inventories have been written off during the year.

15 DEVELOPMENTS

	2008 £m	2007 £m
Land	**426.5**	547.6
Work in progress	**183.8**	157.3
	610.3	704.9

16 CONSTRUCTION CONTRACTS

	2008 £m	2007 £m
Contracts in progress at balance sheet date:		
Amounts recoverable on construction contracts included in trade and other receivables	**130.3**	154.6
Payments received on account on construction contracts included in trade and other payables	**(110.6)**	(67.2)
	19.7	87.4

The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress that have not reached practical completion at the balance sheet date was £1,905.4 million (2007: £1,551.5 million).

At 30 June 2008 retentions held by customers for contract work amounted to £38.5 million (2007: £29.0 million).

17 TRADE AND OTHER RECEIVABLES

	2008 £m	2007 £m
Amounts falling due within one year:		
Trade receivables	**129.9**	95.5
Less: Provision for impairment of receivables	**(0.6)**	(0.6)
Trade receivables – net	**129.3**	94.9
Amounts recoverable on construction contracts	**130.3**	154.6
Amounts owed by joint venture undertakings	**18.8**	3.3
Other receivables	**14.9**	17.2
Prepayments and accrued income	**15.4**	8.5
	308.7	278.5

	2008 £m	2007 £m
Amounts falling due in more than one year:		
Amounts owed by joint venture undertakings	**22.6**	1.8
Other receivables	**0.4**	2.9
	23.0	4.7

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

	2008 £m	2007 £m
At 1 July	**(0.6)**	(0.6)
Provision for receivables impairment	**(0.5)**	–
Receivables written off during the year as uncollectable	**0.1**	–
Unused amounts reversed	**0.4**	–
At 30 June	**(0.6)**	(0.6)

The creation and release of provision 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.

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 fair value of each class of receivable mentioned above. The Group does not hold any collateral as security. None of the financial assets that are fully performing have been renegotiated in the last year.

Management believe that the concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Major water industry customers accounted for in total 11 per cent (2007: 10.7 per cent) of Group revenue in the year. However, the customers involved comprise a variety of entities including those in both the public and commercial sectors. In addition, within the commercial sector each customer has an unrelated ultimate parent company.

The maturity of non current receivables is as follows:

	2008 £m	2007 £m
In more than one year but not more than two years	**1.1**	1.8
In more than two years but not more than five years	**16.1**	0.1
In more than five years	**5.8**	2.8
	23.0	4.7

Of the amounts due in more than five years £0.3 million (2007: £0.3 million) is due within twenty years (2007: twenty one years) and £5.5 million (2007: £2.5 million) is due within seven years (2007: nine years).

17 TRADE AND OTHER RECEIVABLES continued

As of 30 June 2008, trade receivables of £32.0 million (2007: £27.1 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and there are no indications that they will not meet their payment obligations in respect of the trade receivables recognised in the balance sheet that are past due and unprovided. The ageing analysis of these trade receivables according to date of the invoice is as follows:

	2008 £m	2007 £m
Less than 30 days	**7.0**	8.2
Between 30 and 60 days	**14.0**	7.3
Between 60 and 90 days	**2.3**	2.1
Between 90 and 120 days	**1.2**	0.7
Greater than 120 days	**7.5**	8.8
	32.0	27.1

As of 30 June 2008, trade receivables of £2.7 million (2007: £4.3 million) were considered for impairment. The amount provided for these balances was £0.6 million as of 30 June 2008 (2007: £0.6 million). The allocation of the provision according to the date of the invoice is as follows:

	2008 £m	2007 £m
Less than 30 days	**0.1**	–
Between 30 and 60 days	**–**	–
Between 60 and 90 days	**–**	–
Between 90 and 120 days	**0.1**	–
Greater than 120 days	**0.4**	0.6
	0.6	0.6

18 CASH AND CASH EQUIVALENTS

	2008 £m	2007 £m
Cash at bank and in hand	**133.1**	33.3
Short term bank deposits	**1.3**	6.2
	134.4	39.5

The short term bank deposits above include £1.3 million (2007: £6.2 million) which is held in escrow. The funds will become available on completion of the associated contract.

The effective interest rate received on cash balances is 5.3 per cent (2007: 5.5 per cent).

Net debt

	2008 £m	2007 £m
Cash and cash equivalents as above	**134.4**	39.5
Current borrowings		
Bank loan	**(11.5)**	(11.5)
Unsecured loan notes	**(4.3)**	(38.5)
Non current borrowings		
Bank loans	**(120.3)**	(88.2)
Net debt	**(1.7)**	(98.7)

19 TRADE AND OTHER PAYABLES

	2008 £m	2007 £m
Payments received on account on construction contracts	**110.6**	67.2
Trade payables	**135.3**	124.0
Development land creditors	**68.2**	126.2
Amounts due from joint venture undertakings	**3.2**	–
Other taxation and social security payable	**20.5**	6.0
Other payables	**18.3**	24.3
Deferred consideration on acquisitions	**1.6**	43.9
Accruals and deferred income	**347.2**	261.8
	704.9	653.4

The deferred consideration relates to the acquisition of Linden Holdings plc £0.8 million (2007: £13.0 million) and Kendall Cross £0.8 million (2007: £Nil). The deferred consideration of £30.9 million included in 2007 relating to the acquisition of Chartdale Homes was settled in full during the year ended 30 June 2008.

20 CURRENT INCOME TAX LIABILITIES

	2008 £m	2007 £m
Current income tax liabilities	**10.3**	6.2

21 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Restructuring £m	Onerous leases £m	Total £m
Current			
At 1 July 2007	1.5	0.8	2.3
Charged to income statement	1.9	0.3	2.2
Utilised in year	(1.5)	(0.5)	(2.0)
At 30 June 2008	**1.9**	**0.6**	**2.5**
Non current			
At 1 July 2007	–	0.2	0.2
Charged to income statement	–	0.2	0.2
At 30 June 2008	**–**	**0.4**	**0.4**

Restructuring

The restructuring provision made in the year relates to the cost of reorganising the housebuilding division following the downturn in the housing market (2007: the Group's acquisition of Linden Homes). The provision relates to the cost of redundancies, office rationalisation and other related costs. The provision is expected to be fully utilised within one year (2007: one year).

Onerous leases

The onerous lease provision relates to Group properties which are no longer used. The provision reflects the estimated costs which will be incurred to the termination of the leases. The provision is expected to be utilised within four years (2007: five years).

22 FINANCIAL LIABILITIES – BORROWINGS

Current	2008 £m	2007 £m
Bank loan – secured(i)	**11.5**	11.5
Unsecured – Loan notes(ii)	**4.3**	38.5
	15.8	50.0

Non current	2008 £m	2007 £m
Bank loans – secured(i)	**120.3**	88.2

(i) The bank loans are secured by a fixed charge over certain of the Group's developments. They currently incur interest at 0.9 per cent (2007: 1.2 per cent) over LIBOR. The Group has entered into interest rate swaps as set out in note 25.

(ii) The unsecured loan notes are made up as follows:
- (a) £0.9 million (2007: £1.0 million) of loan notes were issued in 1997 and 2002 as part of the acquisition of Midas Homes Limited and Gerald Wood Homes Limited respectively. They are redeemable in whole or in part by the holders at any time provided that 30 days notice is given of their intention to redeem the loan notes. Their interest rate is determined by reference to LIBOR and varies every three months. The final date for the redemption of these loan notes is July 2011 and July 2012 respectively.
- (b) £3.4 million (2007: £34.9 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 cent per annum. The final date for the redemption of these loan notes is March 2012.
- (c) £2.6 million of loan notes issued by Linden Holdings plc, prior to the acquisition by Galliford Try plc, which were outstanding at 30 June 2007 were fully repaid on 31 August 2007.

23 OTHER NON CURRENT LIABILITIES

	2008 £m	2007 £m
Development land creditors	**8.3**	19.3
Deferred consideration on acquisitions	**0.7**	–
Other payables	**4.8**	4.7
Accruals and deferred income	**0.7**	–
	14.5	24.0

The deferred consideration relates to the acquisition of Kendall Cross (note 32).

24 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 28 per cent (2007: 28 per cent).

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

	2008 £m	2007 £m
Deferred income tax assets	**10.7**	10.0
Deferred income tax liabilities	**(17.4)**	(20.3)
	(6.7)	(10.3)

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

	2008 £m	2007 £m
At 1 July	**(10.3)**	2.2
Income statement (credit)/charge		
Current year's deferred income tax	**1.5**	–
Adjustment in respect of prior years	**0.8**	–
Change in rate of deferred income tax	**–**	0.4
Credited/(charged) to equity	**1.9**	(1.9)
On acquisition of subsidiaries (note 32)	**(0.6)**	(11.0)
At 30 June	**(6.7)**	(10.3)

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

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

Deferred income tax assets	Retirement benefit obligations £m	Share based payments £m	Other £m	Total £m
At 1 July 2006	14.1	1.0	0.6	15.7
(Charged)/credited to income statement	(5.0)	0.2	0.4	(4.4)
(Charged)/credited to equity	(2.2)	0.9	–	(1.3)
At 1 July 2007	6.9	2.1	1.0	10.0
(Charged)/credited to income statement	(2.1)	(0.1)	1.8	(0.4)
On acquisition of subsidiaries	(0.4)	–	–	(0.4)
Credited/(charged) to equity	3.3	(1.8)	–	1.5
At 30 June 2008	**7.7**	**0.2**	**2.8**	**10.7**

Deferred income tax liabilities	Fair value adjustments £m	Accelerated tax depreciation £m	Other £m	Total £m
At 1 July 2006	(12.3)	0.2	(1.4)	(13.5)
Credited to income statement	3.9	–	0.9	4.8
On acquisition of subsidiaries	(11.0)	–	–	(11.0)
Charged to equity	(0.6)	–	–	(0.6)
At 1 July 2007	(20.0)	0.2	(0.5)	(20.3)
Credited to income statement	2.6	0.1	–	2.7
On acquisition of subsidiaries	(0.2)	–	–	(0.2)
Credited to equity	–	–	0.4	0.4
At 30 June 2008	**(17.6)**	**0.3**	**(0.1)**	**(17.4)**

25 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 under review, 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 and interest rate swaps that arise directly from its operations and its acquisitions.

Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total shareholders equity. Net debt is calculated as total borrowings (including 'current and non current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Gearing as at 30 June 2008 was 0.5 per cent (2007: 32.2 per cent).

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

All material activities of the Group take place within the UK and consequently there is little direct exchange risk other than payments to overseas suppliers who require settlement in their currency. If there is any material foreign exchange exposure, the Group's policy is to enter into forward foreign currency contracts. The Group has no material currency exposure at 30 June 2008 (2007: Nil).

(ii) Price risk

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

(iii) Interest rate risk

The Group's 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 on page 75.

The Group analyses its interest rate exposure on an ongoing 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 per cent shift would be a maximum increase of £0.5 million (2007: £0.3 million) or decrease of £0.5 million (2007: £0.3 million), respectively.

25 FINANCIAL INSTRUMENTS continued

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial assets, deposits and borrowings with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group has a credit risk exposure to the providers of its banking facilities. These are primarily provided by HSBC Bank plc, The Royal Bank of Scotland plc, Bank of Scotland and Barclays Bank PLC, being four of the UK's leading financial institutions. Further details of credit risk relating to trade and other receivables are disclosed in note 17. No credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance of any counterparties.

(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 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 and the planned growth of contracting activities is budgeted to be cash generative. The housebuilding operations, however, are cash consumptive and the 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 and cash and cash equivalents (note 18)) 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 practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. On a daily basis throughout the year, the bank balances or borrowings in all the Group's operating companies are aggregated into a total cash or borrowing figure in order that the Group can obtain the most advantageous interest rate.

In accordance with IAS39, 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 assets – derivative financial assets

The fair value of interest rate swaps is detailed below:

	Assets £m
At 30 June 2008	
Current	**–**
Non current	**0.7**
At 30 June 2007	
Current	0.4
Non current	1.0

The notional principal amount of the outstanding interest rate swap contracts at 30 June 2008 was £69 million (2007: £125 million). At 30 June 2008, the fixed interest rate is 5.7 per cent (2007: 4.7 per cent to 5.7 per cent).

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.

25 FINANCIAL INSTRUMENTS continued

Fair value of non current borrowings

		2008		2007	
	Notes	Book value £m	Fair value £m	Book value £m	Fair value £m
Long term borrowings	22	**120.3**	**98.0**	88.2	69.8

Fair value of other financial assets and financial liabilities

	Notes	2008 Book value £m	2008 Fair value £m	2007 Book value £m	2007 Fair value £m
Primary financial instruments held or issued to finance the Group's operations:					
Short term borrowings	22	**15.8**	**15.8**	50.0	50.0
Trade and other payables	19	**704.9**	**704.9**	653.4	653.4
Trade and other receivables	17	**308.7**	**308.7**	278.5	278.5
Cash at bank and in hand	18	**134.4**	**134.4**	39.5	39.5
Other non current liabilities	23	**14.5**	**14.5**	24.0	24.0

The effective interest rate used for fair valuing long term borrowings is 6.3 per cent (2007: 7.0 per cent) being the prevailing interest rate at 30 June 2008.

Maturity of financial liabilities

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

	2008			2007		
	Borrowings £m	Other financial liabilities £m	Total £m	Borrowings £m	Other financial liabilities £m	Total £m
In more than one year but not more than two years	**12.0**	**8.4**	**20.4**	12.0	19.7	31.7
In more than two years but not more than five years	**108.3**	**3.0**	**111.3**	76.2	0.8	77.0
In more than five years	**–**	**3.1**	**3.1**	–	3.5	3.5
	120.3	**14.5**	**134.8**	88.2	24.0	112.2

Borrowing facilities

The Group had the following undrawn committed borrowing facilities available at 30 June in respect of which all conditions precedent had been met at that date:

	2008			2007
	Floating rate £m	Fixed rate £m	Total £m	Total £m
Expiring within one year	**30.0**	**–**	**30.0**	30.0
Expiring in more than two years	**252.4**	**–**	**252.4**	204.0
	282.4	**–**	**282.4**	234.0

The Group entered into a five year bank facility for an aggregate total amount of £450 million in February 2007 with HSBC Bank plc, The Royal Bank of Scotland plc, Bank of Scotland and Barclays Bank PLC. The facility provides working capital, development finance and bonding. £150 million of this facility is on an amortising basis to £96 million by the facility maturity date in 2012, and at 30 June 2008 stood at £138 million. The facility is subject to covenants on interest cover, minimum net assets and gearing and is secured by charges over certain freehold properties and developments.

The facilities expiring within one year are annual facilities provided by HSBC Bank plc and Barclays Bank PLC that form part of the overall facility above. These facilities are subject to review in November 2008 and January 2009 respectively. All these facilities incur commitment fees at market rates.

25 FINANCIAL INSTRUMENTS continued

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

	Loans and receivables	Assets at fair value through the profit and loss	Available for sale	Total
30 June 2008				
Assets as per balance sheet				
Available for sale financial assets	–	–	3.6	3.6
Derivative financial instruments	–	0.7	–	0.7
Trade and other receivables	316.3	–	–	316.3
Cash and cash equivalents	134.4	–	–	134.4
Total	**450.7**	**0.7**	**3.6**	**455.0**

	Other financial liabilities	Total
Liabilities as per balance sheet		
Borrowings	136.1	136.1
Trade and other payables	608.8	608.8
Total	**744.9**	**744.9**

	Loans and receivables	Assets at fair value through the profit and loss	Available for sale	Total
30 June 2007				
Assets as per balance sheet				
Available for sale financial assets	–	–	3.2	3.2
Derivative financial instruments	–	1.4	–	1.4
Trade and other receivables	274.7	–	–	274.7
Cash and cash equivalents	39.5	–	–	39.5
Total	314.2	1.4	3.2	318.8

	Other financial liabilities	Total
Liabilities as per balance sheet		
Borrowings	138.2	138.2
Trade and other payables	610.2	610.2
Total	748.4	748.4

26 CALLED UP SHARE CAPITAL

Authorised	2008 £m	2007 £m
505,000,000 ordinary shares of 5 pence each	**25.3**	25.3

Issued and fully paid	2008 Shares	2008 £m	2007 Shares	2007 £m
Ordinary shares of 5 pence each				
At 1 July	**376,513,101**	**18.8**	274,798,181	13.7
Allotted during the year	**–**	**–**	100,230,056	5.0
Allotted under share option schemes	**1,091,341**	**0.1**	1,484,864	0.1
At 30 June	**377,604,442**	**18.9**	376,513,101	18.8

At 30 June 2008 the total number of shares outstanding under the SAYE share option scheme was 8,494,084 and under the long term incentive plans was 3,325,750 as detailed below:

SAYE share option scheme

Shares under option	Year of grant	Exercise price per share	Exercise period ending
235,330	2003	18p	30.11.08
1,284,403	2006	68.5p	31.07.09
1,045,294	2006	68.5p	31.07.11
1,906,786	2007	102p	30.06.10
1,761,001	2007	102p	30.06.12
1,266,321	2008	126p	30.06.11
994,949	2008	126p	30.06.13
8,494,084			

Long term incentive plans

Shares awarded	Year of grant	Award price	Vesting date
933,000	2006	71p	13.09.08
1,047,400	2007	126p	30.10.09
113,000	2007	177p	08.03.10
1,232,350	2008	144.5p	10.09.10
3,325,750			

27 SHARE BASED PAYMENTS

The Company operates performance related share incentive plans for executives, details of which are set out in the Remuneration Report. The Company also operates a savings related share option scheme ("SAYE"). The total charge for the year relating to employee share based payment plans was £1.4 million (2007: £1.1 million), all of which related to equity settled share based payment transactions. After deferred tax, the total charge was £1.5 million (2007: £0.8 million).

Savings related share option scheme

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

The options were valued using the binomial option-pricing model. The fair value per option granted, subsequent to November 2002, and the assumptions used in the calculation, are as follows:

Grant date	Share price at grant date	Exercise price	Expected volatility	Option life years	Risk free rate	Dividend yield	Employee turnover before vesting	Fair value per option
01.06.03	26.25p	18p	40%	5	4.0%	5.7%	10%	9p
01.02.06	90p	68.5p	31%	3	4.3%	2.3%	10%	31.2p
01.02.06	90p	68.5p	37%	5	4.3%	2.3%	10%	37.3p
01.01.07	150p	102p	26%	3	4.9%	1.7%	10%	59.7p
01.01.07	150p	102p	33%	5	4.8%	1.7%	10%	69.2p
01.01.08	126.75p	126p	31%	3	4.6%	2.4%	10%	30.8p
01.01.08	126.75p	126p	31%	5	4.6%	2.4%	10%	37.5p

27 SHARE BASED PAYMENTS continued

The expected volatility is based on historical volatility in the movement in the share price over the last three or five years up to the date of grant depending on the option life. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. A reconciliation of savings related share awards over the year to 30 June 2008 is shown below:

	2008 Number	2008 Weighted average exercise price pence	2007 Number	2007 Weighted average exercise price pence
Outstanding at 1 July	**8,881,332**	**78.9**	5,802,984	44.5
Granted	**2,572,894**	**126.0**	4,965,393	102.0
Forfeited	**(486,758)**	**89.8**	(402,181)	76.6
Cancelled	**(1,382,043)**	**98.9**	–	–
Exercised	**(1,091,341)**	**19.8**	(1,484,864)	23.1
Outstanding at 30 June	**8,494,084**	**96.9**	8,881,332	78.9
Exercisable at 30 June	**235,330**	**18.0**	–	–

The weighted average fair value of awards granted during the year was 33.7 pence (2007: 64.1 pence). The weighted average share price at the date of exercise was 47.0 pence (2007: 116.1 pence). The weighted average remaining contractual life is 2 years 10 months (2007: 3 years 3 months).

Performance related long term incentive plans

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

The options were valued using a Monte Carlo model. The fair value per option granted, subsequent to November 2002, and the assumptions used in the calculation are as follows:

Grant date	Award price at grant date	Vesting period/ option life months	Risk free rate	Dividend yield	Fair value per option
22.03.05	60.75p	36	4.0%	2.9%	26.8p
13.09.05	71p	36	4.0%	2.5%	41.4p
30.10.06	126p	36	5.0%	2.0%	73.0p
08.03.07	177p	36	5.2%	1.5%	154.3p
10.09.07	144.5p	36	5.0%	2.1%	71.2p

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:

	2008 Number	2007 Number
Outstanding at 1 July	**3,105,400**	3,119,000
Granted	**1,384,550**	1,273,400
Forfeited	**(265,200)**	(139,640)
Exercised	**(899,000)**	(1,147,360)
Outstanding at 30 June	**3,325,750**	3,105,400
Exercisable at 30 June	**–**	–

The weighted average fair value of awards granted during the year was 71.2 pence (2007: 87.4 pence). The weighted average share price at the date of exercise was 59.0 pence (2007: 179.5 pence). The weighted average remaining contractual life is Nil as the shares are exercised on the day that they vest (2007: Nil).

28 SHARE PREMIUM AND OTHER RESERVES

	Share premium £m	Other reserves £m
At 1 July 2006	48.7	4.7
Premium on shares allotted on 6 March 2007	145.3	–
Fees on issue of shares	(3.7)	–
Premium on the issue of shares under share based payments	0.3	–
Movement in fair value of available for sale financial assets	–	2.0
At 1 July 2007	190.6	6.7
Premium on the issue of shares under share based payments	0.2	–
Movement in fair value of available for sale financial assets	–	(0.3)
Released on disposal of available for sale financial assets	–	(1.1)
At 30 June 2008	**190.8**	**5.3**

The other reserve relates to a merger reserve amounting to £4.7 million (2007: £4.7 million) and the movement on fair value of available for sale financial assets amounting to £0.6 million (2007: £2.0 million).

29 RETAINED EARNINGS

	£m
At 1 July 2006	53.0
Profit for the year	43.6
Dividends paid	(7.1)
Share based payments	1.1
Purchase of own shares	(3.0)
Actuarial gains recognised in the retirement benefit obligations	3.9
Tax on items charged to equity	(1.0)
At 1 July 2007	90.5
Profit for the year	42.5
Dividends paid	(11.7)
Share based payments	1.4
Purchase of own shares	(2.5)
Actuarial losses recognised in the retirement benefit obligations	(11.8)
Tax on items charged to equity	1.9
At 30 June 2008	**110.3**

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9.5 million (2007: £9.5 million).

At 30 June 2008, the Galliford Try Employee Share Trust held 4,562,415 (2007: 2,865,475) shares. The nominal value of the shares held is £0.2 million (2007: £0.1 million). Shares were acquired in the period at a cost of £2.5 million (2007: £3.0 million). These shares were acquired by the Galliford Try Employee Share Trust in the open market using funds provided by Galliford Try plc. The cost of funding and administering the Trust is charged to the profit and loss account of the Company in the period to which it relates. The market value of the shares at 30 June 2008 was £1.7 million (2007: £4.5 million). No shareholders (2007: None) have waived their rights to dividends.

30 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
At 1 July 2006	13.7	48.7	4.7	53.0	120.1
Profit for the year	–	–	–	43.6	43.6
Dividends	–	–	–	(7.1)	(7.1)
Proceeds from shares issued	5.1	141.9	–	–	147.0
Purchase of own shares	–	–	–	(3.0)	(3.0)
Share based payments	–	–	–	1.1	1.1
Actuarial gains recognised in retirement benefit obligations	–	–	–	3.9	3.9
Movement on fair value of available for sale financial assets	–	–	2.0	–	2.0
Deferred tax on movements in equity	–	–	–	(1.9)	(1.9)
Current tax on movements in equity	–	–	–	0.9	0.9
At 1 July 2007	18.8	190.6	6.7	90.5	306.6
Profit for the year	–	–	–	42.5	42.5
Dividends	–	–	–	(11.7)	(11.7)
Proceeds from shares issued	0.1	0.2	–	–	0.3
Purchase of own shares	–	–	–	(2.5)	(2.5)
Share based payments	–	–	–	1.4	1.4
Actuarial losses recognised in retirement benefit obligations	–	–	–	(11.8)	(11.8)
Movement on fair value of available for sale financial assets	–	–	(0.3)	–	(0.3)
Released on disposal of available for sale financial assets	–	–	(1.1)	–	(1.1)
Deferred tax on movements in equity	–	–	–	1.9	1.9
At 30 June 2008	**18.9**	**190.8**	**5.3**	**110.3**	**325.3**

31 CASH FLOWS FROM OPERATING ACTIVITIES

	2008 £m	2007 £m
Cash generated from operations		
Continuing operations		
Profit for the year	**42.5**	43.6
Adjustments for:		
Profit on sale of investments	**(2.8)**	–
Income tax	**17.8**	16.6
Depreciation	**2.1**	2.3
Amortisation of intangible assets	**2.0**	1.4
Share based payments	**1.4**	1.1
Profit on sale and leaseback of property, plant and equipment	**–**	(4.8)
Profit on sale of property, plant and equipment	**(0.1)**	(0.6)
Profit on sale of joint venture	**–**	(0.5)
Finance income	**(6.5)**	(9.3)
Finance cost	**17.3**	17.4
Share of post tax profits from joint ventures	**(2.0)**	(1.4)
Movement in retirement benefit obligations	**(7.3)**	(18.2)
Increase in provisions for liabilities and charges	**0.4**	0.1
	64.8	47.7
Changes in working capital (excluding the effects of the acquisition of subsidiaries)		
(Increase)/decrease in inventories	**(1.1)**	0.3
Decrease/(increase) in developments	**94.6**	(98.1)
Increase in trade and other receivables	**(41.5)**	(73.2)
Increase in payables	**32.8**	133.7
Cash generated from continuing operations	**149.6**	10.4

32 BUSINESS COMBINATIONS

On 14 November 2007, the Group acquired the entire share capital of Kendall Cross Holdings Limited, an affordable housing contractor based in the North East of England. The total consideration payable, including expenses, was £9.3 million in cash of which £1.8 million was on deferred terms.

On 25 January 2008, the Group acquired an additional 10 per cent shareholding in its joint venture Oak Fire Protection Limited, increasing its shareholding from 80 per cent to 90 per cent. With effect from this date, Oak Fire Protection Limited is treated as a subsidiary undertaking. The consideration paid amounted to £95,000 which was paid in cash. There was no difference between the book value and the fair value of the assets acquired. Goodwill of £81,000 arose on the acquisition.

From the date of acquisition to 30 June 2008 the acquisitions contributed £16.6 million of revenue, £0.5 million to profit before interest and intangible amortisation and £0.7 million to profit before income tax.

	Revenue £m	Profit before finance costs and intangible amortisation £m	Profit before income tax £m	Profit after income tax £m	Cashflow* £m	Capital expenditure £m
Kendall Cross Holdings Limited	15.5	0.5	0.6	0.4	0.3	–
Oak Fire Protection Limited	1.1	–	0.1	0.1	0.1	–
	16.6	0.5	0.7	0.5	0.4	–

*Stated including transactions within the Group.

Details of the Kendall Cross Holdings Limited acquisition are given below.

	Carrying value pre acquisition* £m	Fair value adjustment £m	Provisional fair value £m
Intangibles	–	0.2	0.2
Property, plant and equipment	1.2	–	1.2
Retirement benefit asset	1.3	–	1.3
Trade and other receivables	5.4	–	5.4
Cash and cash equivalents	2.1	–	2.1
Bank loans and overdrafts	(0.7)	–	(0.7)
Trade and other payables	(5.3)	–	(5.3)
Deferred income tax	(0.4)	(0.2)	(0.6)
Net assets acquired	3.6	–	3.6
Goodwill			5.7
Consideration			9.3

*Stated under IFRS.

The fair value adjustment relates to the recognition of intangible assets being customer contracts.

Consideration	£m
Purchase price	9.1
Expenses	0.2
Total consideration	9.3

The total consideration was settled as follows:	£m
At date of acquisition	7.5
On 14 May 2008	0.3
Payable 14 November 2008	0.8
Payable 14 November 2009	0.7
	9.3

32 BUSINESS COMBINATIONS continued

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

	£m
Cash consideration	7.8
Cash acquired	(2.1)
Borrowings acquired	0.7
Net cash outflow	6.4

The goodwill arising on the acquisition relates to the acquired workforce and the expected synergy savings.

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

	Group £m	Acquisitions* £m	Total £m
Revenue	1,831.9	12.0	1,843.9
Profit before finance costs	71.1	0.3	71.4
Profit before income tax	60.3	0.3	60.6
Profit after income tax	42.5	0.4	42.9

*Results for period from 1 July 2007 to date of acquisition.

33 RETIREMENT BENEFIT OBLIGATIONS

The Group's principal defined benefit pension scheme is the Galliford Try Final Salary Pension Scheme (based on final pensionable salary) with assets held in separate trustee administered funds which was closed to 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 on a scale dependent on the employee's age and the amount they choose to contribute.

Pension costs for the schemes were as follows:

	2008 £m	2007 £m
Defined benefit schemes		
(Gain)/expense recognised in the income statement before gains on curtailments and settlements	**(0.9)**	3.2
Gains on curtailments and settlements	**–**	(5.2)
	(0.9)	(2.0)
Defined contribution schemes	**7.0**	4.0
Total included within employee benefit expenses (note 3)	**6.1**	2.0

Defined benefit schemes

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

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

33 RETIREMENT BENEFIT OBLIGATIONS continued

On 14 November 2007, the Group acquired Kendall Cross Holdings Limited, which had a defined benefit pension scheme. 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. The most recent actuarial valuation of the Scheme was prepared using the projected unit method as at 14 November 2006. The assumptions used which had the most significant effect on the results of the valuation were the investment return, which was assumed to be 5.0 per cent per annum on pre-retirement assets and 4.5 per cent on post-retirement assets. The rate of increase in pensionable salaries was assumed to be Nil. The valuation showed that the market value of the scheme's assets was £4.0 million and that those assets represented 80 per cent of the value of the benefits that had accrued to members after allowing for the expected future increases in pensionable salaries. Prior to its acquisition by the Group, Kendall Cross Holdings Limited made deficit payments of £1.2 million into the fund to eliminate the deficit.

The valuations of the Group's pension schemes have been updated to 30 June 2008. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	2008	2007
Rate of increase in pensionable salaries	**n/a**	n/a
Rate of increase in pensions in payment	**3.85%**	3.35%
Discount rate	**6.30%**	5.70%
Inflation assumption	**4.00%**	3.40%

The assumptions for mortality are based on actuarial table PXA92 medium cohort (2007: PXA92 medium cohort). The average life expectancy at 65 for future male pensioners is 23.9 years (2007: 23.9 years) and for current male pensioners is 22.8 years (2007: 22.8 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:

	2008			2007		
	Return	**Value £m**		Return	Value £m	
Equities	**8.65%**	**68.3**	**51%**	8.35%	84.2	64%
Gilts	**5.15%**	**48.0**	**36%**	5.35%	30.3	23%
Bonds	**6.30%**	**11.3**	**9%**	5.70%	11.0	9%
Cash and other	**5.80%**	**6.0**	**4%**	5.50%	5.9	4%
		133.6	**100%**		131.4	100%
Present value of defined benefit obligations		**(161.0)**			(156.4)	
Deficit in schemes recognised as non current liability		**(27.4)**			(25.0)	

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.

The amounts recognised in the income statement are as follows:

	2008 £m	2007 £m
Current service cost charged to profit before finance costs	**–**	2.5
Finance cost	**8.9**	8.2
Expected return on plan assets	**(9.8)**	(7.5)
Net finance costs	**(0.9)**	0.7
(Income)/expense recognised in the income statement before gains on curtailments and settlements	**(0.9)**	3.2
Gains on curtailments and settlements	**–**	(5.2)
Gain recognised in the income statement	**(0.9)**	(2.0)

The actual return on plan assets was a charge of £6.0 million (2007: credit £9.9 million).

33 RETIREMENT BENEFIT OBLIGATIONS continued

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

	2008 £m	2007 £m
Total amount of actuarial (losses)/gains	(11.8)	3.9
Cumulative actuarial losses	(28.2)	(16.4)

Movement in present value of defined benefit obligations	2008 £m	2007 £m
At 1 July	156.4	155.1
Service cost	–	2.5
Interest cost	8.9	8.2
Experience gains	(0.4)	(1.9)
Impact of change in assumptions	(3.5)	0.4
Curtailment gain	–	(5.2)
Employee contributions	–	0.9
Benefit payments	(4.3)	(3.7)
Acquisition of subsidiary undertaking (note 32)	3.9	–
Other	–	0.1
30 June	**161.0**	156.4

Movement in fair value of scheme assets	2008 £m	2007 £m
At 1 July	131.4	108.0
Expected return on plan assets	9.8	7.5
Actual return less expected return on Scheme assets	(15.8)	2.4
Employer contributions	7.3	16.2
Employee contributions	–	0.9
Benefit payments	(4.3)	(3.7)
Acquisition of subsidiary undertaking (note 32)	5.2	–
Other	–	0.1
30 June	**133.6**	131.4

Of the total charge for all schemes £3.6 million (2007: £2.8 million) and £2.5 million (2007: £4.4 million) were included, respectively, within cost of sales and administrative expenses. The curtailment gain of £Nil (2007: £5.2 million) is included within administrative expenses.

Following the closure of the Scheme to future service accrual, the Company agreed with the Trustees to make a one-off lump sum contribution of £10 million, which was paid during the year ended 30 June 2007, to be followed by annual deficit funding payments of £7 million per annum until 31 July 2013.

Details of experience gains and losses in the year:	2008	2007	2006
Difference between the expected and actual return on assets:			
Amount £m	(15.8)	2.4	6.4
Percentage of assets	(11)	2	6
Experience gains and losses on Scheme liabilities:			
Amount £m	0.4	1.9	5.2
Percentage of present value of defined benefit obligations	–	1	3
Total amount recognised in consolidated statement of recognised income and expense:			
Amount £m	(11.8)	3.9	(5.1)
Percentage of present value of liabilities	(7)	2	(3)

34 FINANCIAL AND CAPITAL COMMITMENTS

	2008 £m	2007 £m
Commitments for capital expenditure in subsidiaries	**1.5**	–
Commitments for subordinated loan stock in available for sale financial assets	**0.6**	0.6
Commitments for equity and subordinated debt in joint ventures	**6.4**	9.3
	8.5	9.9

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

	2008		2007	
	Property £m	**Vehicles, plant and equipment £m**	Property £m	Vehicles, plant and equipment £m
Amounts due:				
Within one year	**4.3**	**5.7**	3.4	3.8
Later than one year and in less than five years	**13.9**	**5.3**	12.4	4.0
After five years	**24.9**	**–**	25.1	–
	43.1	**11.0**	40.9	7.8

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

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 £117.7 million (2007: £226.6 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.

As explained in the Corporate Governance Report on page 39, the Group is awaiting a decision from the Office of Fair Trading in respect of allegations of breaches of the 1998 Competition Act. No provision has been made for any potential fine in relation to this matter, as the result of the investigation is not yet known and any potential fine is therefore not quantifiable.

36 RELATED PARTY TRANSACTIONS

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

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Trading transactions								
Joint ventures	**28.2**	3.7	**–**	–	**8.4**	1.4	**–**	–
Jointly controlled operations	**77.3**	22.4	**10.5**	–	**3.5**	5.9	**–**	5.8

	Loans to related parties		Loans from related parties		Injection of equity funding	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
Non-trading transactions						
Joint ventures	**33.0**	3.8	**3.2**	–	**4.5**	2.7
Jointly controlled operations	**–**	–	**1.3**	5.9	**–**	–

Services are sold to related parties based on terms that would be available to unrelated third parties. Receivables are due within seven years (2007: two years) and are unsecured and interest rates vary from bank base rate plus 1.75 per cent to 10 per cent. Payables are due within one year (2007: one year) and are interest free.

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

The Company has entered into a financial guarantee in respect of its joint venture Crest/Galliford Try (Epsom) LLP. The maximum amount payable under the terms of this guarantee is £13.75 million. Key management remuneration and directors' emoluments are disclosed in note 3.

We have audited the parent company financial statements of Galliford Try plc for the year ended 30 June 2008 which comprise the Company Balance Sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Galliford Try plc for the year ended 30 June 2008.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report, the Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the unaudited part of the Remuneration Report, the Group at a Glance, Highlights, the Chairman's Statement, the Business Review, the Corporate Responsibility Review, the Directors and Executive Board, the Directors' Report, the Corporate Governance Report, the Five Year Record, Contacts and Shareholder Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Remuneration Report to be audited.

OPINION

In our opinion:

> the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2008;
> the parent company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
> the information given in the Directors' Report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
11 September 2008

COMPANY BALANCE SHEET At 30 June 2008

	Notes	2008 £m	2007 £m
Fixed assets			
Investments	3	**189.9**	188.6
Current assets			
Debtors	4	**18.0**	13.8
Cash at bank and in hand		**252.9**	267.0
		270.9	280.8
Creditors: amounts falling due within one year:	5	**(48.6)**	(102.5)
Net current assets		**222.3**	178.3
Total assets less current liabilities		**412.2**	366.9
Creditors: amounts falling due after more than one year	6	**(120.3)**	(88.2)
Net assets		**291.9**	278.7
Capital and reserves			
Called up share capital	7	**18.9**	18.8
Share premium account	8	**190.8**	190.6
Merger reserve	8	**3.0**	3.0
Profit and loss account	8	**79.2**	66.3
Total equity shareholders' funds	9	**291.9**	278.7

The notes on pages 90 to 98 are an integral part of these financial statements.

The financial statements on pages 89 to 98 were approved by the board on 11 September 2008 and signed on its behalf by:

Greg Fitzgerald
Chief Executive

Frank Nelson
Finance Director

1 STATEMENT OF ACCOUNTING POLICIES

Basis of accounting
These financial statements are prepared on the going concern basis, under the historical cost convention except for the valuation of share based payments, and in accordance with the Companies Act 1985 and applicable accounting standards in the UK. The principal accounting policies, which have been applied consistently, except for any changes arising from the adoption of new accounting standards, are set out below. As permitted by section 230(i) of the Companies Act 1985 the Company has not presented its own profit and loss account.

Under FRS1 (revised), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its consolidated financial statements, which include the Company and present a cash flow statement, are publicly available.

Under FRS8, the Company is exempt from the requirement to disclose related party transactions with entities that are part of the Galliford Try plc Group.

There are no deemed material critical accounting estimates and judgements.

Recent accounting developments
The following standards, amendments and interpretations have been published and have been adopted by the Company but have no material impact on the results:

> Amendment to FRS3, Reporting financial performance, which removes inconsistencies between FRS3 and FRS26, Financial instruments: recognition and measurement.
> Further improvements to pension disclosures.
> Amendment to FRS17, Retirement benefits, which replaces the disclosures required by FRS17 with those of IAS19, Employee benefits, its international equivalent.
> Amendment to FRS20, Share based payment, was issued to keep the UK standard in line with IFRS2.
> FRS29 (IFRS7), Financial instruments: disclosures.
> UITF Abstract 44, FRS20 (IFRS2), Group and treasury share transactions.

The following interpretation had been published but it is not relevant to the Company:

> UITF Abstract 45, Liabilities arising from participating in a specific market – waste electrical and electronic equipment.

Money market deposits
Money market deposits are stated at cost. All income from these investments is included in the profit and loss account as interest receivable and similar income.

Interest-bearing borrowings
Interest-bearing bank loans and overdrafts are initially recorded at the value of the amount received, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

Fixed asset investments and impairment
The book value of fixed asset investments would be written down to estimated recoverable amount should any impairment in the respective carrying values be identified.

Financial instruments
Interest rate swaps are used to manage the Company's interest rate exposure. The interest payable or receivable in respect of these swaps is accrued in the same way as interest arising on deposits or borrowings. Interest rate swaps are revalued to fair value at the year end with the movement being recognised immediately in the profit and loss account.

Accounting for Employee Share Ownership Plan
Own shares held by the Galliford Try Employee Share Trust ("the Trust") are shown, at cost less any permanent diminution in value, as a deduction from the profit and loss account reserve. The charge made to the profit and loss account for employee share awards and options is based on the fair value of the award at the date of grant spread over the performance period.

1 STATEMENT OF ACCOUNTING POLICIES continued

Share based payments

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

The credits associated with the amounts charged to the profit and loss account are included in retained earnings until the awards are exercised.

Debtors

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

When a trade debtor is uncollectable, it is written off against the impairment provision for debtors. Subsequent recoveries of amounts previously written off are credited in the profit and loss account. Short term debtors do not carry any interest and are stated at their amortised cost as reduced by appropriate impairment for estimated irrecoverable amounts.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Retirement benefit obligations

The Group operates a defined benefit pension scheme, the assets of which are held separately from those of the Company in independently administered funds.

As the Company is unable to identify its share of the assets and liabilities of the Group scheme, it accounts for contributions as if they were to a defined contribution pension scheme.

Dividend policy

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.

2 PROFIT BEFORE TAXATION

(i) Employees

Average monthly number of people (including executive directors) employed:

	2008	2007
Directors	**6**	7

The directors received all of their remuneration, as disclosed in the Remuneration Report on page 40.

(ii) Staff costs	2008 £m	2007 £m
Wages and salaries	**1.7**	1.7
Social security costs	**0.2**	0.2
Pension costs	**0.2**	0.1
Share based payments	**–**	0.4
	2.1	2.4

The schedule VI requirements for directors' remuneration are included within the Remuneration Report on page 40.

(iii) Auditors' remuneration

The fee payable to the Company's auditors for the parent company is £0.1 million (2007: £0.1 million).

(iv) Dividends

For details of equity dividends see note 7 of the Group's financial statements on page 62.

3 INVESTMENTS

	Shares in Group undertakings £m
Cost	
At 1 July 2007	190.2
Additions	1.3
At 30 June 2008	**191.5**
Aggregate impairment	
At 1 July 2007 and 30 June 2008	**1.6**
Net book value	
At 30 June 2008	**189.9**
At 30 June 2007	188.6

The principal subsidiary companies are set out in note 15 on page 98.

Additions relate to the charge for share based payments allocated to subsidiary undertakings. The carrying value of investments is not less than their fair value.

4 DEBTORS

	2008 £m	2007 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**16.7**	9.6
Taxation recoverable	**0.5**	0.8
	17.2	10.4
Amounts falling due after more than one year		
Other debtors	**0.7**	1.4
Deferred taxation	**0.1**	2.0
	18.0	13.8

Amounts owed by subsidiary undertakings are unsecured, have no interest chargeable and are repayable on demand. The carrying value of debtors approximates to their fair value.

The deferred tax asset recognised in the financial statements is calculated on the liability method at 28 per cent (2007: 28 per cent) and comprises:

	2008 £m	2007 £m
Tax effect of timing differences due to:		
Share based payments	**0.1**	2.0

The movement on the deferred tax asset is as follows:

	£m
At 1 July 2007	2.0
Credited to the profit and loss account in the year	(0.1)
Credited to equity	(1.8)
At 30 June 2008	**0.1**

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £m	2007 £m
Bank loans	**11.5**	11.5
Unsecured loan notes	**4.3**	36.0
Amounts owed to subsidiary undertakings	**31.9**	41.1
Other creditors	**0.8**	13.1
Accruals and deferred income	**0.1**	0.8
	48.6	102.5

The unsecured loan notes consist of two types of loan notes, as follows:

(i) £0.9 million (2007: £1.1 million) of loan notes were issued in 1997 and 2002 as part of the acquisition of Midas Homes Limited and Gerald Wood Homes Limited respectively. They are redeemable in whole or in part by the holders at any time provided that 30 days notice is given of their intention to redeem the loan notes. Their interest rate is determined by reference to LIBOR and varies every three months. The final dates for the redemption of these loan notes are July 2011 and July 2012 respectively.

(ii) £3.4 million (2007: £34.9 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 cent per annum. The final date for the redemption of these loan notes is March 2012.

Amounts owed to subsidiary undertakings are unsecured, have no interest chargeable and are repayable on demand.

6 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £m	2007 £m
Bank loans	**120.3**	88.2

The bank loans above are all denominated in sterling and have an effective interest rate of LIBOR plus 0.9 per cent (2007: 1.2 per cent) and the amounts due after one year are repayable within five years of the balance sheet date.

The Group entered into a five year bank facility for an aggregate total amount of £450 million in February 2007 with HSBC Bank plc, The Royal Bank of Scotland plc, Bank of Scotland and Barclays Bank PLC. The facility provides working capital, development finance and bonding. £150 million of this facility is on an amortising basis to £96 million by the facility maturity date in 2012, and at 30 June 2008 stood at £138 million. The facility is subject to covenants on interest cover, minimum net assets and gearing and is secured by charges over certain freehold properties and developments.

The facilities expiring within one year are annual facilities provided by HSBC Bank plc and Barclays Bank PLC that form part of the overall facility above. These facilities are subject to review in November 2008 and January 2009 respectively. All these facilities incur commitment fees at market rates.

7 CALLED UP SHARE CAPITAL

Authorised	2008 £m	2007 £m
505,000,000 ordinary shares of 5 pence each	**25.3**	25.3

	2008		2007	
Issued and fully paid	**Shares**	**£m**	Shares	£m
Ordinary shares of 5 pence each				
At 1 July	**376,513,101**	**18.8**	274,798,181	13.7
Allotted during the year	**–**	**–**	100,230,056	5.0
Allotted under share option schemes	**1,091,341**	**0.1**	1,484,864	0.1
At 30 June	**377,604,442**	**18.9**	376,513,101	18.8

At 30 June 2008 the total number of shares outstanding under the SAYE share option scheme was 8,494,084 and under the long term incentive plans was 3,325,750 as detailed below:

SAYE share option scheme			
Shares under option	Year of grant	Exercise price per share	Exercise period ending
235,330	2003	18p	30.11.08
1,284,403	2006	68.5p	31.07.09
1,045,294	2006	68.5p	31.07.11
1,906,786	2007	102p	30.06.10
1,761,001	2007	102p	30.06.12
1,266,321	2008	126p	30.06.11
994,949	2008	126p	30.06.13
8,494,084			

Long term incentive plans			
Shares awarded	Year of grant	Award price	Vesting date
933,000	2006	71.00p	13.09.08
1,047,400	2007	126p	30.10.09
113,000	2007	177p	08.03.10
1,232,350	2008	144.5p	10.09.10
3,325,750			

8 SHARE PREMIUM AND RESERVES

	Share premium £m	Merger reserve £m	Profit and loss £m	Total £m
At 1 July 2007	190.6	3.0	66.3	259.9
Premium on the issue of shares under share based payments	0.2	–	–	0.2
Purchase of own shares	–	–	(2.5)	(2.5)
Profit for the financial year	–	–	28.9	28.9
Dividend	–	–	(11.7)	(11.7)
Gain taken to the statement of total recognised gains and losses	–	–	(1.8)	(1.8)
At 30 June 2008	**190.8**	**3.0**	**79.2**	**273.0**

At 30 June 2008, the Galliford Try Employee Share Trust held 4,562,415 (2007: 2,865,475) shares. The nominal value of the shares held is £0.2 million (2007: £0.1 million). Shares were acquired in the period at a cost of £2.5 million (2007: £3.0 million). These shares were acquired by the Galliford Try Employee Share Trust in the open market using funds provided by Galliford Try plc. The cost of funding and administering the Trust is charged to the profit and loss account of the Company in the period to which it relates. The market value of the shares at 30 June 2008 was £1.7 million (2007: £4.5 million). No shareholders (2007: None) have waived their rights to dividends.

9 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2008 £m	2007 £m
Profit for the financial year	**28.9**	3.5
Dividend	**(11.7)**	(7.1)
(Loss)/gain taken to the statement of total recognised gains and losses	**(1.8)**	0.9
Purchase of own shares	**(2.5)**	(3.0)
Share based payments	**–**	1.1
Increase in share capital	**0.1**	5.1
Increase in share premium	**0.2**	141.9
Net movement in equity shareholders' funds	**13.2**	142.4
Opening equity shareholders' funds	**278.7**	136.3
Closing equity shareholders' funds	**291.9**	278.7

10 RETIREMENT BENEFIT OBLIGATIONS

The Company's principal defined benefit pension scheme is the Galliford Try Final Salary Pension Scheme (based on final pensionable salary) with assets held in separate trustee administered funds which was closed to future service accrual on 31 March 2007. As the Company is unable to identify its share of the assets and liabilities of the scheme, it accounts for contributions as if they were to a defined contribution pension scheme.

The most recent full actuarial valuations referred to in note 33 of the Group's financial statements on pages 83 and 84 were updated to 30 June 2008 and the following information is disclosed in these financial statements in accordance with FRS17:

The assumptions used are specified below:

	2008	2007	2006
Rate of increase in salaries	**n/a**	n/a	4.50%
Rate of increase in pensions in payment	**3.85%**	3.35%	2.95%
Discount rate	**6.30%**	5.70%	5.30%
Inflation assumption	**4.00%**	3.40%	3.00%

The mortality assumptions are set out in note 33 of the Group's financial statements on page 84.

10 RETIREMENT BENEFIT OBLIGATIONS continued

The assets in the scheme and the expected long term rates of return at 30 June were:

	2008		2007		2006	
	Return	Value £m	Return	Value £m	Return	Value £m
Equities	**8.65%**	**68.3**	8.35%	84.2	7.65%	74.4
Gilts	**5.15%**	**48.0**	5.35%	30.3	4.65%	15.2
Cash	**5.00%**	**1.2**	5.50%	5.9	4.50%	4.4
Property	**8.65%**	**–**	8.35%	–	7.65%	0.7
Bonds	**6.30%**	**11.3**	5.70%	11.0	5.30%	13.5
		128.8		131.4		108.2
Present value of liabilities		**(157.1)**		(156.4)		(155.1)
Deficit in the scheme		**(28.3)**		(25.0)		(46.9)
Deferred tax		**7.9**		7.0		14.1
		(20.4)		(18.0)		(32.8)

The difference between the assets valued at mid market price compared to the bid price used above amounts to £0.2 million.

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

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.1%	Increase/decrease by £3.3 million
Rate of inflation	Increase/decrease by 0.1%	Increase/decrease by £2.9 million
Increase in pension payments	Increase/decrease by 0.05%	Increase/decrease by £0.6 million
Life expectancy	Increase/decrease by one year	Increase/decrease by £3.7 million

	2008 £m	2007 £m
Analysis of the amount charged to operating profit:		
Service cost	**–**	2.5
Curtailment credit	**–**	(5.2)
Total operating (credit)/charge	**–**	(2.7)
Analysis of the net return:		
Expected return on the pension scheme assets	**9.6**	7.5
Interest on pension scheme liabilities	**(8.8)**	(8.2)
Net return	**0.8**	(0.7)
Analysis of amount recognised in the statement of total recognised gains and losses:		
Actual return less expected return on assets	**(15.2)**	2.2
Experience gains and losses on liabilities	**0.4**	1.9
Changes in assumptions	**3.4**	(0.4)
Actuarial (loss)/gain	**(11.4)**	3.7
Movement in deficit during the year:		
At 1 July	**(25.0)**	(46.9)
Movement in the year:		
Current service cost	**–**	2.7
Contributions	**7.3**	16.2
Net return	**0.8**	(0.7)
Actuarial (loss)/gain	**(11.4)**	3.7
At 30 June	**(28.3)**	(25.0)

10 RETIREMENT BENEFIT OBLIGATIONS continued

Details of experience gains and losses in the year:	**2008**	2007	2006	2005	2004
Difference between the expected and actual return on assets:					
Amount £m	**(15.2)**	2.2	6.4	6.2	1.7
Percentage of assets	**(12)**	2	6	7	2
Experience gains and losses on liabilities:					
Amount £m	**0.4**	1.9	5.2	(2.5)	1.8
Percentage of present value of liabilities	**–**	1	3	(2)	2
Total amount recognised in statement of total recognised gains and losses:					
Amount £m	**(11.4)**	3.7	(5.1)	(15.2)	5.7
Percentage of present value of liabilities	**7**	2	(3)	(11)	5

11 FINANCIAL INSTRUMENTS

For further FRS29 narrative and numerical disclosures refer to note 25 on pages 74 to 77.

The financial instruments, excluding short term debtors, creditors and the interest rate swap, comprise cash and loan notes. The directors consider the fair value not to be materially different to the carrying value for financial instruments. The Company holds its cash as part of a Group banking arrangement which offsets all the Group cash and overdraft balances with interest rates at variable rates linked to bank base rate. The objective of placing funds with banks in this way is to minimise interest payable by the Group as a whole. There are no amounts included within cash at bank and in hand which are not accessible within 24 hours without penalty.

Loan notes

Details of loan notes are set out in note 5 of the Company financial statements. All loan notes are due within one year.

Interest rate swaps

The notional principal amount of the outstanding interest rate swap contracts at 30 June 2008 was £69 million (2007: £125 million). At 30 June 2008, the fixed rate interest rate is 5.7 per cent (2007: 4.7 per cent to 5.7 per cent).

12 SHARE BASED PAYMENTS

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

The options were valued using the Monte Carlo model. The fair value per option granted, subsequent to November 2002, and the assumptions used in the calculation are as follows:

Grant date	Award price at grant date	Vesting period months	Risk free rate	Dividend yield	Fair value per option
22.03.05	60.75p	36	4.0%	2.9%	26.8p
13.09.05	71p	36	4.0%	2.5%	41.4p
30.10.06	126p	36	5.0%	2.0%	73.0p
08.03.07	177p	36	5.2%	1.5%	154.3p
10.09.07	144.5p	36	5.0%	2.1%	71.2p

12 SHARE BASED PAYMENTS continued

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:

	2008 Number	2007 Number
Outstanding at 1 July	**3,105,400**	3,119,000
Granted	**1,384,550**	1,273,400
Forfeited	**(265,200)**	(139,640)
Exercised	**(899,000)**	(1,147,360)
Outstanding at 30 June	**3,325,750**	3,105,400
Exercisable at 30 June	**–**	–

The weighted average fair value of awards granted during the year was 71.2 pence (2007: 87.4 pence). The weighted average share price at the date of exercise was 59.0 pence (2007: 179.5 pence). The weighted average remaining contractual life is Nil as the shares are exercised on the day that they vest (2007: Nil).

13 CONTINGENT LIABILITIES

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

The Company has entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued on behalf of Group undertakings in the normal course of business amounting to £117.7 million (2007: £226.6 million).

As explained in the Corporate Governance Report on page 39, the Group is awaiting a decision from the Office of Fair Trading in respect of allegations of breaches of the 1998 Competition Act. No provision has been made for any potential fine in relation to this matter, as the result of the investigation is not yet known and any potential fine is therefore not quantifiable.

14 OTHER FINANCIAL COMMITMENTS

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

Details of other guarantees given in respect of joint ventures is set out in note 36 of the Group financial statements on page 87.

15 SUBSIDIARIES

The directors consider that to give particulars of all subsidiary undertakings would lead to a statement of excessive length. The following subsidiary undertakings, in the opinion of the directors, principally affect the results and assets of the Group and have been disclosed in accordance with Section 231(5) (a) of the Companies Act 1985. A complete list will be attached to the Company's annual return. All are registered in England and Wales, operate in the United Kingdom, are 100 per cent owned and have 30 June year ends.

Galliford Try Construction Limited*
Galliford Try Employment Limited
Galliford Try Homes Limited*
Galliford Try Infrastructure Limited
Galliford Try Investments Limited*
Galliford Try Partnerships Limited
Galliford Try Plant Limited
Galliford Try Properties Limited*
Galliford Try Services Limited*
Gerald Wood Homes Limited
Kendall Cross Holdings Limited
Linden Limited
Midas Homes Limited
Morrison Highway Maintenance Limited
Pentland Limited
Rock & Alluvium Limited
Stamford Homes Limited
Stamford Homes North Limited

*The shares of the companies marked with an asterisk are owned directly by the Company.

	2004 Note 1 £m	2005 Note 2 £m	2006 £m	2007 £m	**2008** **£m**
Revenue	695.4	718.5	851.5	1,409.7	**1,831.9**
Profit before exceptional items	22.7	27.4	32.5	53.0	**71.8**
Exceptional items	–	–	2.0	7.2	**(11.5)**
Profit before taxation	22.7	27.4	34.5	60.2	**60.3**
Tax	(7.1)	(8.3)	(9.1)	(16.6)	**(17.8)**
Profit after taxation attributable to shareholders	15.6	19.1	25.4	43.6	**42.5**
Fixed assets, investments in joint ventures and available for sale financial assets	14.8	14.2	12.5	15.4	**24.1**
Intangible assets and goodwill	–	–	59.5	121.2	**125.2**
Net current assets	62.8	77.0	137.2	312.0	**321.6**
Long term receivables	0.7	15.4	15.9	15.7	**34.4**
Long term payables and provisions	(6.0)	(52.9)	(105.0)	(157.7)	**(180.0)**
Net assets	72.3	53.7	120.1	306.6	**325.3**
Share capital	11.2	11.3	13.7	18.8	**18.9**
Reserves	61.1	42.4	106.4	287.8	**306.4**
Shareholders' funds	72.3	53.7	120.1	306.6	**325.3**
Dividends per share (pence)	1.7	2.1	2.5	3.0	**3.0**
Basic earnings per share (pence)	7.2	8.6	10.8	14.3	**11.4**
Diluted earnings per share (pence)	6.9	8.5	10.6	14.1	**11.4**

Note 1: Restated for effect of new accounting pronouncements adopted in 2004 and prepared under UK GAAP.
Note 2: Restated for effect of IFRS which has been adopted from 1 July 2004

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Company Secretary: Richard Barraclough
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Managing Director, Infrastructure: Ken Gillespie
Managing Directors, Housebuilding:
Midlands, South & South West: Ian Baker
South East: Paul Cooper
Managing Director, Affordable Housing and Regeneration: Stephen Teagle

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MD: Bill Cawse

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MD: Brendan Blythe

Linden Homes Southern
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Tel: 023 8066 5100
MD: Pat Feighery

Linden Homes Western
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Tel: 0117 930 4949
Director: Nigel Palmer

Linden Homes South East
Linden House
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Caterham
Surrey CR3 5XL
Tel: 01883 334 400
MD: Paul Cooper

Linden Homes Chiltern
Linden House
Linden Square
Harefield
Middlesex UB9 6TQ
Tel: 01895 827 400
MD: Tom Nicholson

Affordable Housing and Regeneration
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MD: Stephen Teagle

Galliford Try Partnerships
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Chelmsford
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MD: Mick Laws

FINANCIAL CALENDAR 2008

Half year results announced	21 February
Interim dividend paid	14 April
Full year results announced	11 September
Ex dividend date	15 October
Final dividend record date	17 October
Annual General Meeting	7 November
Final dividend payment	14 November

SHAREHOLDER ENQUIRIES

The Company's registrars are Equiniti. They will be pleased to deal with any questions regarding your shareholding or dividends. Please notify them if you change your address or other personal information. Their address and contact details are:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

SHAREHOLDER HELPLINE

Telephone: 0871 384 2202

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

The Company has established an execution only share dealing Service with Equiniti for existing shareholders with a UK registered address. The facility enables shares to be bought or sold within minutes between the hours of 8.30am and 4.30pm, Monday to Friday. To deal log on to **www.shareview.co.uk/dealing** or telephone **0845 603 7037**. You should have your share certificate with you when you deal.

COMPANY WEBSITE

www.gallifordtry.co.uk

You can find out more about the Company on our website **www.gallifordtry.co.uk** which includes a section specifically prepared for investors. In this section you can check the Company's share price, find the latest Company news and look at the financial reports.

The Company's up to date share price can also be obtained by telephoning Financial Times CityLine on 0906 843 2653 (calls charged at 60p per minute).

COMPANY CONTACT

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

ANALYSIS OF SHAREHOLDING

at 30 June 2008

Size of Shareholding	Number of holders	% of holders	Number of shares	% of shares
1-10,000	3,668	75.41	11,604,050	3.07
10,001-50,000	806	16.57	16,930,325	4.49
50,001-500,000	260	5.35	41,807,016	11.07
500,000-Highest	130	2.67	307,263,051	81.37
Totals	**4,864**	**100**	**377,604,442**	**100**

Registered office
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Cowley
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Registration
England 836539

Stockbrokers
KBC Peel Hunt
RBS Hoare Govett

Financial advisors
Lazard

Auditors
PricewaterhouseCoopers LLP

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

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GALLIFORD TRY PLC ANNUAL REPORT AND FINANCIAL STATEMENTS 2008

STRENGTH IN DIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS 2008

Galliford Try plc

CONTENTS

"Our construction businesses have delivered a record performance, with increased profits and excellent cash generation. Whilst housebuilding has been affected by the severe downturn in the housing market, its effect has been mitigated by our early adoption of a policy of aggressive selling, our strengths in affordable housing and our concentration on managing our debt. Our strategy is to continue to focus on shareholder value to deliver sustainable growth over the long term."

Greg Fitzgerald, Chief Executive

The Group at a glance >

Cover photo: Leigh Academy in Dartford, one of six academies being constructed by Galliford Try.