Delivering profitable growth

Annual Report and
Financial Statements 2007

GallifordTry plc

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"Galliford Try has had an excellent year. We have delivered significant profit growth across all our businesses, our recent acquisitions are performing ahead of expectations, and we are confident that our strategy will continue to deliver sustainable growth and increased shareholder value."

Greg Fitzgerald
Chief Executive

HIGHLIGHTS
For the year ended 30 June 2007

- Results ahead of expectations from Morrison Construction and Chartdale Homes in the first full year following acquisition.
- Good performance from Linden Homes since acquisition; integration going well with synergies exceeding forecast.
- Year end net debt of £99 million, representing gearing of 32 per cent, significantly better than expectations.
- Current construction order book maintained at £2.1 billion.
- Record housebuilding completions of 1,526 units and landbank of 11,200 plots. Encouraging sales during the summer period with current sales in hand of £323 million.
- 90 per cent revenue growth in affordable housing and regeneration activities.

	2007 £m	2006 £m	**Increase**
Revenue	1,410	852	**+65%**
Profit before tax			
– Pre exceptional*	53.0	32.5	**+63%**
– Post exceptional	60.2	34.5	**+75%**
Earnings per share	pence	pence	
– Pre exceptional*	12.5	9.7	**+29%**
– Post exceptional	14.3	10.8	**+32%**
Dividend per share	3.0	2.5	**+20%**

*Stated before a net exceptional gain of £7.2 million (2006: £2.0 million).

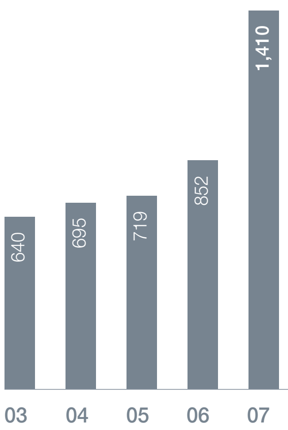
REVENUE
+65%
£1,410m

PROFIT BEFORE TAX
+75%
£60.2m

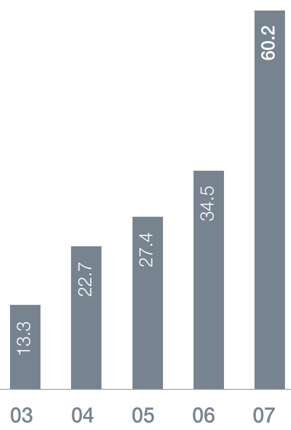
EARNINGS PER SHARE
+32%
14.3p

DIVIDEND PER SHARE
+20%
3.0p

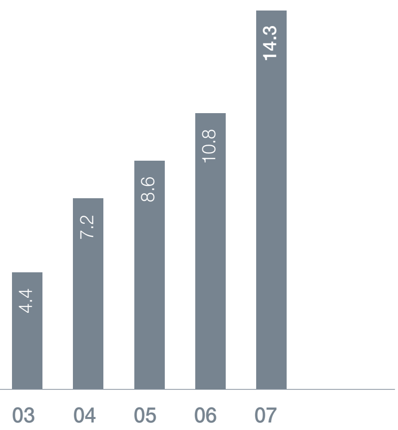
REVENUE
£M



PROFIT BEFORE TAX
£M



EARNINGS PER SHARE
PENCE



GALLIFORD TRY PLC

The Group provides construction services throughout the UK, is a housebuilder across the South of England, Midlands and Eastern counties and undertakes affordable housing and regeneration activities. We employ 4,000 people, and are an industry leader in collaborative working through partnering and long term relationships throughout our businesses.

BUILDING

Galliford Try offers a comprehensive range of construction services across the UK with specific expertise in the areas of 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.

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.

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 and the Building Schools for the Future programme.

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

HOUSEBUILDING

Galliford Try develops individually designed homes and bespoke developments, specialising in brownfield sites and conversions.

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

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 and are working on 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.

DAVID CALVERLEY
CHAIRMAN

"Galliford Try has had an exceptional year. We have achieved record financial results, made a key acquisition in our housebuilding business and joined the FTSE 250 index."

I am delighted to report that on revenue up 65 per cent to £1.4 billion the Group achieved a pre exceptional profit before tax up 63 per cent to £53.0 million with post exceptional profits up 75 per cent to £60.2 million. Basic earnings per share (pre exceptional) increased 29 per cent to 12.5 pence with post exceptional up 32 per cent to 14.3 pence.

The two acquisitions made in our previous financial year have both delivered profits ahead of expectations. Linden Homes, acquired in March 2007, has exceeded its profit expectations for the first four months of our ownership. The integration is going well and we are already seeing the benefits of our greater critical mass across the South of England.

The return on average shareholder funds in the year was 28 per cent and shareholders' funds at 30 June 2007 were £306.6 million.

DIVIDEND
The directors have taken into account the current performance and their confidence in the future prospects for the Group in determining an appropriate level of dividend. Accordingly, the directors are recommending a final dividend of 2.2 pence per share, an increase of 22 per cent on 2006, resulting in a total dividend up 20 per cent to 3.0 pence. The final dividend will be paid on 16 November 2007 to shareholders on the register on 19 October 2007. The directors remain committed to a progressive dividend policy which takes into account earnings growth as well as the need for continued investment in the business.

PEOPLE
The Group employs 4,000 people on whose efforts the success of the Group depends. We have people who have spent many years in the business whose skills and experience would be hard to surpass, as well as those who have more recently joined one of our companies. I am convinced that we have one of the best teams in the industry and I thank them all for their commitment.

THE BOARD
As announced with our half year results, we restructured our board at the end of March to take account of the significant increase in the size of the Group and the consequent need to change our management structure. Consequently, our main board now comprises the Chief Executive and Finance Director, together with myself as Chairman and our three independent non-executive directors. Andy Sturgess and Ken Gillespie therefore stepped down from the board to join our new executive board which, chaired by the Chief Executive, comprises the managing directors of our major divisions together with the Finance Director and Company Secretary.

OUTLOOK
Galliford Try has grown substantially in the last two years and is now one of the UK's leading companies in both the construction and housebuilding markets.

The market for construction is expected to continue at buoyant levels for the foreseeable future. The spread of our work, much of it directed to the programmes essential for the public and regulated sectors to improve the country's infrastructure, is well balanced across sectors that are growing and in which we are one of a limited number of qualified providers.

In housebuilding, our new critical mass in our areas of operation, combined with our business model of developing individual quality developments, and not relying on consortium sites, is serving us well. With encouraging sales over the summer period, we are well positioned to deliver a good performance in the more challenging markets that we now face.

Our increasing focus on affordable housing and regeneration is proving its value as we continue to win significant schemes, demonstrating the additional potential of our successful construction and housebuilding business model. The opportunities exist to increase our market share significantly.

We are confident that our strategy will continue to deliver sustainable growth.

David Calverley

GREG FITZGERALD
CHIEF EXECUTIVE

FRANK NELSON
FINANCE DIRECTOR

INTRODUCTION

Galliford Try has had an excellent year. On revenue up 65 per cent to £1.4 billion the Group achieved a pre exceptional profit before tax up 63 per cent to £53.0 million with post exceptional profits up 75 per cent to £60.2 million. Basic earnings per share (pre exceptional) increased 29 per cent to 12.5 pence with post exceptional up 32 per cent to 14.3 pence.

The two acquisitions made in our previous financial year have both delivered profits ahead of expectations. The Chartdale Homes landbank has continued to grow and Morrison Construction's skills have significantly broadened the resource and expertise available to the Group leading to good growth, particularly in our water, highways and renewable energy businesses.

Linden Homes, acquired in March 2007, has exceeded its profit expectations for the first four months of our ownership. The integration is going well and we are already seeing the benefits of our greater critical mass across the South of England. The synergy savings projected are ahead of our forecasts at the time of acquisition, with restructuring costs remaining in line.

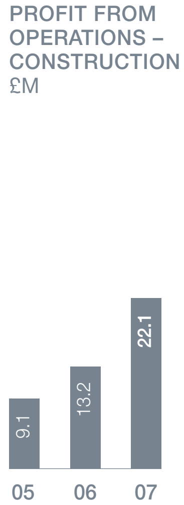
With our construction and housebuilding divisions performing very well, we are harnessing the skills we have across the Group to grow our presence in the expanding affordable housing and regeneration market, where we have a competitive advantage and are rapidly becoming an industry leader on the larger, more complex schemes.

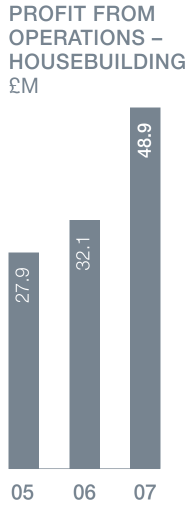
STRATEGY

Galliford Try's strategy is to grow profits by expanding both its construction and housebuilding activities with a specific focus on affordable housing and regeneration.

In construction, the market comes both from the private and public sectors. Public expenditure on buildings, particularly in the education and health sectors, has continued to grow, and in infrastructure there are long term improvement programmes in place for the country's water, transport and other networks. Galliford Try has developed a leading position in framework and long term relationship contracting which comprises an increasing proportion of the overall workload for clients requiring a number of projects to be carried out over a period. By targeting our expertise at specific market sectors the Group aims to achieve growth in both revenues and profits.

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.





In housebuilding the Group has significant 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. With an expertise and track record in brownfield development and conversions as well as traditional new-build properties, we aim to differentiate our homes by individual designs, avoiding standard house types, sensitivity to local architecture and excellent customer service.

We are an increasing force in the regeneration and affordable housing markets. The more complex regeneration schemes in particular require the development skills we have in our housebuilding division, our building expertise and infrastructure skills to remediate land, construct the infrastructure and contract for the commercial elements of schemes that create whole new communities.

Our strategy is to continue with a joint construction and housebuilding business model. In addition to the business synergies described above the model supports the financing of our operations. Our construction operations generate cash which is used to invest in our housebuilding business, which, to generate its profit margins, has a significant cash requirement. We therefore minimise our need for external borrowings.

The Group aims to deliver its strategy through a combination of organic growth and by selective acquisition when suitable opportunities arise.

Key performance indicators, 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:

Profit before tax – Our objective is to achieve consistent increases in profit before tax each year. Our measure is profit on ordinary activities, excluding exceptional items, stated before tax. This rose 63 per cent to £53.0 million in the year.

Earnings per share – Our objective is to provide year-on-year growth in earnings per share. The relevant earnings per share is measured based upon profit attributable to ordinary shareholders before exceptional items, divided by the average number of shares in issue during the year. This rose 29 per cent to 12.5 pence.

Dividend per share – Our objective is to pay a progressive dividend each year. The measure is the sum of the interim dividend and the final proposed dividend per share for the financial year. This rose 20 per cent to 3.0 pence in the year.

Cash and capital management – Our objective is for our construction activities to generate cash and for our housebuilding businesses to maximise their return on capital employed. We measure our use of capital by the number of times in the year we turn our capital, calculated as housebuilding revenue divided by average capital employed. For 2007 this was 1.4 times.

Staff churn – Our objective is to attract and retain the highest calibre of employees by being an employer of choice. Our measure is the number of employees within the Group who voluntarily leave during the year divided by the average number of employees expressed as a percentage. This was 18 per cent in the year, unchanged from the previous year.

Health and safety – Our objective is to ensure our operations are carried out safely and without causing injury. The measure is the 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 an incident rate per 1,000 people. This was 8.6 in the year. Further details are on page 16.

CONSTRUCTION OVERVIEW

Our construction activities have been organised for the first time this year as two divisions, building and infrastructure. Overall we carried out £1.08 billion of work on which profit from operations was £22.1 million, representing a margin of 2.1 per cent. The Group's construction order book is £2.1 billion, of which 90 per cent has been secured on a basis other than by pure price competition and 80 per cent is in the public and regulated sector.

Performance

Our key performance indicators in construction, which we then apply to our building and infrastructure divisions, are:

Profit from operations – Our objective is to increase profit from operations year on year. The measure is profit on ordinary activities stated before finance costs, exceptional items, amortisation and share of joint ventures' interest and tax.

Work in hand – Our objective is 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.

Operating margin – Our objective is 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.

Revenue (including JVs)	£1,078 million
Profit from operations	£22.1 million
Operating margin	2.1%
Order book	£2.1 billion

£2.1bn

TOTAL CONSTRUCTION ORDER BOOK

BUILDING

Market

The market for building works has been good during the year. In the public sector Government investment continues to be made in the key sectors of education, health, prisons and, through registered social landlords, affordable housing. Work continues to be let through a combination of single projects and frameworks, in which Galliford Try is a leader.

The private finance initiative is well established and, with further work being let under LIFT programmes for primary care trusts in the health sector, the next stage of schools work being let under the Government's Building Schools for the Future initiatives and pressures on the prison estate, the current market conditions are expected to continue.

Commercial work for private clients has been strong. Commercial office buildings for both owner-occupiers and the major property companies, particularly in London and the South East of England, continue to generate a number of projects enabling selectivity to be maintained. Investment in the retail sector and in leisure facilities has continued to provide opportunities, with a number of clients seeing the benefits of letting construction work to a limited panel of contractors under framework agreements.

Strategy

Galliford Try's strategy is to deliver building services to key clients from a limited number of centres of excellence across the country. With long established businesses in the South East of England and the Midlands operating as Galliford Try Construction and in Scotland operating as Morrison Construction, the division aims to grow revenue and profits by increasing its market share in its existing areas of operation and by increasing its presence in the North of England and in other areas where it is less well established.

Performance

Revenue (including JVs)	£667 million
Profit from operations	£12.3 million
Operating margin	1.8%
Order book	£1 billion

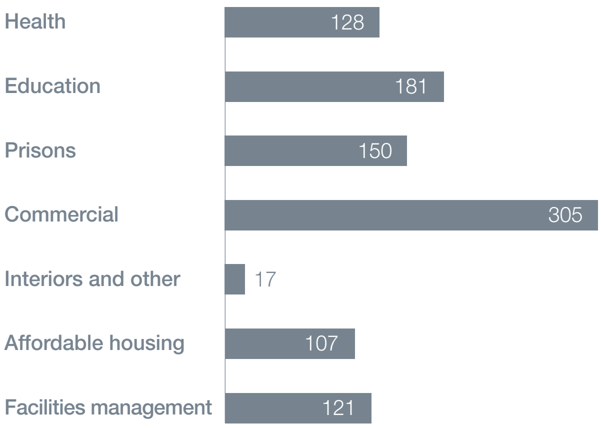
Profit from operations of £12.3 million on revenue of £667 million, including joint ventures, represented an operating margin of 1.8 per cent, underpinned by the generation of substantial cash balances throughout the year. During the year the integration of the building activities of Morrison Construction, acquired in March 2006, was completed with the business in Scotland performing particularly well and the contracts previously carried out in England absorbed into Galliford Try's existing operations.

The division is midway through its two major multi-school PFI projects – 41 schools for Northamptonshire County Council and 11 schools for the Highlands Council in Scotland. Both projects are performing well, generating anticipated profit levels and good cash balances. Having initially secured two contracts for Marks and Spencer as part of their store rebuilding and refurbishment programme, we are in discussions on potential further work. There are also a number of new opportunities we are pursuing under our prisons framework, where Government expenditure continues to be focused.

Work at the All England Lawn Tennis Club at Wimbledon is progressing to plan, with the major rebuild of the centre court stadium completed for the 2007 Championships and the structural work on schedule for the installation of the fixed perimeter roof to be completed for the 2008 Championships and the retractable translucent central element for 2009.

We have made good progress in growing our business in the North of England. Based on the existing strength of both Galliford Try and Morrison Construction in the area, we opened a new office in Warrington during the year and recently secured the £41 million National Museum of Liverpool, to be built on the quayside in the centre of the city.

BUILDING ORDER BOOK £M



Looking forward

During the next 12 months our objective is to continue to grow both revenue and margin within the business. We aim to substantially complete the Northampton and Highland Council PFI contracts and ensure that we have secured adequate future work to replace those significant projects. We are also planning to make a step change in our facilities management business by bringing together the current work we do, and developing it as a major part of the service we can offer our clients. The current order book has been maintained at £1 billion, of which 90 per cent has been secured on a basis other than on pure price competition and 68 per cent is in the public sector.

INFRASTRUCTURE

Market

The market for Galliford Try's infrastructure services has been buoyant during the period. Expenditure on the nation's infrastructure has been maintained by the public and regulated utilities sectors, with programmes to replace and renew facilities, particularly in the water, highways and rail markets. Work on flood alleviation is anticipated to continue, although expenditure on the maintenance of the inland waterways, and by the mobile telephone operators on their infrastructure, has reduced. Investment in renewable energy sources continues to grow, as there is an increasing focus on reducing the country's dependence on fossil fuels.

Strategy

Galliford Try's strategy is to provide construction services to national infrastructure markets from centres of sector expertise. We aim to grow in the water, transport, civil engineering, and related specialist sectors throughout the UK. Over 90 per cent of the workload of the division is in long term frameworks with the leading public and regulated operators. The division's objective is to grow revenue and profits in each of its key sectors, supplementing framework projects with additional contracts to provide a balanced workload.

Performance

Revenue (including JVs)	£411 million
Profit from operations	£9.8 million
Operating margin	2.4%
Order book	£1.1 billion

Profit from operations of £9.8 million was achieved on revenue of £410.7 million, including joint ventures, representing a margin of 2.4 per cent. The division also performed well on cash management with good cash balances held throughout the year. Having integrated the infrastructure operations of Galliford Try with those of Morrison Construction, the division has successfully established itself as a major provider of infrastructure services in its chosen markets by winning significant new work during the year.

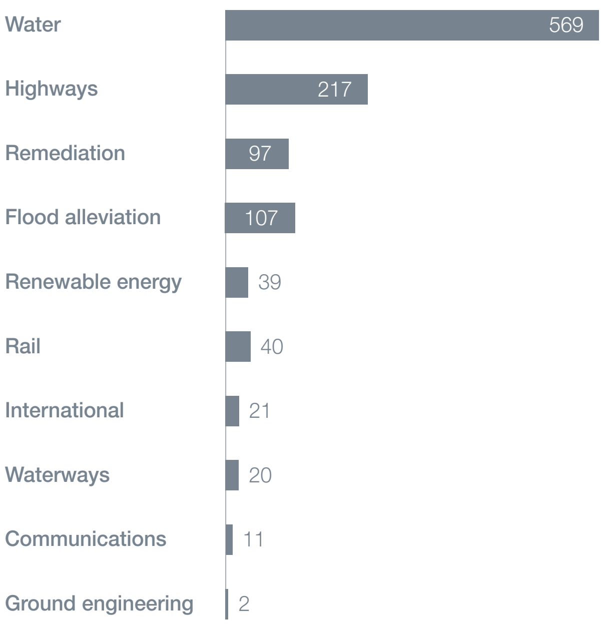
In water, the division works for seven of the largest water utilities in the UK through framework agreements under Asset Management Programme 4 – long term agreements that are currently in mid term, thereby providing visibility to our future workload. Our performance with the water utilities enables us to be considered for additional work outside the existing frameworks, and during the year we secured a number of new projects, such as a £50 million water treatment works in joint venture with Imtec for Anglian Water.

In the highways sector we have over £100 million of road projects currently under construction. We are working on several projects under the early contractor involvement scheme of procurement for the Highways Agency in England and are under consideration for a number of projects in Scotland, including a joint venture for the M74 project in Glasgow. We recently secured our first rail contract in Scotland, work on station, bridge and other infrastructure projects for the railways through framework contracts for Network Rail and are one of British Waterways' key framework contractors on the canals.

In the remediation sector our framework at Olympic Park in East London for the Olympic Development Authority is progressing well. We secured the construction contract for Europe's largest onshore wind farm at Whitelee in Scotland in our renewable energy business and were appointed as one of the Environment Agency's four contractors on a four year framework for its £500 million flood defence, waterways and water resources programme.

Our specialist services comprise infrastructure work for the telecommunications industry, ground engineering, the provision of construction plant and vehicles and construction operations in the South Atlantic. Our four year project to construct a new research station at Halley on the South Atlantic ice for the British Antarctic Survey, a long-standing client, is now well underway.

INFRASTRUCTURE ORDER BOOK £M



Looking forward

Our overall objective is to continue to grow our market share in all key sectors. We aim to ensure the division is structured to meet the changing needs of our framework clients in order that when existing frameworks expire we are in the best position to secure renewals, particularly in the water sector.

Despite carrying out a significant value of work in our frameworks, we maintained our overall order book at £1.1 billion by securing new frameworks and other additional contracts. Over 90 per cent has been secured other than through pure price competition.

PPP INVESTMENTS

Market

The Government's programme of public/private partnerships and group finance initiatives continues to be one of the main methods used by Government to finance and carry out improvements to public sector facilities. The market requires private sector operators to provide a structure for designing, building and then operating a public sector facility in exchange for payments made over the useable life of the facility. The public finance initiative format has developed into a number of forms, including local investment finance trust frameworks (LIFTs) for the health sector and Building Schools for the Future, the new framework for future schools projects. With Government remaining committed to continuing the improvements seen in education, health and defence accommodation in particular, a pipeline of future work is anticipated.

Strategy

Galliford Try Investments' strategy is to secure a stream of PFI projects to generate a return on the equity investment made, and to provide the opportunity for negotiated construction work for the Group's other divisions. With projects having a long gestation period and requiring initial investment prior to the selection of a preferred bidder for a project, Galliford Try Investments aims to have projects at different stages of the cycle at any one time.

Performance

Revenue (including JVs)	£3.5 million
Loss from operations	£1.1 million
Directors' portfolio valuation	£17.9 million

The integration of the Morrison PFI team into Galliford Try Investments was completed, and the Company acquired the PFI equity interests in Highland Schools and Defence Housing Estates, Portsmouth, during the year. Our strategy is to build up our PFI portfolio for the future, and despite there being no sales of investments during the year, as planned, income received from concession management contributed to a reduction in the net loss from operations to £1.1 million from £1.6 million in the previous year.

The directors' valuation of the Group's PFI/PPP portfolio, carried out for the first time during the year, has been updated to 30 June 2007 and, based on a discounted cash flow basis, the valuation was £17.9 million, which compares to the carrying value of £6.9 million. Following a review of the overall potential of the business to the Group, we implemented a policy of taking significant equity stakes in projects at the commencement of the bidding process of up to 100 per cent, in light of the superior returns and control of the process that this practice gives compared to minority equity participation. Decisions on equity sales can then be made at the most appropriate time to realise best value.

Projects in the construction phase in which we have significant investment include Defence Estates (Portsmouth) and Highland Schools. Preferred bidder status was awarded and we are working towards financial close on the £25 million PFI project for community health facilities at St Andrews in Scotland. We achieved financial close on the South East Essex LIFT following the year end, which is expected to provide up to £100 million of work over several tranches, and have been shortlisted for Birmingham's Building Schools for the Future project, where a preferred bidder is expected to be selected during 2008.

Looking forward

We aim to work towards obtaining preferred bidder status on the projects for which we are currently shortlisted, particularly the Birmingham Schools BSF project. We also aim to grow our business in concession management and extend our supply chain relationships.

HOUSEBUILDING

Market

The housebuilding market performed strongly during the first half of the financial year, although the succession of interest rate rises started to have an effect in the second half, restoring a level of stability to the market across all our operating areas in the South West, South East and Eastern counties of England. Demand for well-designed, individual homes remains less competitive than for homes on large sites, particularly if in consortia with other housebuilders, with competing similar properties.

Strategy

Galliford Try's strategy is to grow revenue and profits by expanding its market share within the areas of its current operations, expanding where opportunities arise into adjacent regions, and taking advantage of acquisition opportunities to fulfil this strategy where possible. Concentrating on sites that fit the Company's track record in creating individually designed properties, with an expertise in conversions and brownfield development, the Company does not rely on large multi-developer sites where it is in direct competition with volume housebuilders.

Performance

Our housebuilding key performance indicators are:

Profit from operations – Our objective is to increase profit from operations year on year. The measure is the profit on ordinary activities stated before finance costs, exceptional items, amortisation and share of joint ventures' interest and tax.

Completions – Our objective is to grow completions in excess of underlying market growth. The measure is the total number of homes that have been legally completed, including the equivalent number of completions from joint ventures represented by our share of ownership.

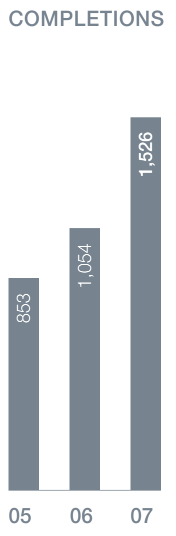
Operating margin – Our objective is to deliver an upper-quartile operating margin for the sectors in which we work. The measure is the profit from operations divided by revenue, expressed as a percentage.

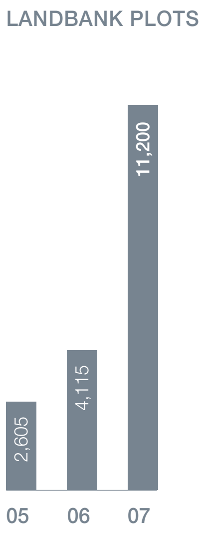
Landbank – We aim to improve the size, quality and balance of our landbank over time. We measure the total number of owned and controlled plots.

Customer satisfaction – We aim to maintain and improve our customer satisfaction scores. The measure is the percentage of our home buyers who would recommend the Company to their best friend, calculated using responses to research carried out by an independent external research company that contacts every customer after they have purchased one of our homes.

Revenue (including JVs)	£346 million
Completions	1,526 units
Profit from operations	£48.9 million
Operating margin	14.1%
Landbank	11,200 plots
Customer satisfaction	over 90%

Profit from operations was up 52 per cent from £32.1 million to £48.9 million on revenue up 54 per cent from £224 million to £346 million, including joint ventures, representing a margin of 14.1 per cent. Completions for the year were up 45 per cent at 1,526 at an average





sales price up 3 per cent to £219,000. In the more challenging markets we now face, sales over the summer period have been encouraging, with our current sales in hand standing at £323 million.

The acquisition of Linden Homes in March 2007 significantly increased the Group's market presence and critical mass in the South and South East of England, enabling the Group to establish a target of completing 3,000 homes per annum. The results include four months trading from Linden Homes which contributed a profit from operations of £7.8 million on a revenue of £66.3 million, ahead of expectations. The integration is progressing well, with the synergies anticipated at acquisition already exceeding our forecasts. All the Group's operations in the South East of England have been rebranded as Linden Homes to maximise the benefits of our market presence in the region. Chartdale Homes, acquired in the previous financial year, exceeded expectations in its first full financial year since acquisition, is growing strongly and has been rebranded in line with our plans as Stamford Homes North to provide one consistent brand in the Eastern counties. Midas Homes, in the South West, maintained excellent progress as a leading developer of homes in the region across the mainstream market and, through Gerald Wood Homes, to small developments of individual properties in attractive rural locations.

The Group has historically operated off relatively short landbanks. However, a continuing competitive market for land, and the increasing time it now takes to take potentially developable land through the planning process, means that it is becoming more important to plan our operations further ahead and to structure our landbank accordingly. The acquisition of Linden Homes added 4,800 plots to our landbank, which currently stands at 11,200 units compared to 4,115 at the end of August last year. We continue to develop opportunities from our long-term strategic land, and our total strategic land currently stands at 1,500 acres.

We have an excellent track record in brownfield land development which accounted for 70 per cent of our 2007 completions. Going forward, over 80 per cent of our landbank is brownfield. Our individual designs and developments, not relying on standard house types or on consortium sites, put us in a good position to continue to develop homes that differentiate themselves from the competition. We continue to achieve industry-leading scores in independent customer research, with 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 home buyers generally in the market.

We received a number of industry awards during the year, including several for sustainable development and design, and the Building 'medium-sized homebuilder of the year' for the third year running, with Midas Homes securing the 2007 award.

Looking forward

Our objective is to complete the integration of Linden Homes, taking advantage of our increased critical mass to secure larger longer term developments and establishing our business in central London where there are opportunities that match our skill set and resource. Across our operations we aim to maintain our strength in our existing levels of customer satisfaction and continue to improve our competitive advantage by using our new critical mass to deliver best value in dealing with our supply chain and introduce new ideas to control costs. Dealing with the planning system remains time-consuming and complex and we are strengthening our resources to ensure we achieve the number of implementable planning consents that we require to meet our objectives.

AFFORDABLE HOUSING AND REGENERATION

Market

The requirement to provide affordable housing is a key government policy and is an integral part of obtaining planning consents on housing developments. The redevelopment of run-down urban areas is also a priority, with Government agencies releasing significant parcels of land across the UK for renewal programmes. These need to incorporate the infrastructure for new communities that include affordable housing, housing for sale, community buildings, retail and other commercial

11,200

PLOTS IN LANDBANK

uses. The scope for private sector involvement is growing, with a need for master planning and project management as well as an ability to deliver a built environment.

Strategy

There are few businesses with the spread and depth of resources required to deliver the range of services required for these sites and, using the skill sets across its infrastructure, building and housebuilding divisions, Galliford Try aims to take an increasing share of this expanding market. We have the capability to remediate sites, put in any necessary infrastructure, carry out major building works and develop homes and apartments for sale.

Performance

Revenue (including JVs)	£128.4 million
Profit from operations	£6.1 million

For the first time, the Group is reporting separately the revenue and profit from operations generated from the affordable housing and regeneration activities included within the divisional results for construction and housebuilding. In the financial year to 30 June 2007, these activities generated £6.1 million of profit from operations on revenue including JVs up 90 per cent to £128.4 million.

Affordable housing contracting generated substantially higher revenues and profit during the year, and we now have 25 long-term frameworks for affordable housing providers.

Our acquisition of Linden Homes has increased our project base with English Partnerships and affordable housing providers across the South of England. We are currently working on seven English Partnership projects and are shortlisted for a further two. We secured the 430-home Turner Village scheme in Colchester, the 700-home Epsom Cluster hospital scheme in Surrey in joint venture, and the 123-home scheme in Millbay, Plymouth. We are carrying out a 440-home regeneration scheme in Grimsby with Shoreline Housing Partnership, having been appointed preferred development partner in the year, and have entered into a development agreement for a 500-home scheme to regenerate council estates in Plymouth with Westco Properties, part of Devon and Cornwall Housing Association.

Our schemes won a number of the major industry awards in the year, including best affordable housing development in the British Homes awards, best sustainable development and best medium-sized housebuilder in the Housing Design awards as well as the Housing Corporation Award for our development at Bude in Cornwall.

Looking forward

Our objective is for each of our businesses within housebuilding to have an anchor regeneration scheme as part of its portfolio, and following the acquisitions of both Morrison Construction and Linden Homes, both of which added to the expertise and resources available to deliver regeneration and affordable housing projects, to further develop the Group as a leading-edge regeneration business.

FINANCIAL RESULTS

Group results

Group revenue for the year to 30 June 2007 was £1,410 million (2006: £852 million). Profit from operations (stated before finance costs, exceptional items, amortisation and share of joint venture interest and tax) increased from £38.3 million to £62.8 million.

Construction profit from operations was up 67 per cent to £22.1 million representing a margin of 2.1 per cent on revenue. Within this the profit from operations of our building division was £12.3 million, representing a margin of 1.8 per cent and of our infrastructure division was £9.8 million, representing a margin of 2.4 per cent. Income received from concession management contributed to a significant reduction in our loss from operations in PPP Investments from £1.6 million to £1.1 million in the year despite, as planned, there being no sales of investments during the period. Our housebuilding division's profit from operations rose 52 per cent to £48.9 million representing a margin of 14.1 per cent.

For the first time we have extracted the revenue and profit from operations resulting from our affordable housing and regeneration activities from our construction and housebuilding segments. This demonstrates the potential of this element of our business, which contributed a profit from operations of £6.1 million on revenue including JVs up 90 per cent in the year to £128.4 million.

Acquisitions and goodwill

In March 2007 the Group raised £150.3 million by a placing and open offer and acquired Linden Holdings plc, purchasing the shares for £108.5 million and assuming £160.0 million of debt. £63.0 million of the consideration was paid in cash during the period with the remainder secured by loan notes, of which £13.0 million is deferred and conditional on the securing of planning consents and the absence of any warranty claims. The results stated above include the four months' trading to 30 June 2007, contributing a profit from operations of £7.8 million on revenue of £66.3 million. The acquisition gave rise to goodwill of £52.2 million and the recognition of intangible assets of £11.1 million, which represent the value of the homes pre-sold and the Linden brand, and is being amortised in line with the expected profits generated. The brand is being amortised on a straight-line basis over 10 years and will give rise to a profit and loss charge of circa £1 million per annum. Details of the transaction are given in detail in note 32 on page 66.

Exceptional items

The Group has recorded a net exceptional gain of £7.2 million. An exceptional gain of £3.9 million resulted from property rationalisation, including a profit on the sale and leaseback of Group premises net of the cost of terminating operating leases on premises no longer required.

The Group's defined benefit pension scheme closed to future service accrual during the year, resulting in an exceptional curtailment credit of £5.2 million. The Group made a one-off payment of £10 million into the scheme following the closure, making a total of £13.1 million contributed to reducing the scheme deficit in the year, and it has agreed to make further deficit reduction payments totalling £7 million annually. At 30 June 2007 the deficit, net of deferred tax, was £18 million.

The exceptional gains were partly offset by £1.9 million of costs, in line with our forecasts, arising from the reorganisation of the Group's housebuilding structure in the South East of England following the acquisition of Linden Homes.

Taxation

The total tax charge of £16.6 million on the profit before taxation of £60.2 million represents an effective rate of 27.6 per cent compared to the standard rate of corporation tax of 30 per cent. This reduced rate resulted mainly from the reduction in the rate of deferred tax and the reduction of capital gains tax arising from the utilisation of brought forward losses and indexation allowances.

Cash

The acquisition of Linden Homes was accompanied by an associated placing and open offer which resulted in the issue of 100,230,056 new ordinary shares in the Company, raising £147 million, net of expenses. £63 million of the £108.5 million consideration for the shares in Linden Holdings plc has been satisfied. The Group inherited £160 million of borrowings with the acquisition which were subsequently refinanced by new bank facilities as explained below. The Group's construction businesses continued to generate excellent cash flows throughout the year and at the year end Group net debt was £99 million compared to net cash at the previous year end of £16 million.

Financing

Net Group interest payable was £8.1 million (2006: £5 million) reflecting average net borrowings of approximately £32 million (2006: £26 million). The net interest payable was covered eight times (2006: eight times) by the profit before interest and tax.

The Group reorganised its banking facilities during the year in response to the growth in investment in the housebuilding business and the need to refinance the borrowings acquired with the Linden acquisition. On 8 February 2007, the Company entered into a facilities agreement with HSBC Bank, the Bank of Scotland, Barclays Bank and the Royal Bank of Scotland for facilities totalling an aggregate maximum of £450 million. The facilities bear interest at floating rates, subject to the interest rate swap arrangements referred to below.

Treasury management

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

The Group finances its operations through a mixture of retained profits and bank borrowings. The contracting operations of the Group generally generate cash and the planned growth of the contracting activities is budgeted to be cash-generative. The housebuilding operations, however, are cash-consumptive and the planned growth in housebuilding will require additional borrowings in addition to retained earnings to finance growth in the landbank and associated work in progress. 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 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 2007.

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. Following the entering into of the new facilities agreement as explained above, the Group entered into a swap agreement which has the effect that up to £125 million of borrowings will be fixed at various rates for a period of five years.

Further information on the Group's financial instruments is disclosed in note 25 on page 60.

Pension costs

The most recent three-yearly valuation of the Group's main Final Salary Pension Scheme was carried out as at 1 July 2006 by the Scheme actuary. The valuation showed that on an ongoing basis the deficit in the Scheme on the basis adopted by the Trustees, on the advice of the actuary, was £57 million. The Group entered into an agreement with the Trustees of the Scheme to close the Scheme to future service accrual on 31 March 2007 and agreed that all active members at that date would receive a deferred pension entitlement in respect of their service in the Scheme, with future service being covered by the Group's money purchase arrangements. As part of the agreement, the Group made a one-off cash contribution totalling £10 million into the Scheme during the financial year, and has committed to making regular deficit funding contributions going forward of £7 million per annum. There are therefore now no arrangements remaining within the Group under which employees are accruing pension on a defined benefit basis.

Taking account of regular service contributions up to the date of closure, total contributions to the defined benefit schemes amounted to £16.2 million (2006: £8.7 million). The total cost of pensions, before the curtailment credit, explained under exceptional items, charged to the income statement in the financial year amounted to £7.2 million (2006: £6.3 million).

Under IAS19 'Employee Benefits' the defined benefit deficit of the Group's pension schemes was calculated as at 30 June 2007 by an independent qualified actuary and the gross deficit recognised on the balance sheet is £25 million, which has an overall impact, net of deferred tax, of £18 million. Further detail on pensions is given in note 33 on page 67.

RISK MANAGEMENT

The board is committed to identifying, evaluating and managing the significant risks facing the Group and has a developed set of processes and procedures that enable it to do so. They are designed to be 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 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 prevailing in the UK and Government policies. Our housebuilding business will be affected by the state of the housebuilding market as this impacts the ultimate price that purchasers are prepared to pay for their homes and the price and terms under which the Company purchases land for development. Public sector spending and the investment programmes of the regulated infrastructure sectors affect the markets for many of our construction activities. The conditions for each market sector change over time and we react to this with 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 selling 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 on several hundred sites on which construction operations are carried out at any time. 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 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 and Social Responsibility Report.

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 principles, with which we are accredited throughout the Group and which we are applying to the recent acquisition of Linden Homes. Further details of our approach are given in the Corporate and Social Responsibility Report.

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 with projects, appropriate action can be planned. Further detail on the board's internal controls and risk management procedures are in the Corporate Governance Report on page 27.

OUTLOOK
The market for construction is expected to continue at buoyant levels for the foreseeable future. The spread of our work, much of it directed to the programmes essential for the public and regulated sectors to improve the country's infrastructure, is well balanced across sectors that are growing and in which we are one of a limited number of qualified providers.

In housebuilding, our new critical mass in our areas of operation, combined with our business model of developing individual quality developments, and not relying on consortium sites, is serving us well. With encouraging sales over the summer period, we are well positioned to deliver a good performance in the more challenging markets that we now face.

Our increasing focus on affordable housing and regeneration is proving its value as we continue to win significant schemes, demonstrating the additional potential of our successful construction and housebuilding business model. The opportunities exist to increase our market share significantly.

CORPORATE RESPONSIBILITY
Galliford Try aims to make a positive impact within the communities in which it operates by contributing economically, environmentally and socially. We recognise that many stakeholders have an interest in our activities, and our approach is explained in the Corporate and Social Responsibility Report.

OUR PEOPLE
The value we place on our employees is central to our culture. Today, Galliford Try employs 4,000 people, compared to 3,320 in 2006 and 1,960 in 2005, the increase resulting from both organic and growth by acquisition. 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. For more about this, please see page 17.

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.

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 5 or 10 year framework agreements. Although no one client would account for more than 6 per cent of revenue in any one year, major clients in our building and infrastructure divisions will include:

- companies for whom we carry out infrastructure frameworks, such as the seven regulated water utilities for whom we are working under their current asset management programmes (AMP4)
- the private finance initiative project companies through which our major PFI projects are constructed, such as the £192 million contract being carried out over three years for Northamptonshire County Council Schools
- the All England Lawn Tennis Club at Wimbledon, with whom we have been working for over 30 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. With over 90 per cent of our customers consistently stating they would recommend us to their best friend, and the achievement of the highest rating compared to other housebuilders in the annual Homebuilders Federation survey, we know we need to maintain our current standards, improving where we can.

Business partners

We carry out some of our work in joint venture with other partners. Our key joint venture partners are process engineers, contractors and consultants on our frameworks for the water utilities in our infrastructure business, and in housebuilding where we enter into joint ventures with other housebuilders for the development of large sites such as the redevelopment of the Epsom Hospital Clusters.

Supply chain and service providers

We believe that developing long-term relationships with all who provide services to our business, such as consultants, sub-contractors, 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. The Group restructured its borrowing facilities during the year as explained under financing on page 12.

OVERVIEW

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 building partnerships for service excellence. We recognise that many stakeholders have an interest in our activities, and that achieving our vision is dependent on the strength and effectiveness of our relationship with them. Our values represent the culture of our business, and are:

- to act professionally
- to seek innovation and continuous improvement
- to empower our people
- to conduct our business openly and honestly.

We promote these core principles in all our relationships. By adopting best practice, by seeking initiatives which add value, by building partnerships with customers and our supply chain, by investing in the training and development of our employees and by treating health, safety and environmental issues as priorities, we believe we are working towards the future sustainability of our business in a responsible way.

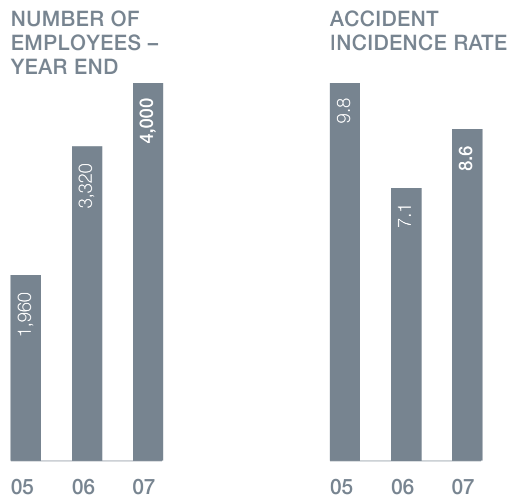
HEALTH AND SAFETY

Galliford Try believes that the health, safety and welfare of all stakeholders affected by its operations is of the utmost importance and this is given the highest priority within the Group. Through the leadership of the main board, our commitment to delivering industry leading performance in health and safety extends to each and every individual, including our contractors and suppliers.

Ken Gillespie is the nominated executive board director responsible for health, safety and environment, ensuring that all relevant matters are appropriately covered in the governance process.

We maintain a structured risk-based approach to health and safety management to ensure a positive culture throughout the organisation. We have developed an organisational structure appropriate to the particular requirements of the Group, and management teams within each business unit remain committed and focused on continual improvement of all aspects of health, safety and environmental performance on our sites.

There has been significant investment in health and safety, including an increase in size and capacity of the health, safety and environmental department to support the enlarged Group. This has meant that we no longer rely on external health and safety consultants in the Group, and all sites are now supported by our own internal health and safety professionals.



Our performance remains significantly better than the Health and Safety Executive's (HSE) reported industry average, with an accident incidence rate for each 1,000 persons at risk of 8.6. However, this did show an increase from 7.1 reported in our previous year, although this increase was largely as a result of incidences of minor accidents such as tripping and manual handling rather than incidences of more serious accidents. Most regrettably, there was a fatality of an employee of our partner at a joint venture site in Scotland where an accident occurred in unloading a vehicle. This accident is currently under investigation by the HSE, with whom we are co-operating fully. There was also a relative increase in the number of reportable incidents, totalling 100 for the year, due to the collective reporting of the enlarged Group following the recent acquisitions.

There were no health and safety-related prosecutions during the year, though there was an increase to five from two reportable dangerous occurrences. All reported accidents and incidents were investigated fully, supported by our professional health and safety team, and the findings reported back to the relevant business with lessons learnt disseminated as appropriate. We received over 50 HSE visits nationwide, where our health and safety systems were commended. However, we did receive two prohibition notices relating to working at height and scaffolding issues, which were immediately rectified to the HSE inspectors' satisfaction on the same day.

We have successfully maintained our Group-wide certification to the independently assessed health and safety management system standard, OHSAS 18001, which involved extensive national project and head office audits. The Group's commitment to high standards of health and safety were once again recognised with a number of awards. These included 13 Gold/Gold Medal Awards in the Royal Society for the Prevention of Accidents (RoSPA) Annual Health and Safety Awards; winning the inaugural Welsh Water Occupational Health and Safety Award; and in addition being Regional Winners of both the Constructing Excellence Health and Safety Awards and the National Business Awards.

Our objectives for the year to 30 June 2007, in addition to attaining statistical thresholds, focused heavily on the orderly and effective integration of Morrison Construction into the Group's health and safety management systems, after it joined the Group in March 2007. This has involved:

- extensive consultation between the business divisions and our health and safety support services
- generation of an 'independent' health and safety department, whose aim is to support all the Group's divisions in a structured and common manner
- production and dissemination of a new Group-wide health and safety policy
- issue and implementation of a new suite of health and safety standards to replace all pre-existing management systems
- extensive roll-out programmes, training and instruction on these new policy and standards.

These actions have seen the development and implementation of a single health and safety management system and an 'independent' in-house health and safety department to ensure its effective execution. This solid base of health and safety best practice will, we believe, provide the springboard for our programme of continual improvement that is designed to assist the achievement of the Group's objective of being industry leading in its health and safety practices.

Following the successful integration of Morrison Construction, we are well advanced in the integration of Linden Homes into the Group's health and safety management systems, and expect the process to be complete in the first half of the new financial year.

Looking to the future, our health and safety action plan will focus on our six key principles for continual improvement: leadership, planning, teamwork, communication, control and behaviour. Key objectives include:

- senior management leadership/presence across the Group
- effective planning for health and safety across all businesses and projects
- working with key stakeholders to raise awareness and performance in health and safety
- robust processes for the systematic identification and appropriate rectification of health and safety issues across the Group
- design, implementation and monitoring of a behavioural safety programme for the Group.

PEOPLE

The value and importance we place on the loyalty, commitment and flexibility of our employees in the achievement of organisational goals is central to our culture. We understand the importance of a constructive relationship with our employees and our human resource policies and practices are designed to support this relationship. The values which underpin our employment relationship are founded on employee competence, effort, compliance, commitment and loyalty in return for fairness, equity, consistency, security, career, involvement and trust from management.

In order to effectively engage with our employees, we have placed the management of people at a strategic level within the Company, recognising that our people are not simply one of the factors of production but the major source of our competitive advantage.

We have achieved and maintained our Investor in People recognition across the Group, underpinning our corporate training and development strategy. This approach will be extended to incorporate Linden Homes, acquired by the Group in March 2007.

Employee survey

Our annual employee survey provides our employees with the opportunity to give their views on all aspects that impact on the employment relationship. Senior managers respond by developing and communicating action plans to address the concerns of their individual businesses. The last survey revealed that 84.5 per cent of employees expressed satisfaction with their present job.

Training and development

Learning and career development is an important part of our business ethos. In order to support skill acquisition and to provide a framework for management development which will enable staff to manage their own career development whilst at the same time meeting organisational needs, the Group has adopted a strategy based on the principles of incremental ‘stepping stones’. This extensive framework provides a range of learning opportunities leading to nationally recognised qualifications and membership of appropriate professional bodies. The programmes equip our employees with the knowledge, skills and capability to satisfy their own development needs and those of the business. We remain committed to supporting accredited training through the Institute of Leadership and Warwick University Business School to which we have added a number of bespoke personal development programmes.

We are committed to an annual intake of apprentices, trainees and graduates across the Group and through the Galliford Try Academy provide structured training programmes at all levels. Our trainee salary scales provide consistency across the Group and are competitive to ensure we are able to attract and retain good-quality trainees. We provide work placements for students requiring experience in the industry and offer sponsorships to undergraduates through longstanding relationships with universities and the ICE Quest and Inspire Scholarships schemes.

Annual Performance and Development Reviews (APDRs) are carried out throughout the Group. The review supports the measurement of behavioural skills to support our culture, vision and values. The use of this competency framework ensures we effectively direct our investment in learning and development initiatives to equip our employees with the key skills they require for their roles. Those Linden employees who have recently joined the Group will take part in the APDR during the coming year.

Detailed training plans are developed at business unit level and incorporate health and safety, environmental, technical, commercial, IT and personal development requirements.

Recruitment and communications

Our Group Employee Resourcing Policy centralises the recruitment and selection process and continues to improve both the cost-effectiveness of the process and the quality of new recruits. Our employee referral scheme has proved to be a very successful recruitment and retention incentive.

We recognise the value of a diverse workforce and we have adopted policies and practices that provide a fair chance for everyone in respect of employment, entry to employment, benefits, training, placement and promotion. Our commitment to equal opportunities ensures that all employees have the opportunity to develop to their full potential within the Group. We are committed to giving full and fair consideration to the needs of disabled people in applications for employment, opportunities for training and career development. Our commitment to equal opportunities is designed to ensure that all our employees, regardless of race, gender, nationality, age, disability, sexual orientation, religion and background, have the opportunity to develop to their full potential within the Group.

We value open and constructive two-way communication and aim to achieve this through our open-door policy, regular team briefings and business unit briefings. These are supplemented by our internal publication, GT Times, produced in spring and autumn each year.

Future strategy

The Group HR function continues to develop and implement strategic HR policies and practices which are underpinned by our commitment to the Investor in People standard and aim to achieve competitive advantage through our people and reinforce Galliford Try as an employer of choice. We will be completing the integration of the employees who joined us from Linden Homes into the Group’s HR practices during the coming year and we will be reviewing the initiatives that we employ to improve employee engagement and retention.

ENVIRONMENT

Galliford Try is committed to achieving industry leading environmental performance across all of our business units and workplaces. In order to achieve this we have implemented a project to achieve third-party certification to ISO 14001:2004 across the entire Group, which builds upon the success of eight of our business units that have already achieved and maintained the standard.

Additionally, we have undertaken a number of actions during the year to work towards the objectives set last year to enhance our environmental performance. These include:

- development of a set of environmental standards applicable across the Group
- appointment of three regional environmental advisers to drive environmental performance improvement across our geographical regions

- creation of a national service level agreement with an experienced spill response contractor to provide a rapid and effective response to potential significant environmental pollution incidents
- signing the Major Contractors Group Sustainability Charter a number of environmental performance indices to allow environmental performance to be monitored
- consultation with the Department for Environment, Food and Rural Affairs (DEFRA) on proposed changes to environmental legislation as well as participating in DEFRA-sponsored projects to develop environmental codes of practice for the construction industry

Our action plan for the following year is to:

- finalise and implement the Galliford Try environmental standards across all Company activities
- appoint an additional regional environmental adviser to ensure that the level of environmental resource required for the enlarged Group is achieved
- initiate 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
- engage the services of a leading third-party certification body to drive forward the process of gaining certification to ISO 14001:2004 across the remaining businesses with the Group.

To 31 December 2006, we had no instances of an environmentally related prosecution brought against the Company, which compares with a total of 30 served on the construction and demolition industry sector across England, Scotland and Wales within the same period. Furthermore, to 30 June 2007 we have not been subject to any environmentally related prosecutions.

During the year 70 per cent of our homes were constructed on brownfield sites, demonstrating that we remain a significant contributor in assisting the Government in achieving its target of 60 per cent of all new developments being on brownfield land.

We have received a number of awards including the CABE (Commission for Architecture and the Built Environment)/ Civic Trust/HBF (Home Builders Federation) Gold Standard 'Building for Life' award for our Village housebuilding development in Caterham. Additionally, we won an ICE (Institution of Civil Engineers) Sustainability award for an outstanding civil engineering project for our Diglis Basin Improvement project as well as a CEEQUAL (Civil Engineering Environmental Quality Assessment and Award Scheme) award for our Rushall Canal improvement scheme.

COMMUNITY

Galliford Try aims to make a positive impact within the communities in which it operates. We work closely with educational establishments to promote the construction industry and the work opportunities available.

We support the Construction Ambassador scheme, working closely with Construction Skills in Schools, with our graduates providing support for team-building events and challenges to encourage students to consider a career in construction. We support staff fundraising efforts; amongst others during the year were staff taking part in the annual Helen Rollason Heal Cancer fun run, competing in a 'World Cup' five-a-side tournament to raise money for Hospiscare, and carrying out various activities to support the Water Aid and Children in Need charities.

We are a patron of CRASH (The Construction Industry Charity for the Single Homeless), we participate in business action for the homeless, offering homeless people work experience opportunities, and we are a sponsor of the Lighthouse Club, a construction industry charity providing support to the families of workers in the industry who are in need.

External charitable giving in the year totalled £87,000 including £28,000 by Linden Homes pre acquisition. Of this amount, £5,500 went to construction industry charities and the remainder was distributed by our businesses supporting their adopted charities and local community initiatives.

DIRECTORS

DAVID CALVERLEY FCA 1
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 65.

GREG FITZGERALD 2
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 43.

FRANK NELSON FCMA 3
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 56.

CHRIS BUCKNALL † ‡ 4
Deputy Non-Executive 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 57.

JONATHAN DAWSON † ‡ 5
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 senior adviser to Apax and a partner in Penfida Partners LLP. He was previously an investment banker at Lazard. Age 55.

AMANDA BURTON † ‡ 6
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 plc and chairman of its timber group. Age 48.

EXECUTIVE BOARD MEMBERS *

ANDY STURGESS MCIOB 7
Managing Director, Building Division
Andy Sturgess joined the Group in January 2003. He was previously a director of Skanska and managing director of Kvaerner Construction UK. Age 57.

KEN GILLESPIE 8
Managing Director, Infrastructure Division
Ken Gillespie joined the Group in March 2006 on the acquisition of Morrison Construction, where he had been the Managing Director since 2005. He joined the Morrison Group in 1996 having spent the previous 13 years with the George Wimpey Group. Age 42.

RICHARD BARRACLOUGH FCIS 9
Company Secretary and Legal Director
Richard Barraclough has been Company Secretary and a member of the Group's former executive committee 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 52.

IAN BAKER 10
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 37.

CHRIS COATES 11
Managing Director, South East Housebuilding Division
Chris joined Galliford Try in March 2007 on the acquisition of Linden Homes. He was previously a director of Linden Holdings plc and responsible for Linden's Chiltern and South West regions. Prior to joining Linden in 1993, he worked for Alfred McAlpine and Cala Homes. Age 41.

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

† Member of the audit committee

‡ Member of the remuneration and nomination committees











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The directors have pleasure in presenting their Annual Report and the audited financial statements for the year ended 30 June 2007.

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 3 to 19. The principal subsidiary companies operating within the Group are shown on page 81.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The directors consider that the requirement to produce a business review is fulfilled by the inclusion in this Annual Report and Financial Statements of the Chairman's statement, Business Review, Corporate Governance Report and Directors' 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 Report on pages 17 to 18. The financial risk management policies are detailed in the Business Review.

RESULTS AND DIVIDENDS

The profit for the year after tax of £43.6 million is shown in the consolidated income statement on page 35. The directors recommend a final dividend of 2.2 pence per share be paid, which together with the interim dividend of 0.8 pence per share results in a total dividend for the year of 3.0 pence per share, amounting to £10.4 million. The final dividend will be payable on 16 November 2007, to shareholders on the register on 19 October 2007.

SHARE CAPITAL AND CONTROL

During the year, the Company raised £150.3 million (before expenses of £3.7 million) in order, inter alia, to finance the purchase of Linden Holdings plc by way of a placing and open offer of 100,230,056 new ordinary shares at 150 pence per share, representing 27 per cent of the Company's called up share capital at the year end.

50,000,000 of the new ordinary shares of 5 pence each were placed with institutional investors and 50,230,056 new ordinary shares at the offer price of 150 pence per share were offered to qualifying shareholders on the basis of two open offer shares for every 11 existing ordinary shares held. 100,230,056 new ordinary shares, which ranked pari passu with existing ordinary shares, were admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange on 6 March 2007.

The authorised share capital of the Company was increased to 505,000,000 ordinary shares of 5 pence each by the creation of 145,000,000 shares on 5 March 2007. There are no restrictions on the transfer or voting rights of the Company's ordinary share capital. Amendments to the Company's articles of association require a special resolution of the shareholders.

Resolutions to be proposed at the 2007 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 2007.

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

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 70.

DIRECTORS AND THEIR INTERESTS

The board of directors at the date of this report is shown on page 20. Andy Sturgess and Ken Gillespie stepped down as directors of the Company on the reorganisation of the board on 31 March 2007. Greg Fitzgerald and Jonathan Dawson will retire by rotation at the forthcoming Annual General Meeting and each will offer themselves for re-election. Directors may be initially appointed by the board, but are subject to election by shareholders at the first Annual General Meeting following their appointment and at least every three years thereafter.

The biographies of all of the Company's directors are on page 20.

The interests of the directors in the share capital of the Company and details of their service contracts are set out in the directors' remuneration report on pages 28 to 33.

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 6 September 2007, 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	%
The AEGON UK plc Group of Companies	19,173,012	5.1
J P Morgan Chase & Co	18,888,629	5.0
Schroders plc and its subsidiaries	18,632,226	4.9
Legal & General Group plc	15,080,220	4.0
Lloyds TSB Group plc	15,100,346	4.0

CHARITABLE AND POLITICAL CONTRIBUTIONS

Contributions for charitable purposes during the year amounted to £59,000 (2006: £53,000). 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 2007 (2006: Nil).

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at The Ivory Suite, The Grove, Chandler's Cross, Rickmansworth, Hertfordshire WD3 4TG on 9 November 2007 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 auditors are unaware and each such director has taken all steps that he or she ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

6 September 2007

Galliford Try is firmly committed to attaining high standards of corporate governance and throughout the year the Company complied with the provisions set out in section 1 of the Combined Code of Corporate Governance published in 2003 (the 'Code') issued and maintained by the Financial Reporting Council.

STATEMENT OF COMPLIANCE

This statement, together with the directors' Remuneration Report on pages 28 to 33, 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.

In June 2006, an updated version of the Code was issued, which will apply to the Company for the year ending 30 June 2008. The board considers that it was in compliance with the new requirements of the revised Code from 1 July 2007.

THE BOARD AND ITS DIRECTORS

The biographical details for each of the directors, together with details of board committee memberships, are set out on page 20.

Following the recent acquisitions undertaken by the Group the board was restructured with effect from 31 March 2007 to take account of the significantly increased size of the Group and consequent changes to its management structure. The board of directors of Galliford Try plc now comprises the chief executive and finance director together with the non-executive chairman and three independent non-executive directors. The Company's executive committee was restructured as an executive board, with responsibility for the operational management of the Group, which is chaired by the chief executive and comprises the finance director, the managing directors responsible for the Group's major operating divisions and the company secretary. Consequently Andy Sturgess and Ken Gillespie stepped down as directors of Galliford Try plc with effect from 31 March 2007.

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 Company became part of the FTSE 250 index in April 2007 and its current structure, with half of the directors being independent non-executives, meets the requirements of the Code for such companies.

Any director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek re-appointment by shareholders at the next Annual General Meeting. The Articles also require that one-third of directors retire by rotation each year. Each director is subject to re-election at intervals of not more than three years. Greg Fitzgerald and Jonathan Dawson are standing for re-election at the forthcoming Annual General Meeting.

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

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

The board meets regularly during the year. Further details of the attendance of directors at board and committee meetings are provided on page 24. The chairman has held meetings with non-executive directors, and the company secretary also attended part of these meetings by invitation. There is a formal schedule of matters reserved for decision by the board. The board agrees the Group's business plan, determines overall group strategy, acquisitions, investment, human resources, environmental and health and safety policies, and is responsible for the approval of major items of capital expenditure, significant financial matters, and reviewing the Group's system of internal control. All directors receive appropriate and timely information and briefing papers in advance of 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 appropriate training on the role and responsibilities of being a director of a public listed company as soon as practicable after appointment. The induction for non-executive directors includes meetings with senior management of the business and visits to the Company's operations.

Every director participated in an evaluation of their individual performance during the year using a self-assessment questionnaire with rating scales followed by an appraisal interview. The process also enables appropriate training and development to be planned. The senior independent director chaired the meeting in the absence of the chairman at which the chairman's annual performance was evaluated and 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 has been undertaken during the course of the year. Members of the board completed a confidential questionnaire covering business and strategy, board effectiveness and management together with governance. 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, including changes to the arrangements for briefing before committee meetings and revising risk management information brought to the board.

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

Audit committee – The members are Chris Bucknall, Amanda Burton and Jonathan Dawson, who has a background in investment banking and significant recent and relevant financial experience and chairs the committee. Each of these non-executive directors is considered independent and served throughout the year.

The audit committee is responsible for reviewing the interim and final financial statements of the Company and its subsidiaries, accounting policies, the scope and effectiveness of the external audit, the work of the internal audit function, the financial management and control systems, and compliance by the Company and its subsidiaries with statutory and other regulatory requirements. The audit committee also advises the board on the appointment of the external auditors, reviews their fees and the audit plan. It approves the external auditors' terms of engagement and their remuneration and approves any non-audit work.

The audit committee discusses the results of the audit with the external auditors and monitors their objectivity, independence and cost-effectiveness and fixes their remuneration. The auditors have an opportunity for discussion between the audit committee members and the auditors in the absence of executive directors. The audit committee may engage external advisers if deemed appropriate.

The audit committee's policy is to consider other firms as well as the audit firm for non-audit work in order to maintain external auditor objectivity and independence. During the year PricewaterhouseCoopers LLP corporate finance (PwC) was appointed by the Company to provide financial advice on the acquisition of Linden Holdings plc when a financial adviser and sponsor appointment for this class 1 transaction and placing and open offer was required. Before agreeing to the appointment, the committee considered alternative options but concluded that, based on the services required, their knowledge base, the need for consistency in approach in light of the Morrison Construction and Chartdale Homes transactions in 2006 together with their performance on those transactions, the proposal from PwC corporate finance would provide the Company and its shareholders with best value. KBC Peel Hunt were appointed brokers to the placing and open offer.

For this transaction the committee agreed a number of safeguards with PricewaterhouseCoopers LLP covering, inter alia, their fee structure and segregation of duties to ensure that the independence of the auditors was maintained.

During the year key issues which the audit committee have addressed included a review of the scope of the internal audit team's work, the treatment of the acquisition of Linden Holdings plc in the financial statements, and a review of the Group's accounting policies.

Remuneration committee – The members are Jonathan Dawson, Amanda Burton and Chris Bucknall, who chairs the committee and their attendance. Each of these non-executive directors is considered independent and served throughout the year. 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 Directors' Remuneration Report on page 28.

Nomination committee – The members are Jonathan Dawson, Amanda Burton and Chris Bucknall, who chairs the committee. Each of these non-executive directors is considered independent and served throughout the year. 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. It also satisfies itself that, in terms of succession planning, the necessary processes are in place in respect of board and senior management appointments.

During the year the committee undertook a review of the Group's succession plan for executives and key senior management within the Group, identifying potential internal appointments, reviewing where necessary development needs, and considering where external recruitment may be required. The committee also undertook a review of long-term succession planning for the board.

The terms of reference for the above committees are closely modelled on the provisions of the Code. During the year they have been reviewed and revised as necessary and can be found on the Group's website.

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
Number of meetings held in the year	11	3	10	1
David Calverley	11	–	–	–
Greg Fitzgerald	11	–	–	–
Frank Nelson	11	–	–	–
Chris Bucknall	9	3	10	1
Amanda Burton	11	3	10	1
Jonathan Dawson	10	2	10	1
Andy Sturgess[1]	8	–	–	–
Ken Gillespie[1]	7	–	–	–

[1]For the period to 31 March 2007

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. A presentation is made to shareholders by the executive directors on the performance of the business. 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 3 to 19.

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 23 and the going concern statement on page 27.

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. 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.

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 both 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 managing and controlling all site operations that take account of the specific requirements of the type of site that is being operated. These include extensive health, safety and environmental procedures, regular performance monitoring and 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 operational performance of each business is reviewed monthly by divisional and Group management and subsequently reported to the board together with financial reporting 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's 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.

Annual review – The board has reviewed the operation and effectiveness of the internal controls for the year ended 30 June 2007. They have been in place during the period under review up to the date of approval of the Annual Report and Financial Statements.

The board notes that the Office of Fair Trading is currently carrying out a review of alleged anti-competitive practices in the construction industry and has written to the Company regarding 17 tenders submitted by part of the Building division between 2000 and 2005. The Company is co-operating with the OFT in its review.

GOING CONCERN

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

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 Directors' 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. 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, with specific supplementary advice provided by New Bridge Street Consultants. 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 directors' total remuneration should be delivered through performance-related pay.
- Performance-related pay should deliver upper-quartile pay only if outstanding performance is achieved.

Following the acquisition of Linden Holdings plc and the subsequent restructuring of the board at the end of March 2007, the committee carried out a major review of directors' remuneration packages in conjunction with its independent remuneration consultants. The 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 directors' remuneration. The committee's objective was to ensure that remuneration packages took into account the need to maintain competitive positioning and ensure executive incentivisation to deliver the objectives of the enlarged Group. The review resulted in:

- increases to basic salaries, to be 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 to take effect from 1 July 2007. Executive directors will, in future, be 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 has decided will be based on profit and cash targets. Two-thirds of any bonus earned over 50 per cent of the executive's 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 has also decided that, taking account of the maximum potential earnings under the new annual bonus scheme, the Company's long-term bonus plan will not be renewed at the conclusion of the three-year performance period ending 30 June 2008 and no further awards shall be made to executive directors under the plan.

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 will 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 committee's objective, following the implementation of the revised annual bonus scheme and the introduction of the 2006 long-term incentive plan approved by shareholders at last year's Annual General Meeting, is for performance-related pay to account for two-thirds of a director's remuneration (excluding pension contributions). For the year ended 30 June 2007, performance-related pay represented 61 per cent of executive directors' total remuneration.

BONUS SCHEMES

For the year ended 30 June 2007 executive directors and other senior executives with Group responsibilities were entitled to earn an annual bonus under a scheme which is capped at a maximum of 50 per cent of basic salary, based on financial targets split 80 per cent on achievement of profit objectives and 20 per cent on cash management. Maximum bonus was earned in the year as the Group significantly exceeded its financial targets.

Executive directors are also included in the Group's long-term bonus plan for the three-year performance period to 30 June 2008, which could have a total value at the end of the three-year period of £225,000 (equivalent to £75,000 annually) if the three-year profit target is met. Two-thirds will be payable in cash with the remainder in shares. No payment is made if the target is not met. Following the placing and open offer carried out by the Company in March 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. As referred to above, following the review of executive remuneration in 2007, the committee does not intend to make any further awards under the long-term plan when the current performance period ends.

As also explained above, the revised annual bonus scheme for the year ending 1 July 2008 will enable executive directors to earn a maximum annual bonus of 100 per cent of their basic salary dependent on much more stretching financial targets that have been set by the remuneration committee being achieved. Under the scheme, 40 per cent of basic salary will be 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 recipient's employment has terminated before the end of a further three years, unless agreed otherwise by the remuneration committee.

LONG-TERM INCENTIVES

There are outstanding awards under the 1997 Galliford Try performance-related share incentive scheme, the Galliford Try Restricted Share Plan (the 'Plan'). The last awards under this Plan were made in September 2005. The total market value of shares in annual awards made under the Plan did not exceed 75 per cent of an executive's basic annual salary. Awards made under the Plan are held in 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.

At the Annual General Meeting in 2006, shareholders approved the adoption of a replacement long-term incentive plan, under the terms of which 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 vesting of an award shall depend on the achievement of performance conditions applied to that award over a three-year plan cycle.

The remuneration committee has determined that there shall be a performance underpin and that only if the Company first achieves a compounded 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 2007 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
Alfred McAlpine plc
Morgan Sindall plc
Persimmon plc
Redrow plc
ROK plc
Taylor Woodrow plc
Wilson Bowden plc
George Wimpey plc.

If the Company's total shareholder return equals the 75th percentile over the three-year planned 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. Thirty 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 first 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.

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 SAYE 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 1x basic salary or 1.5x basic salary in the case of the Chief Executive. As at 30 June 2007, the executive directors met this requirement.

PENSIONS

Greg Fitzgerald and Frank Nelson were members of the Galliford Try Final Salary Pension Scheme ('the Scheme') up until its closure to all future service accrual on 31 March 2007. Greg Fitzgerald's benefits were subject to the Scheme earnings cap and Frank Nelson's benefits were subject to an earnings cap based on his basic salary as at 1 July 2005, and up until 31 March 2007 they received salary supplements of 20 per cent of basic salary over the capped amount. From 1 April 2007 they received a salary supplement of 20 per cent of all basic salary earned. All other executive directors serving during the year received a contribution for pension purposes on a money purchase basis equivalent to 20 per cent of basic salary.

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. Following a review of the best practice provisions regarding the determination of non-executive remuneration, the board agreed that a committee comprising the executive directors and Company Secretary be established to take appropriate independent advice from remuneration consultants and determine non-executive directors' remuneration accordingly.

This committee commissioned a review from the Company's independent remuneration consultants, MM&K Limited, and, in the light of the advice received, increased the annual salaries payable to the chairman and non-executive directors, whose pay had not been reviewed for two years, to take effect from 1 July 2007.

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 index is shown below. The Group believes that the FTSE 250 is now the appropriate comparator index against which to plot its total return performance as the Company is a member of the index together with most of its key competitors plus a broad cross-section of other leading companies.

In previous years the Company compared its return against the FTSE All Share Construction and Materials index, which included both construction and housebuilding companies. However, following the reorganisation of that index and the allocation of its housebuilding companies to other sector indices, the Company does not consider that it is now an appropriate index.

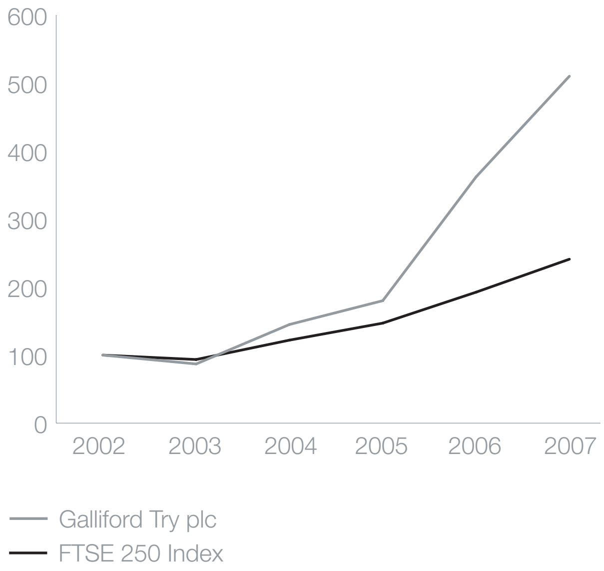

TABLE 1: DIRECTORS' INTERESTS

The directors at 30 June 2007 held the following beneficial interests in the ordinary shares of the Company:

	at 01.07.06	at 30.06.07
David Calverley	1,467,381	1,656,250
Greg Fitzgerald	1,975,165	2,181,317
Frank Nelson	608,604	756,261
Chris Bucknall	150,000	163,333
Jonathan Dawson	30,000	35,454
Amanda Burton	20,000	23,636

There were no changes in the directors' interests from 30 June 2007 to 6 September 2007.

TABLE 2: DIRECTORS' SERVICE CONTRACTS

Name	Contract date	Notice – months
Non-executive directors		
David Calverley	1 Jul 2005	6
Chris Bucknall	15 Sep 2000	6
Jonathan Dawson	1 Jan 2004	6
Amanda Burton	1 Jul 2005	6
Executive directors		
Greg Fitzgerald	1 Jul 2003	12
Frank Nelson	15 Sep 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	Bonuses £000	Benefits(1) £000	Pension payments(2) £000	Total 2007 £000	Total 2006 £000
Executive directors						
Greg Fitzgerald	375	188	22	59	644	510
Frank Nelson	260	130	26	18	434	370
Non-executive directors						
David Calverley	85	–	1	–	86	372
Chris Bucknall	30	–	–	–	30	30
Jonathan Dawson	30	–	–	–	30	30
Amanda Burton	25	–	–	–	25	25
Former directors						
Andy Sturgess(3)	191	96	12	38	337	407
Ken Gillespie(3)	165	83	10	33	291	91
Tony Palmer	–	–	–	–	–	39
Total	**1,161**	**497**	**71**	**148**	**1,877**	**1,874**

[1]Benefits include the provision of a company car (or equivalent car allowance), fuel and health insurance for every executive director.
[2]Pension payments noted above include amounts paid to defined contribution schemes and amounts set out on page 30.
[3]Period until date of resignation on 31 March 2007.

TABLE 4: DIRECTORS' INTERESTS IN LONG-TERM INCENTIVE PLANS

Name	Award date	Number of shares at 01.07.06	Shares awarded	Shares vested	Shares lapsed	Number of shares at 30.06.07	Value vested £	Vesting date
David Calverley	22.03.04	352,000*	–	222,460	129,540	–	399,315	22.03.07
Total		**352,000**	**–**	**222,460**	**129,540**	**–**	**399,315**	
Greg Fitzgerald	22.03.04	239,000	–	236,418	2,582	–	424,370	22.03.07
	22.03.05	234,000	–	–	–	234,000	–	22.03.08
	13.09.05	290,000	–	–	–	290,000	–	13.09.08
	30.10.06	–	297,600#	–	–	297,600	–	30.10.09
Total		**763,000**	**297,600**	**236,418**	**2,582**	**821,600**	**424,370**	
Frank Nelson	22.03.04	253,000	–	250,267	2,733	–	449,229	22.03.07
	22.03.05	246,000	–	–	–	246,000	–	22.03.08
	13.09.05	232,000	–	–	–	232,000	–	13.09.08
	30.10.06	–	206,300#	–	–	206,300	–	30.10.09
Total		**731,000**	**206,300**	**250,267**	**2,733**	**684,300**	**449,229**	
Andy Sturgess	22.03.04	253,000	–	250,267	2,733	–	449,229	22.03.07
	22.03.05	234,000	–	–	–	234,000**	–	22.03.08
	13.09.05	232,000	–	–	–	232,000**	–	13.09.08
	30.10.06	–	202,300#	–	–	202,300**	–	30.10.09
Total		**719,000**	**202,300**	**250,267**	**2,733**	**668,300**	**449,229**	
Ken Gillespie	30.10.06	–	174,600#	–	–	174,600**	–	30.10.09
Total		**–**	**174,600**	**–**	**–**	**174,600****	**–**	

*David Calverley was originally made an award over 352,000 shares. However, only that proportion relating to his entitlement when Chief Executive of the Company was taken into account when the remuneration committee agreed his vesting.
**At date of resignation.
#These awards were granted under the Galliford Try 2006 Long Term Incentive Plan approved at the Company's AGM in 2006. Awards made prior to this date were all granted under the Galliford Try Restricted Share Plan. Details of these plans, including their performance criteria, can be found in the Remuneration Report on page 29.

1 The market prices on the date the awards were made are as follows:

22.03.04	53.25p
22.03.05	60.75p
13.09.05	71.00p
30.10.06	131.75p

2 The market price on the date of vesting on 22.03.07 was 179.50 pence.
3 The market price of the Company's shares at 30 June 2007 was 158.75 pence and the range of market prices during the year was between 111.78 pence and 188.5 pence.

TABLE 5: DIRECTORS' INTERESTS IN SAYE SHARE OPTION SCHEME

	Date of grant	At 01.07.06	Granted in year	Exercised in year	Lapsed in year	At 30.06.07	Exercisable from	Exercisable to	Exercisable price
David Calverley	01.06.01	47,393	–	47,393	–	–	01.06.06	30.12.06	23.5p
	01.06.03	8,000	–	8,000	–	–	01.06.06	30.11.06	18.0p
Total		**55,393**	**–**	**55,393**	**–**	**–**			
Greg Fitzgerald	20.12.05	12,284	–	–	–	12,284	01.02.09	31.07.09	68.5p
Total		**12,284**	**–**	**–**	**–**	**12,284**			
Frank Nelson	01.06.01	47,393	–	47,393	–	–	01.07.06	31.12.06	23.5p
	01.06.03	8,000	–	8,000	–	–	01.06.06	30.11.06	18.0p
	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
Total		**59,153**	**6,225**	**55,393**	**–**	**9,985**			
Ken Gillespie	09.11.06	–	12,843	–	–	12,843*	01.01.12	30.06.12	102.0p
Total		**–**	**12,843**	**–**	**–**	**12,843***			

*At date of resignation.

Two directors exercised options granted under the SAYE Share Option Scheme. The aggregate of the gains made on these exercises, calculated on the difference between the option price and market price on the date of the option maturity was £104,464.

TABLE 6: PENSION ARRANGEMENTS

The following directors accrued benefit under the defined benefit scheme provided by the Company during the year. Pension entitlements and corresponding transfer values increased as follows:

Name	Member's contributions for the year ended 30 June 2007 £	Accumulated total accrued pension as at 30 June 2007 £	Gross increase in accrued pension for the year ended 30 June 2007 £	Increase in accrued pension (excluding inflation) for the year ended 30 June 2007 £	GN11 transfer value of net increase in accrued pension £	GN11 transfer value of accrued pension as at 30 June 2007 £	GN11 transfer value of accrued pension as at 30 June 2006 £	Change in GN11 transfer value less member contributions paid since 30 June 2006 £
Frank Nelson	11,878	163,585	3,767	(3,318)	(64,695)	2,604,114	2,658,405	(66,169)
Greg Fitzgerald	5,702	23,379	1,352	375	(3,334)	147,449	142,369	(622)

Notes to pension benefits

1 The total accrued pension is that which would be paid per annum on retirement based on service to, and Final Pensionable Salary as at, 31 March 2007, when the Scheme closed to future accrual.
2 The transfer value of net increase in accrued pension represents the incremental value to the director of his service to 31 March 2007. It is calculated after deducting the director's contribution.
3 The GN11 transfer values of accrued pension at 30 June 2007 and 30 June 2006 have been calculated in accordance with version 8.1 of Guidance Note GN11 adopted by the Board of Actuarial Standards.
4 The change in GN11 transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company, such as stockmarket movements. It is calculated after deducting the director's contributions.
5 The increase in the accrued pension (excluding inflation) for the year ended 30 June 2007, and the GN11 transfer value of this increase, for Mr Nelson, is negative because the increase in Final Pensionable Salary over the year, used to calculate the accrued pension at 30 June 2007, has been lower than inflation over the same period and he has only accrued 9 months of pension during the year.
6 The GN11 transfer value of the increase in the accrued pension for Mr Fitzgerald, is negative because his contributions for the year ended 30 June 2007 were greater than the GN11 transfer value of the increase in the accrued pension.
7 Members of the Scheme have the option to pay Additional Voluntary Contributions; neither any contributions nor the resulting benefits are included in the above table.
8 The details disclosed above correspond with the guidelines in the Directors' Remuneration Report Regulations 2002.

Chris Bucknall
Chairman of the Remuneration Committee

6 September 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GALLIFORD TRY PLC

We have audited the Group financial statements of Galliford Try plc for the year ended 30 June 2007 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 2007 and on the information in the Directors' 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 director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2003) 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 Company Structure, Highlights, the Chairman's Statement, the Business Review, the Corporate and Social Responsibility Report, 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 judgments 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 2007 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
6 September 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2007

	Notes	**2007 £m**	2006 £m
Continuing operations			
Revenue	2	**1,409.7**	851.5
Cost of sales		**(1,275.8)**	(763.4)
Gross profit		**133.9**	88.1
Administrative expenses		**(67.0)**	(48.9)
Share of post tax profits from joint ventures	12	**1.4**	0.3
Profit before finance costs	2	**68.3**	39.5
Profit before finance costs, amortisation and exceptional item		**62.5**	38.0
Amortisation of intangibles	9	**(1.4)**	(0.5)
Net exceptional item	5	**7.2**	2.0
Profit before finance costs		**68.3**	39.5
Finance income	4	**9.3**	0.7
Finance costs	4	**(17.4)**	(5.7)
Profit before taxation	5	**60.2**	34.5
Income tax expense	6	**(16.6)**	(9.1)
Profit for the year from continuing operations	30	**43.6**	25.4
Earnings per share from continuing operations*			
– Basic	8	**14.3p**	10.8p
– Diluted	8	**14.1p**	10.6p

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

The notes on pages 39 to 71 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 30 June 2007

	Notes	**2007 £m**	2006 £m
Profit for the year		**43.6**	25.4
Gains on revaluation of available for sale investments taken to equity	13	**2.0**	–
Actuarial gains and losses recognised in the pension scheme	33	**3.9**	(5.1)
Deferred tax on items charged to equity	6	**(1.9)**	2.2
Current tax on items charged to equity	6	**0.9**	1.4
Net gains/(losses) recognised directly in equity		**4.9**	(1.5)
Total recognised income for the year		**48.5**	23.9

CONSOLIDATED BALANCE SHEET

At 30 June 2007

	Notes	2007 £m	2006 £m
Assets			
Non current assets			
Intangible assets	9	**12.0**	2.3
Goodwill	10	**109.2**	57.2
Property, plant and equipment	11	**5.8**	8.0
Investments in joint ventures	12	**6.4**	3.3
Financial assets			
– Available for sale investments	13	**3.2**	1.2
– Derivative financial assets	25	**1.0**	–
Trade and other receivables	17	**4.7**	0.2
Deferred tax assets	24	**10.0**	15.7
Total non current assets		**152.3**	87.9
Current assets			
Inventories	14	**0.6**	0.9
Developments	15	**704.9**	283.8
Trade and other receivables	17	**278.5**	184.1
Financial assets			
– Derivative financial assets	25	**0.4**	0.1
Cash and cash equivalents	18	**39.5**	21.7
Total current assets		**1,023.9**	490.6
Total assets		**1,176.2**	578.5
Liabilities			
Current liabilities			
Financial liabilities – borrowings	22	**(50.0)**	(3.8)
Trade and other payables	19	**(653.4)**	(344.5)
Current tax liabilities	20	**(6.2)**	(3.1)
Provisions for liabilities and charges	21	**(2.3)**	(2.0)
Total current liabilities		**(711.9)**	(353.4)
Net current assets		**312.0**	137.2
Non current liabilities			
Financial liabilities – borrowings	22	**(88.2)**	(1.9)
Retirement benefit obligations	33	**(25.0)**	(47.1)
Deferred tax liabilities	24	**(20.3)**	(13.5)
Other non current liabilities	23	**(24.0)**	(42.1)
Provisions for liabilities and charges	21	**(0.2)**	(0.4)
Total non current liabilities		**(157.7)**	(105.0)
Total liabilities		**(869.6)**	(458.4)
Net assets		**306.6**	120.1
Shareholders' equity			
Ordinary shares	26	**18.8**	13.7
Share premium	28	**190.6**	48.7
Other reserves	28	**6.7**	4.7
Retained earnings	29	**90.5**	53.0
Total shareholders' equity		**306.6**	120.1

The notes on pages 39 to 71 are an integral part of these consolidated financial statements.

The financial statements on pages 35 to 71 were approved by the board on 6 September 2007 and signed on its behalf by:

Greg Fitzgerald
Chief Executive

Frank Nelson
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2007

	Notes	**2007 £m**	2006 £m
Cash flows from operating activities			
Net cash from operations	31	**10.4**	18.2
Interest received		**8.0**	0.7
Interest paid		**(16.3)**	(5.3)
Tax paid		**(10.0)**	(10.3)
Net cash (used in)/generated from operations		**(7.9)**	3.3
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	32	**40.1**	(24.8)
Acquisition of investments in joint ventures	12	**(2.7)**	(1.0)
Income from investments in joint ventures	12	**0.2**	0.1
Acquisition of available for sale investments	13	**–**	(0.7)
Proceeds from sale of joint ventures	12	**0.3**	–
Purchase of property, plant and equipment	11	**(2.0)**	(1.6)
Proceeds from sale of property, plant and equipment		**19.6**	11.1
Net cash generated from/(used in) investing activities		**55.5**	(16.9)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**147.0**	48.8
Purchase of treasury shares	30	**(3.0)**	(1.9)
Repayment of borrowings		**(1.7)**	(0.1)
New bank borrowings		**99.7**	–
Repayment of borrowings acquired with subsidiary	32	**(261.0)**	–
Dividends paid to Group shareholders	7	**(7.1)**	(4.9)
Available for sale financial assets		**–**	3.4
Net cash (used in)/generated from financing activities		**(26.1)**	45.3
Net increase in cash and cash equivalents		**21.5**	31.7
Cash and cash equivalents at 1 July		**18.0**	(13.7)
Cash and cash equivalents at 30 June	18	**39.5**	18.0

The notes on pages 39 to 71 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 (IAS), International Financial Reporting Standards (IFRS), 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) held for trading. The principal accounting policies are set out below.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(i) Impairment of goodwill and intangible assets

The determination of the value of the impairment of goodwill and intangible assets requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flows expected from these cash-generating units including the anticipated growth rate of revenue and costs and requires the determination of a suitable discount rate to calculate the present value of the cash flows. Details of the 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.

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. The results of subsidiary and joint venture undertakings acquired or disposed of during the year are included from the effective date of acquisition or up to the effective date of disposal.

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 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.

1 ACCOUNTING POLICIES continued

JOINT VENTURES

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. 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 accounts drawn up to the Group's accounting reference date.

JOINTLY CONTROLLED OPERATIONS AND ASSETS

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

AVAILABLE FOR SALE INVESTMENTS

Available for sale investments 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 investment 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.

REVENUE AND PROFIT

Revenue comprises the value of construction executed during the year, legal completions of housebuilding, contracted development sales and other invoiced sales, and excludes value added tax. The results for the year include adjustments for the outcome of contracts, including joint venture operations, executed in both the current and preceding years. These adjustments arise from claims by customers or third parties in respect of work carried out and claims and variations on customers or third parties for variations on the original contract. Provision for claims against the Group is made as soon as it is believed that a liability will arise, but claims and variations made by the Group are not recognised in the income statement until the outcome is virtually certain.

Where it is foreseen that a loss will arise on a contract, full provision for this loss is made in the current year.

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

RENT RECEIVABLE

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

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.

GOODWILL

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the net assets acquired. It is recognised as an asset and reviewed for impairment at least annually or when there is a triggering event. 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.
(c) Customer relationships – on a straight line basis over three years.

1 ACCOUNTING POLICIES continued

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated to write off the historical or deemed 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.

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. Land is included within developments at its fair value at the point of recognition.

TRADE RECEIVABLES

Short term trade receivables do not carry any interest and are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

LONG TERM RECEIVABLES

The Group operates a shared equity scheme, 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. Amounts receivable by the Group under this scheme are disclosed as receivables due after more than one year and are fair valued at each year end, with the corresponding movement in fair value being deducted from revenue.

CASH AND CASH EQUIVALENTS

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

BANK AND OTHER BORROWINGS

Interest bearing bank loans and overdrafts and other loans are originally recognised at fair value. 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.

INTEREST INCOME

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

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

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 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 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 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 option schemes or are sold, any consideration received is included in shareholders' equity.

SHARE BASED PAYMENTS
The Group issues equity settled share based payments to certain employees. The equity settled share based payments are measured at fair value at the date of grant. The fair value is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

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

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 Benefit Trust are deducted from total shareholder's equity.

1 ACCOUNTING POLICIES continued

NEW IFRS STANDARDS AND INTERPRETATIONS NOT APPLIED

(a) Standards, amendments and interpretations effective in the current financial year but not relevant

The following standards, amendments and interpretations are effective in the current financial year but are not relevant to the Group's activities:

IAS 21 (Amendment), Net investment in foreign operations
IAS 39 (Amendment), Cash flow hedge accounting of forecast intragroup transactions
IAS 39 (Amendment), The fair value option
IAS 39 and IFRS 4 (Amendment), Financial guarantee contracts
IFRS 6, Exploration for and evaluation of mineral resources
IFRS 1 (Amendment), First-time adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and evaluation of mineral resources
IFRIC 4, Determining whether an arrangement contains a lease
IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
IFRIC 6, Liabilities arising from participating in a specific market – waste electrical and electronic equipment
IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies
IFRIC 8, Scope of IFRS 2
IFRIC 9, Reassessment of embedded derivatives

(b) Standards and amendments that are not yet effective and have not been early-adopted by the Group

IFRS 7, Financial instruments: disclosures (effective for accounting periods beginning on or after 1 January 2007) replaces IAS 30 and the disclosure requirements in IAS 32 and locates in one place all disclosures relating to financial instruments. The new requirements incorporate many of IAS 32's disclosures as well as additional qualitative and quantitative disclosures on the risks arising from financial instruments. The Group will apply IFRS 7 from 1 July 2007 and will increase the level of disclosure in the Group's accounts.

IFRS 8, Operating segments (effective for accounting periods beginning on or after 1 January 2009) replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 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 IFRS 8 from 1 July 2009 but it is not expected to have a significant impact on the Group's accounts.

IFRIC 12, 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.

Amendment to IAS 1, Presentation of financial statements capital disclosures (effective for accounting periods beginning on or after 1 January 2007), which details presentation requirements relating to financial instruments.

Amendment to IAS 23, 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.

(c) Interpretations to existing standards that are not yet effective and have not been early-adopted by the Group

The following interpretations to existing standards have been published that are mandatory for later accounting periods but the Group has not early-adopted:

IFRIC 10, Interim financial reporting and impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from 1 July 2007, but it is not expected to have any impact on the Group's accounts.

IFRIC 11, IFRS 2 – Group and treasury share transactions, which requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if the entity chooses or is required to buy those equity instruments from another party or the shareholders of the entity provide the equity instruments needed. This interpretation becomes effective for annual periods beginning on or after 1 March 2007.

(d) Interpretations to existing standards that are not yet effective and may be relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for later accounting periods but may be relevant for the Group's operations:

IFRIC 13, Customer loyalty programmes (effective for accounting periods beginning on or after 1 July 2008) provides guidance on accounting for customer loyalty programmes. IFRIC 13 is not relevant to the Group's operation.

IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction (effective for accounting periods beginning on or after 1 January 2008) provides guidance on accounting for minimum funding requirements of defined benefit pension schemes. This IFRIC is under review as to its effect on the Group.

2 SEGMENTAL REPORTING

Segment reporting is presented in the consolidated financial statements in respect of the Group's business segments, which are the primary basis of segment reporting. The business segment reporting reflects the Group's management and internal reporting structure. Segment results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.
As explained in the financial statements for 30 June 2006, with effect from 1 July 2006 the Construction activities have operated as two divisions, Building and Infrastructure, hence the business segments have been amended accordingly. Due to the complexity of the integration of the Morrison Construction and PFI divisions into the Group for part of the previous year, the comparative figures have not been restated as it is impracticable. 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	House-building £m	Group £m	Total £m
Year ended 30 June 2007							
Group revenue and share of joint venture revenue	667.0	410.7	1,077.7	3.5	345.9	1.1	1,428.2
Share of joint ventures' revenue	(2.1)	(9.5)	(11.6)	(1.1)	(5.8)	–	(18.5)
Revenue	664.9	401.2	1,066.1	2.4	340.1	1.1	1,409.7
Segment result:							
Profit before joint ventures	12.2	9.8	22.0	(1.6)	47.8	(7.1)	61.1
Share of joint ventures' profit	0.1	–	0.1	0.5	1.1	–	1.7
Profit from operations*	12.3	9.8	22.1	(1.1)	48.9	(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	12.3	9.8	22.1	(0.7)	48.2	(7.1)	62.5
Amortisation of intangibles	(0.4)	(0.3)	(0.7)	–	(0.7)	–	(1.4)
Exceptional items	1.6	1.4	3.0	–	(1.9)	6.1	7.2
Profit before finance costs	13.5	10.9	24.4	(0.7)	45.6	(1.0)	68.3
Finance income/(costs)	3.4	0.7	4.1	(0.3)	(22.5)	10.6	(8.1)
Profit before taxation	16.9	11.6	28.5	(1.0)	23.1	9.6	60.2
Income tax expense							(16.6)
Profit for the year from continuing operations							43.6

Included within the above segments the following amounts relate to regeneration and affordable housing:

Group revenue and share of joint venture revenue	128.4
Share of joint ventures' revenue	(0.9)
Revenue	127.5
Profit from operations*	6.1

*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 Total £m	PPP Investments £m	House-building £m	Group £m	Total £m
Year ended 30 June 2006					
Group revenue and share of joint venture revenue	628.8	0.9	223.8	0.6	854.1
Share of joint ventures' revenue	(2.5)	–	(0.1)	–	(2.6)
Revenue	626.3	0.9	223.7	0.6	851.5
Segment result					
Profit before joint ventures	13.2	(1.5)	31.4	(5.4)	37.7
Share of joint ventures' profit	–	(0.1)	0.7	–	0.6
Profit from operations*	13.2	(1.6)	32.1	(5.4)	38.3
Share of joint ventures' interest and tax	(0.1)	0.3	(0.5)	–	(0.3)
Profit before finance costs, amortisation and exceptional items	13.1	(1.3)	31.6	(5.4)	38.0
Amortisation of intangibles	(0.5)	–	–	–	(0.5)
Exceptional items	0.4	–	1.4	0.2	2.0
Profit before finance costs	13.0	(1.3)	33.0	(5.2)	39.5
Finance income/(costs)	1.3	(0.1)	(11.4)	5.2	(5.0)
Profit before taxation	14.3	(1.4)	21.6	–	34.5
Income tax expense					(9.1)
Profit for the year from continuing operations					25.4

Included within the above segments the following amounts relate to regeneration and affordable housing:

Group revenue and share of joint venture revenue	67.6
Share of joint ventures' revenue	–
Revenue	67.6
Profit from operations*	3.8

*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			PPP	House-		
	Building £m	Infrastructure £m	Total £m	Investments £m	building £m	Group £m	Total £m
Year ended 30 June 2007							
Assets							
Goodwill	**17.9**	**37.2**	**55.1**	**1.9**	**52.2**	**–**	**109.2**
Intangibles	**0.4**	**1.2**	**1.6**	**–**	**10.4**	**–**	**12.0**
Investment in joint ventures	**0.4**	**–**	**0.4**	**4.9**	**1.1**	**–**	**6.4**
Other assets	**162.4**	**103.2**	**265.6**	**3.8**	**729.1**	**10.6**	**1,009.1**
	181.1	**141.6**	**322.7**	**10.6**	**792.8**	**10.6**	**1,136.7**
Cash and cash equivalents							**39.5**
Consolidated total assets							**1,176.2**
Liabilities							
Other liabilities	**272.0**	**126.9**	**398.9**	**2.9**	**274.4**	**55.2**	**731.4**
Gross debt							**138.2**
Consolidated total liabilities							**869.6**
Net assets/(liabilities) excluding net debt and goodwill and intangibles	**(109.2)**	**(23.7)**	**(132.9)**	**5.8**	**455.8**	**(44.6)**	**284.1**
Goodwill and intangibles	**18.3**	**38.4**	**56.7**	**1.9**	**62.6**	**–**	**121.2**
Net assets/(liabilities) excluding net debt	**(90.9)**	**14.7**	**(76.2)**	**7.7**	**518.4**	**(44.6)**	**405.3**
Net debt							**(98.7)**
Net assets							**306.6**
Year ended 30 June 2006							
Assets							
Goodwill			55.3	1.9	–	–	57.2
Intangibles			2.3	–	–	–	2.3
Investment in joint ventures			0.3	1.2	1.8	–	3.3
Other assets			179.6	1.5	291.1	21.8	494.0
			237.5	4.6	292.9	21.8	556.8
Cash and cash equivalents							21.7
Consolidated total assets							578.5
Liabilities							
Other liabilities			256.8	2.1	149.4	44.4	452.7
Gross debt							5.7
Consolidated total liabilities							458.4
Net assets/(liabilities) excluding net debt and goodwill and intangibles			(76.9)	0.6	143.5	(22.6)	44.6
Goodwill and intangibles			57.6	1.9	–	–	59.5
Net assets/(liabilities) excluding net debt			(19.3)	2.5	143.5	(22.6)	104.1
Net cash							16.0
Net assets							120.1

2 SEGMENTAL REPORTING continued

Other segment items

	Notes	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	House-building £m	Group £m	Total £m
Year ended 30 June 2007								
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	**–**	**–**	**–**	**–**	**52.2**	**–**	**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**
Year ended 30 June 2006								
Capital expenditure (including acquisitions)								
– Property, plant and equipment additions	11			1.7	–	1.1	0.6	3.4
– Intangible assets	9			2.8	–	–	–	2.8
– Goodwill	10			55.3	1.9	–	–	57.2
Depreciation	11			0.7	–	0.5	0.4	1.6
Impairment of receivables	5			0.1	–	–	–	0.1
Share based payments	3			0.1	–	–	0.4	0.5
Amortisation of intangible assets	5			0.5	–	–	–	0.5

3 EMPLOYEES AND DIRECTORS

Employee benefit expense for the Group during the year	**2007 £m**	2006 £m
Wages and salaries	**141.7**	87.5
Social security costs	**16.4**	9.9
Retirement benefit costs (see note 33)	**2.0**	6.3
Share based payments (see note 27)	**1.1**	0.5
	161.2	104.2

Average monthly number of people (including executive directors) employed	**2007 Number**	2006 Number
By business group:		
Building	**1,394**	–
Infrastructure	**1,709**	–
Construction Total	**3,103**	1,867
PPP Investments	**22**	29
Housebuilding	**608**	433
Group	**152**	107
	3,885	2,436

Due to the complexity of the integration of the Morrison Construction and PFI divisions into the Group for part of the previous year, the comparative figures for Building and Infrastructure have not been restated as it is impracticable.

3 EMPLOYEES AND DIRECTORS continued

Remuneration of key management personnel

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

	2007 £m	2006 £m
Short term employee benefits	3.0	2.1
Post employment benefits	0.2	0.1
Share based payments	0.4	0.4
	3.6	2.6

4 NET FINANCE COSTS

	2007 £m	2006 £m
Interest payable on borrowings	(10.9)	(2.6)
Unwinding of discounted payables	(5.1)	(2.4)
Net finance cost on retirement benefit obligations	(0.7)	(0.7)
Other	(0.7)	–
Finance costs	(17.4)	(5.7)
Interest receivable on bank deposits	7.9	–
Interest receivable from joint ventures	0.7	0.7
Fair value gains on financing activities – interest rate swaps	0.7	–
Finance income	9.3	0.7
Net finance costs	(8.1)	(5.0)

5 PROFIT BEFORE TAXATION

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

	2007 £m	2006 £m
Employee benefit expense (note 3)	161.2	104.2
Depreciation of property, plant and equipment:		
– Owned assets	2.3	1.6
(Profit)/loss on disposal of property, plant and equipment	(0.6)	0.3
Other operating lease rentals payable:		
– Plant and machinery	7.3	4.5
– Property	2.5	1.5
Inventories recognised as an expense	13.0	8.7
Developments recognised as an expense	293.3	181.3
Repairs and maintenance expenditure on property, plant and equipment	0.5	0.7
Impairment of receivables	–	0.1
Amortisation of intangible assets	1.4	0.5
Net exceptional item	(7.2)	(2.0)

5 PROFIT BEFORE TAXATION continued

Net exceptional item

The net exceptional credit is made up of the following:

(i) Profit from property rationalisation of £3.9 million (2006: £3.9 million) which includes the profit on sale and leaseback of Group property net of the cost of terminating operating leases relating to Group properties that are no longer required.

(ii) Restructuring costs of £1.9 million (2006: £1.9 million) which relate to the costs associated with the restructuring of the Group following the acquisition of Linden Homes in 2007 and of Morrison Construction and Chartdale in 2006.

(iii) During the year the Group closed the final salary pension scheme to future service accrual. As a result of the changes in actuarial assumptions which arise on this closure, a curtailment credit arose of £5.2 million.

These amounts have been treated as exceptional items in accordance with the Group's accounting policy. The income tax expense associated with the net exceptional item amounts to £1.8 million (2006: £0.5 million credit).

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:

	2007 £m	2006 £m
Statutory audit	**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**	0.2
Other services pursuant to such legislation – reporting accountant	**0.4**	0.5
Services relating to corporate finance transactions	**1.0**	0.6
Total non-audit services	**1.7**	1.3
Total	**1.9**	1.5

Of the above, £1.4 million has been included in the cost of investment of Linden Holdings plc (2006: £1.1 million included in the cost of investment of Chartdale and Morrison). See note 32.

A description of the work of the audit committee is set out in the Corporate Governance Report.

6 INCOME TAX EXPENSE

Analysis of charge in year	Note	**2007 £m**	2006 £m
Current year's income tax			
Current tax		**17.1**	9.7
Deferred tax	24	**(0.4)**	0.2
Adjustments in respect of prior years			
Current tax		**(0.1)**	(0.8)
Income tax expense		**16.6**	9.1

Tax on items charged to equity	**2007 £m**	2006 £m
Current tax credit on share based payments	**(0.9)**	(1.4)
Deferred tax credit for share based payments	**(0.9)**	(0.2)
Deferred tax charge/(credit) on retirement benefit obligations	**2.2**	(1.5)
Deferred tax on revaluations	**0.6**	(0.5)
	1.0	(3.6)
Total taxation	**17.6**	5.5

6 INCOME TAX EXPENSE continued

The tax charge for the year of £16.6 million is lower (2006: lower) than the standard rate of corporation tax in the UK of 30 per cent. The differences are explained below:

	2007 £m	2006 £m
Profit before taxation	60.2	34.5
Profit before taxation multiplied by the standard rate in the UK of 30 per cent (2006: 30 per cent)	18.1	10.3
Effects of:		
Expenses not deductible for tax purposes	0.6	0.9
Change in rate of deferred tax	(0.4)	–
Capital gains tax indexation adjustment	(0.6)	–
Utilisation of capital gains tax losses	(0.1)	(1.1)
Adjustments in respect of previous years	(0.1)	(0.8)
Other	(0.9)	(0.2)
Income tax expense	16.6	9.1

7 DIVIDENDS

The following dividends were paid by the Company:

	2007 £m	2007 Pence per share	2006 £m	2006 Pence per share
Previous year final	5.0	1.8	3.3	1.5
Current period interim	2.1	0.8	1.6	0.7
Dividend recognised in the year	7.1	2.6	4.9	2.2

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

	2007 £m	2007 Pence per share	2006 £m	2006 Pence per share
Interim	2.1	0.8	1.6	0.7
Final	8.3	2.2	5.0	1.8
Dividend relating to the year	10.4	3.0	6.6	2.5

The directors are proposing a final dividend in respect of the financial year ending 30 June 2007 of 2.2 pence per share, bringing the total dividend in respect of 2007 to 3.0 pence (2006: 2.5 pence). The final dividend will absorb an estimated £8.3 million of shareholders' funds. Subject to shareholder approval at the Annual General Meeting to be held on 9 November 2007, the dividend will be paid on 16 November 2007 to shareholders who are on the register of members on 19 October 2007.

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 to assume conversion of all potentially dilutive ordinary shares. 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.

	2007			2006		
	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	**43.6**	**305,428,612**	**14.3**	25.4	235,209,936	10.8
Effect of dilutive securities:						
Options		**4,194,331**	**(0.2)**		3,076,310	(0.2)
Diluted EPS	**43.6**	**309,622,943**	**14.1**	25.4	238,286,246	10.6

Earnings adjusted for post tax exceptional items of £5.4 million (2006: £2.5 million) amount to £38.2 million (2006: £22.9 million). The basic earnings per share calculated on this adjusted basis is 12.5 pence (2006: 9.7 pence) (diluted: 12.3 pence (2006: 9.6 pence)).

9 INTANGIBLE ASSETS

Cost	**Brand £m**	**Customer contracts £m**	**Customer relationships £m**	**Total £m**
At 1 July 2005	–	–	–	–
Recognised on acquisition of subsidiaries	0.5	1.9	0.4	2.8
At 1 July 2006	0.5	1.9	0.4	2.8
Recognised on acquisition of subsidiaries (note 32)	10.3	0.8	–	11.1
At 30 June 2007	**10.8**	**2.7**	**0.4**	**13.9**
Amortisation at 1 July 2005	–	–	–	–
Amortisation in year	(0.1)	(0.4)	–	(0.5)
At 30 June 2006	(0.1)	(0.4)	–	(0.5)
Amortisation in year	(0.4)	(0.9)	(0.1)	(1.4)
At 30 June 2007	**(0.5)**	**(1.3)**	**(0.1)**	**(1.9)**
Net book amount at 30 June 2007	**10.3**	**1.4**	**0.3**	**12.0**
Net book amount at 30 June 2006	0.4	1.5	0.4	2.3

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

10 GOODWILL

Cost	**£m**
At 1 July 2005	0.7
Recognised on acquisition of subsidiaries	57.2
At 1 July 2006	57.9
Adjustment relating to prior year acquisition	(0.2)
Recognised on acquisition of subsidiaries (note 32)	52.2
At 30 June 2007	**109.9**
Aggregate impairment at 1 July 2005 and 2006	(0.7)
Charge for the year	–
At 30 June 2007	**(0.7)**
Net book amount at 30 June 2007	**109.2**
Net book amount at 30 June 2006	57.2

The reduction in goodwill of £0.2 million arises as a result of a reassessment of the deferred consideration payable on the acquisition of Pentland Limited in the year ended 30 June 2006.

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:

	£m
Building	17.9
Infrastructure	37.2
PPP Investments	1.9
Housebuilding	52.2
	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 financial budgets approved by management covering a three year period. Cash flows beyond the three year period are extrapolated using an estimated growth rate of 3 per cent per annum. The growth rate used is the Group's estimate of the average long term growth rate for the industry in which the CGU operates. A post tax discount rate of 10.9 per cent has been applied to the future cash flows. Management determine budgets based on past performance and its expectation of market development.

Following the impairment test during the year and the prior year, no impairments have been identified.

11 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2005	10.4	4.6	8.0	23.0
Acquired on acquisition of subsidiaries	0.8	0.6	0.5	1.9
Additions	–	0.3	1.3	1.6
Disposals	(6.6)	(1.7)	(0.2)	(8.5)
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 30 June 2007	**2.5**	**2.9**	**7.9**	**13.3**
Accumulated depreciation				
At 1 July 2005	2.5	3.4	5.5	11.4
Charge for the year	0.3	0.1	1.2	1.6
Disposals	(1.4)	(1.4)	(0.2)	(3.0)
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 30 June 2007	**0.6**	**1.5**	**5.4**	**7.5**
Net book amount				
At 30 June 2007	**1.9**	**1.4**	**2.5**	**5.8**
At 30 June 2006	3.2	1.7	3.1	8.0

Included above are assets held under finance leases with a net book value of £Nil (2006: £0.1 million).

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.

Profit from property rationalisation of £3.9 million (2006: £3.9 million) includes the profit on sale and leaseback of Group property (£4.8 million) net of the cost of terminating operating leases relating to Group properties that are no longer required.

12 INVESTMENTS IN JOINT VENTURES

	2007 £m	2006 £m
At 1 July		
– Net assets excluding goodwill	**2.7**	2.1
– Goodwill	**0.6**	–
	3.3	2.1
Additions(i)		
– Net assets	**0.1**	0.4
– Goodwill	**2.6**	0.6
Transferred to subsidiary undertaking(ii)	**(1.0)**	–
Disposal(iii)	**0.2**	–
Dividend received from joint venture	**(0.2)**	(0.1)
Share of profits retained	**1.4**	0.3
At 30 June		
– Net assets excluding goodwill	**3.2**	2.7
– Goodwill	**3.2**	0.6
	6.4	3.3

Joint ventures

At 30 June 2007 the Group held interests in the following principal joint ventures all of which are incorporated in England and Wales:

Name	Year end	% shareholding	Principal activity
Alpha Schools (Highland) Limited	31 January	50%	Construction and facilities management of schools
Tricomm Housing Portsmouth Limited	30 September	50%	Construction and facilities management of housing schemes
gbconsortium2 Limited	31 March	45%*	Private sector partner in Coventry NHS LIFT
Urban Vision Partnership Limited	31 December	30%*	Maintenance and management of property and infrastructure schemes
Oak Fire Protection Limited	30 June	80%*	Installation of fire protection equipment
Wates Homes BR1 Limited	31 December	50%	Housebuilding
Wates Linden (Cuckfield) 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%	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.

(i) During the year, the Group acquired a 50 per cent interest in the share capital of Alpha Schools (Highland) Limited for £2.7 million. Of this purchase price, £2.6 million has been treated as goodwill, representing the difference between the consideration paid and the Company's share of net assets.

(ii) The Group had a 50 per cent interest in the share capital of Fairfield Redevelopments Limited, whose principal activity is the residential development of the former Fairfield hospital site near Letchworth. The remaining 50 per cent interest in the share capital was owned by Linden Holdings plc. Following the acquisition of Linden Holdings plc the Group now holds 100 per cent of the share capital and Fairfield Redevelopments Limited is now treated as a subsidiary undertaking.

(iii) The Group had a 50 per cent interest in Integrated Network Solutions (Holdings) Limited. During the year the Group disposed of this interest for £0.3 million generating a profit for the Group of £0.5 million.

12 INVESTMENTS IN JOINT VENTURES continued

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

	2007 £m	2006 £m
Current assets	**52.9**	8.0
Non current assets	**70.1**	16.0
Current liabilities	**(18.0)**	(6.8)
Non current liabilities	**(98.6)**	(13.9)
	6.4	3.3
Amounts due from joint ventures	**5.2**	4.1
Amounts due to joint ventures	**–**	–
Revenue	**18.5**	2.6
Expenses	**(16.8)**	(2.0)
	1.7	0.6
Finance income/(cost)	**0.3**	(0.1)
Income tax	**(0.6)**	(0.2)
Share of post tax results for joint ventures	**1.4**	0.3

The joint ventures have no significant contingent liabilities to which the Group is exposed.

13 AVAILABLE FOR SALE INVESTMENTS

	2007 £m	2006 £m
At 1 July	**1.2**	0.5
Gains transferred to equity (note 30)	**2.0**	–
Additions	**–**	0.7
At 30 June	**3.2**	1.2

The available for sale investments relate to PPP/PFI investments in which a minority interest is held.

14 INVENTORIES

	2007 £m	2006 £m
Materials and consumables	**0.6**	0.9

No inventories have been written off during the year.

15 DEVELOPMENTS

	2007 £m	2006 £m
Land	**547.6**	208.5
Work in progress	**157.3**	74.1
Other development	**–**	1.2
	704.9	283.8

16 CONSTRUCTION CONTRACTS

	2007 £m	2006 £m
Contracts in progress at balance sheet date:		
Amounts recoverable on construction contracts included in trade and other receivables	**154.6**	96.0
Payments received on account on construction contracts included in trade and other payables	**(67.2)**	(31.2)
	87.4	64.8

The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £1,551.5 million (2006: £929.0 million).

At 30 June 2007 retentions held by customers for contract work amounted to £29.0 million (2006: £34.8 million).

At 30 June 2007 amounts of £0.9 million (2006: £7.9 million) included in trade and other receivables and arising from construction contracts are due for settlement after more than 12 months.

17 TRADE AND OTHER RECEIVABLES

	2007 £m	2006 £m
Amounts falling due within one year:		
Trade receivables	**95.5**	68.1
Less: Provision for impairment of receivables	**(0.6)**	(0.6)
Trade receivables – net	**94.9**	67.5
Amounts recoverable on construction contracts	**154.6**	96.0
Amounts owed by joint venture undertakings	**3.3**	4.1
Other receivables	**17.2**	13.0
Prepayments and accrued income	**8.5**	3.5
	278.5	184.1

	2007 £m	2006 £m
Amounts falling due in more than one year:		
Amounts owed by joint venture undertakings	**1.8**	–
Other receivables	**2.9**	0.2
	4.7	0.2

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this, management believe there is no further credit risk provision required in excess of normal provisions for doubtful receivables.

The maturity of non current receivables is as follows:

	2007 £m	2006 £m
In more than one year but not more than two years	**1.8**	–
In more than two years but not more than five years	**0.1**	–
In more than five years	**2.8**	0.2
	4.7	0.2

18 CASH AND CASH EQUIVALENTS

	2007 £m	2006 £m
Cash at bank and in hand	**33.3**	6.9
Short term bank deposit	**6.2**	14.8
	39.5	21.7
Bank overdrafts (note 22)	**–**	(3.7)
	39.5	18.0

The short term bank deposits above included £6.2 million (2006: £5.6 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 5.45 per cent (2006: 4.03 per cent).

Net (debt)/cash	**2007 £m**	2006 £m
Cash and cash equivalents as above	**39.5**	18.0
Current borrowings		
Bank loan	**(11.5)**	(0.1)
Unsecured loan notes	**(38.5)**	–
Non current borrowings		
Bank loans	**(88.2)**	(0.9)
Unsecured loan notes	**–**	(1.0)
Net (debt)/cash	**(98.7)**	16.0

19 TRADE AND OTHER PAYABLES

	2007 £m	2006 £m
Payments received on account on construction contracts	**67.2**	31.2
Trade payables	**124.0**	133.5
Development land creditors	**126.2**	45.9
Other taxation and social security payable	**6.0**	5.5
Other payables	**24.3**	12.4
Deferred consideration on acquisitions	**43.9**	7.2
Accruals and deferred income	**261.8**	108.8
	653.4	344.5

The deferred consideration relates to the acquisition of Linden Holdings plc £13.0 million (2006: £Nil) and Chartdale Homes £30.9 million (2006: £7.2 million).

20 CURRENT INCOME TAX LIABILITIES

	2007 £m	2006 £m
Current income tax liabilities	**6.2**	3.1

21 PROVISIONS FOR LIABILITIES AND CHARGES

	Restructuring £m	Onerous leases £m	Total £m
Current			
At 1 July 2006	1.9	0.1	2.0
Charged to income statement	1.9	0.8	2.7
Utilised in year	(2.3)	(0.1)	(2.4)
At 30 June 2007	**1.5**	**0.8**	**2.3**
Non current			
At 1 July 2006	–	0.4	0.4
Charged to income statement	–	0.1	0.1
Utilised in year	–	(0.3)	(0.3)
At 30 June 2007	**–**	**0.2**	**0.2**

Restructuring
The restructuring provision made in the year relates to the cost of reorganising the housebuilding division following 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.

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.

22 FINANCIAL LIABILITIES – BORROWINGS

Current	**2007 £m**	2006 £m
Bank overdrafts – secured(i)	**–**	3.7
Bank loan – secured(i)	**11.5**	0.1
Unsecured – loan notes(ii)	**38.5**	–
	50.0	3.8

Non current	**2007 £m**	2006 £m
Bank loans – secured(i)	**88.2**	0.9
Unsecured – loan notes	**–**	1.0
	88.2	1.9

(i) The bank loans and overdrafts are secured by a fixed charge over some of the Group's freehold properties and a floating charge over certain of its developments. They incur interest at 1.2 per cent over LIBOR. The Group has entered into interest rate swaps as set out in note 25.

(ii) The current unsecured loan notes consist of three types of loan notes as follows:

(a) £2.6 million (2006: £Nil) are fully repayable on 31 August 2007. They incur interest at 0.5 per cent below six month LIBOR.
(b) £1.0 million (2006: £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.
(c) £34.9 million (2006: £Nil) of loan notes were issued in 2007 as part of the acquisition of Linden Holdings plc (note 32). They are redeemable in whole or in part by the holders at six monthly intervals commencing on 30 September 2007, 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.

23 OTHER NON CURRENT LIABILITIES

	2007 £m	2006 £m
Development land creditors	**19.3**	10.7
Deferred consideration for acquisitions	**–**	29.3
Other payables	**4.7**	0.3
Accruals and deferred income	**–**	1.8
	24.0	42.1

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 (2006: 30 per cent). The UK Government announced on 21 March 2007 that the corporate tax rate will be reduced from 30 per cent to 28 per cent with effect from 1 April 2008. In accordance with IFRS, the rate of 28 per cent is used as a basis for the calculation of the deferred taxes stated.

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

	2007 £m	2006 £m
Deferred tax assets	**10.0**	15.7
Deferred tax liabilities	**(20.3)**	(13.5)
	(10.3)	2.2

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

	2007 £m	2006 £m
At 1 July	**2.2**	12.4
Income statement (credit)/charge		
Current year's deferred income tax	**–**	(0.2)
Change in rate of deferred income tax	**0.4**	–
(Charged)/credited to equity	**(1.9)**	2.3
On acquisition of subsidiaries	**(11.0)**	(12.3)
At 30 June	**(10.3)**	2.2

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

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

Deferred tax assets	**Retirement benefit obligations £m**	**Share based payments £m**	**Other £m**	**Total £m**
At 1 July 2005	13.9	0.7	0.6	15.2
Charged to income statement	(1.2)	–	–	(1.2)
Credited to equity	1.4	0.3	–	1.7
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 30 June 2007	**6.9**	**2.1**	**1.0**	**10.0**

Deferred tax liabilities	**Fair value adjustments £m**	**Accelerated tax depreciation £m**	**Other £m**	**Total £m**
At 1 July 2005	–	0.2	(3.0)	(2.8)
(Charged)/credited to income statement	(0.1)	–	1.1	1.0
On acquisition of subsidiaries	(12.2)	–	–	(12.2)
Credited to equity	–	–	0.5	0.5
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 30 June 2007	**(20.0)**	**0.2**	**(0.5)**	**(20.3)**

25 FINANCIAL INSTRUMENTS

The Group operates within financial risk policies 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 and its acquisitions. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. For financial risk disclosures refer to the Business Review.

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 planned growth in housebuilding will require additional borrowings in addition to retained earnings to finance growth in the land bank and associated work in progress. 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 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 2007 (2006: Nil).

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. Details of the interest rate swaps entered into by the Group are set out below.

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

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the accounting policies relating to risk management.

Financial assets – derivative financial assets

The fair value of interest rate swaps and caps is detailed below:

	Assets £m
At 30 June 2007	
Current	**0.4**
Non current	**1.0**
At 30 June 2006	
Current	0.1

The notional principal amount of the outstanding interest rate swap contracts at 30 June 2007 was £125 million (2006: £20 million).

At 30 June 2007, the fixed rate interest rates vary from 4.66 per cent to 5.763 per cent (2006: 5.2 per cent).

25 FINANCIAL INSTRUMENTS continued

Fair values

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at prevailing interest rates. The carrying value of short-term borrowings approximate to book value.

Fair value of non current borrowings:

	Notes	**2007** Book value £m	**2007** Fair value £m	2006 Book value £m	2006 Fair value £m
Long term borrowings	22	**88.2**	**69.8**	1.9	1.9

Fair value of other financial assets and financial liabilities:

Primary financial instruments held or issued to finance the Group's operations:

	Notes	**2007** Book value £m	**2007** Fair value £m	2006 Book value £m	2006 Fair value £m
Short term borrowings	22	**50.0**	**50.0**	3.8	3.8
Trade and other payables	19	**653.4**	**653.4**	344.5	344.5
Trade and other receivables	17	**278.5**	**278.5**	184.1	184.1
Cash at bank and in hand	18	**39.5**	**39.5**	21.7	21.7
Other non current liabilities	23	**24.0**	**24.0**	42.1	42.1

The effective interest rate used for fair valuing long term borrowings is 7 per cent (2006: 4.46 per cent), being the prevailing interest rate at 30 June 2007.

Maturity of financial liabilities

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

	2007 Borrowings £m	**2007** Other financial liabilities £m	**2007** Total £m	2006 Borrowings £m	2006 Other financial liabilities £m	2006 Total £m
In more than one year but not more than two years	**12.0**	**19.7**	**31.7**	0.9	36.3	37.2
In more than two years but not more than five years	**76.2**	**0.8**	**77.0**	1.0	4.7	5.7
In more than five years	**–**	**3.5**	**3.5**	–	1.1	1.1
	88.2	**24.0**	**112.2**	1.9	42.1	44.0

Borrowing

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:

	2007 Floating rate £m	**2007** Fixed rate £m	**2007** Total £m	2006 Total £m
Expiring within one year	**30.0**	**–**	**30.0**	16.2
Expiring in more than two years	**204.0**	**–**	**204.0**	143.1
	234.0	**–**	**234.0**	159.3

The facilities expiring within one year are annual facilities provided by HSBC Bank plc and Barclays Bank PLC. These facilities are subject to review in November 2007 and January 2008 respectively. The other facilities have been arranged to help finance the ongoing business. All these facilities incur commitment fees at market rates.

The Group's principal borrowing facilities of £450 million are provided by HSBC Bank plc, The Royal Bank of Scotland Plc, Bank of Scotland and Barclays Bank PLC. These facilities were entered into on 8 February 2007 and are secured by charges over certain freehold properties and developments.

26 CALLED UP SHARE CAPITAL

Authorised	2007 £m	2006 £m
505,000,000 (2006: 360,000,000) ordinary shares of 5 pence each	**25.3**	18.0

Issued and fully paid	2007 Shares	2007 £m	2006 Shares	2006 £m
Ordinary shares of 5 pence each				
At 1 July	**274,798,181**	**13.7**	226,784,829	11.3
Allotted during the year	**100,230,056**	**5.0**	46,834,753	2.3
Allotted under share option schemes	**1,484,864**	**0.1**	1,178,599	0.1
At 30 June	**376,513,101**	**18.8**	274,798,181	13.7

On 5 March 2007 the Company increased its authorised share capital to 505,000,000 by the creation of 145,000,000 ordinary shares of 5 pence each.

On 6 March 2007 the Group completed a placing and open offer of 100,230,056 shares at 150 pence per share for a total consideration of £150.3 million.

At 30 June 2007 the total number of shares outstanding under the SAYE share option scheme was 8,881,332 and under the long term incentive plans was 3,105,400, as detailed below:

SAYE share option scheme

Shares under option	Year of grant	Exercise price per share	Exercise period ending
1,345,653	2003	18p	30.11.08
1,608,850	2006	68.5p	31.07.09
1,144,663	2006	68.5p	31.07.11
2,565,383	2007	102p	30.06.10
2,216,783	2007	102p	30.06.12
8,881,332			

Long term incentive plans

Shares awarded	Year of grant	Award price	Vesting date
899,000	2005	60.75p	22.03.08
933,000	2006	71p	13.09.08
1,047,400	2007	126p	30.10.09
226,000	2007	177p	08.03.10
3,105,400			

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 savings related option schemes ('SAYE'). The total charge for the year relating to employee share based payment plans was £1.1 million (2006: £0.5 million), all of which related to equity settled share based payment transactions. After deferred tax, the total charge was £0.8 million (2006: £0.3 million).

Savings related share options

The Company operates an HM Revenue and Customs approved savings related option scheme ('SAYE') under which employees are granted an option to purchase ordinary shares in the Company at up to 20 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

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 2007 is shown below:

	2007		2006	
	Number	**Weighted average exercise price (pence)**	Number	Weighted average exercise price (pence)
Outstanding at 1 July	**5,802,984**	**44.5**	4,272,166	19.8
Granted	**4,965,393**	**102.0**	2,928,333	68.5
Forfeited	**(402,181)**	**76.6**	(171,915)	27.8
Exercised	**(1,484,864)**	**23.1**	(1,225,600)	18.0
Outstanding at 30 June	**8,881,332**	**78.9**	5,802,984	44.5
Exercisable at 30 June	**–**	**–**	114,200	18.0

The weighted average fair value of awards granted during the year was 102 pence (2006: 68.5 pence).

The weighted average share price at the date of exercise was 116.1 pence (2006: 111.8 pence).

The weighted average remaining contractual life is three years three months (2006: two years eight 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.

Grant date	Award price at grant date	Vesting period (months)	Risk free rate	Dividend yield	Fair value per option
22.03.04	53.25p	36	4.0%	2.8%	34.6p
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%	73p
08.03.07	177p	36	5.2%	1.5%	154.3p

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:

	2007 Number	2006 Number
Outstanding at 1 July	**3,119,000**	5,984,200
Granted	**1,273,400**	933,000
Forfeited	**(139,640)**	(116,600)
Exercised	**(1,147,360)**	(3,681,600)
Outstanding at 30 June 2007	**3,105,400**	3,119,000
Exercisable at 30 June 2007	**–**	–

The weighted average fair value of awards granted during the year was 87.4 pence (2006: 71 pence).

The weighted average share price at the date of exercise was 179.5 pence (2006: 110.75 pence).

The weighted average remaining contractual life is Nil as the shares are exercised on the day that they vest (2006: Nil).

28 SHARE PREMIUM AND OTHER RESERVES

	Share premium account £m	Other reserves £m
At 1 July 2005	2.3	4.7
Premium on shares allotted on 31 March 2006	47.8	–
Fees on issue of shares	(1.6)	–
Premium on shares issued during the year under the share option scheme	0.2	–
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 shares issued during the year under the share option scheme	0.3	–
Revaluation of available for sale investments	–	2.0
At 30 June 2007	**190.6**	**6.7**

29 RETAINED EARNINGS

	£m
At 1 July 2005	35.4
Profit for the year	25.4
Dividends paid	(4.9)
Share based payments	0.5
Purchase of own shares	(1.9)
Actuarial losses recognised in the retirement benefit obligations	(5.1)
Tax on items charged to equity	3.6
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 30 June 2007	**90.5**

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9.5 million (2006: £9.5 million).

At 30 June 2007, the Galliford Try Employee Share Trust held 2,865,475 (2006: 1,999,311) shares. The nominal value of the shares held is £0.1 million (2006: £0.1 million). Shares were acquired in the period at a cost of £3.0 million (2006: £1.9 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 income statement of the Company in the period to which it relates. The market value of the shares at 30 June 2007 was £4.5 million (2006: £2.3 million). No shareholders (2006: 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 2005	11.3	2.3	4.7	35.4	53.7
Profit for the year	–	–	–	25.4	25.4
Dividends	–	–	–	(4.9)	(4.9)
Proceeds from shares issued	2.4	46.4	–	–	48.8
Purchase of own shares	–	–	–	(1.9)	(1.9)
Share based payments	–	–	–	0.5	0.5
Actuarial losses recognised in retirement benefit obligations	–	–	–	(5.1)	(5.1)
Deferred tax on movements in equity	–	–	–	2.2	2.2
Current tax on movements in equity	–	–	–	1.4	1.4
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
Revaluation of available for sale investments	–	–	2.0	–	2.0
Deferred tax on movements in equity	–	–	(0.6)	(1.3)	(1.9)
Current tax on movement in equity	–	–	–	0.9	0.9
At 30 June 2007	**18.8**	**190.6**	**6.1**	**91.1**	**306.6**

31 CASH FLOWS FROM OPERATING ACTIVITIES

	2007 £m	2006 £m
Cash generated from operations		
Continuing operations		
Profit for the year	**43.6**	25.4
Adjustments for:		
Income tax	**16.6**	9.1
Depreciation	**2.3**	1.5
Amortisation of intangible assets	**1.4**	0.5
Share based payments	**1.1**	0.5
Profit on sale and leaseback of property, plant and equipment	**(4.8)**	(3.9)
(Profit)/loss on disposal of property, plant and equipment	**(0.6)**	0.3
Profit on sale of joint venture	**(0.5)**	–
Finance income	**(9.3)**	(0.7)
Finance cost	**17.4**	5.7
Share of results of joint ventures before taxation	**(1.4)**	(0.3)
Movement in retirement benefit obligations	**(18.2)**	(4.2)
Increase in provisions for liabilities and charges	**0.1**	1.9
	47.7	35.8
Changes in working capital (excluding the effects of the acquisition of subsidiaries)		
Decrease in inventories	**0.3**	0.5
Increase in developments	**(98.1)**	(1.2)
Increase in trade and other receivables	**(73.2)**	(0.2)
Increase/(decrease) in payables	**133.7**	(16.7)
Cash generated from continuing operations	**10.4**	18.2

32 ACQUISITIONS

On 28 July 2006, the Group acquired the entire share capital of Rasen Estates Limited (Rasen Estates) for £1.4 million which was settled in cash. The Rasen Estates net assets acquired amounted to £1.4 million and there was no difference between the book value and the fair value. No goodwill arose on this acquisition.

On 6 March 2007, the Group acquired the entire share capital of Linden Holdings plc, the holding company of the Linden Group of companies ('Linden Homes').

The consideration payable, including expenses, for these acquisitions was as follows:

	£m
Linden Homes	110.8
Rasen Estates	1.4
	112.2

From the date of acquisition to 30 June 2007 the acquisitions contributed £66.3 million of revenue, £7.5 million to profit before interest and intangible amortisation and £3.2 million to profit before tax as follows:

	Revenue £m	Profit before finance costs and intangible amortisation £m	Profit before tax £m	Net profit £m	Cashflow* £m	Capital expenditure £m
Linden Homes	66.3	7.5	3.2	1.8	(43.6)	–
Rasen Estates	–	–	–	–	–	–
	66.3	7.5	3.2	1.8	(43.6)	–

*Stated including transactions within the Group.

Details of the Linden Homes acquisition are given below.

	Carrying value pre acquisition* £m	Fair value adjustments £m	Provisional fair value £m
Intangibles	–	11.1	11.1
Property, plant and equipment	6.4	3.4	9.8
Developments	272.6	49.0	321.6
Trade and other receivables	23.8	–	23.8
Current tax recoverable	2.2	–	2.2
Derivative financial assets	0.6	–	0.6
Cash and cash equivalents	104.4	–	104.4
Bank loans and overdrafts	(261.0)	–	(261.0)
Loan notes	(3.2)	–	(3.2)
Trade and other payables	(105.7)	(34.0)	(139.7)
Deferred taxation	(0.9)	(10.1)	(11.0)
Net assets acquired	39.2	19.4	58.6
Goodwill			52.2
Consideration			110.8

*Stated under IFRS.

The fair value adjustments relate to alignment of accounting policies and recognition of intangible assets.

Consideration:	£m
Purchase price	108.5
Expenses	2.3
	110.8

Consideration satisfied by:	£m
Cash	62.9
Loan notes	34.9
Contingent consideration due from September 2007	6.0
Contingent consideration due from March 2008	7.0
	110.8

32 ACQUISITIONS continued

The intangible assets acquired as part of the acquisition of Linden Homes are analysed as follows:

	£m
Brand	10.3
Customer contracts	0.8
	11.1

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

	£m
Cash consideration	62.9
Cash acquired	(104.4)
Borrowings acquired	261.0
Net cash outflow	219.5

The goodwill arising is primarily attributable to the employees of the acquired business and the synergy cost savings expected to arise.

The deferred consideration is payable on receipt of planning permission on certain sites and on satisfaction of certain warranty provisions within the purchase agreement.

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

	Group £m	Acquisitions* £m	Total £m
Revenue	1,409.7	175.4	1,585.1
Profit before finance costs	68.3	24.5	92.8
Profit before tax	60.2	10.3	70.5
Profit after tax	43.6	8.2	51.8

*Results for period from 1 July 2006 to date of acquisition.

33 RETIREMENT BENEFIT OBLIGATIONS

The Group's principal funded pension scheme is the Galliford Try Final Salary Pension Scheme which is of the defined benefit type (based on final pensionable salary) with assets held in separate trustee administered funds. The Scheme 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:

	2007 £m	2006 £m
Defined benefit schemes		
Expense recognised in the income statement before gains on curtailments and settlements	**3.2**	4.5
Gains on curtailments and settlements	**(5.2)**	–
	(2.0)	4.5
Defined contribution schemes	**4.0**	1.8
Total included within employee benefit expenses (note 3)	**2.0**	6.3

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 2005. The assumptions used which had the most significant effect on the results of the valuation were the investment return, which was assumed to be 5.6 per cent per annum on pre-retirement assets and 4.6 per cent for post-retirement assets, and the rate of increase in pensionable salaries, which was assumed to be 4.8 per cent per annum. The valuation showed that the market value of the scheme's assets was £3.1 million and that those assets represented 70 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

The valuation of the Group's pension schemes have been updated to 30 June 2007. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

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

The assumptions for mortality are based on actuarial table PXA92 medium cohort (2006: PXA92 short cohort with an increase in the probability of mortality of 10 per cent).

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:

			2007			2006
	Return	**Value £m**		Return	Value £m	
Equities	**8.35%**	**84.2**	**64%**	7.65%	74.3	69%
Property	**8.35%**	**–**	**–**	7.65%	0.7	1%
Gilts	**5.35%**	**30.3**	**23%**	4.65%	15.1	14%
Bonds	**5.70%**	**11.0**	**9%**	5.30%	13.5	12%
Cash	**5.50%**	**5.9**	**4%**	4.50%	4.4	4%
		131.4	**100%**		108.0	100%
Present value of defined benefit obligations		**(156.4)**			(155.1)	
Deficit in scheme recognised as non current liability		**(25.0)**			(47.1)	

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 and property type 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:

	2007 £m	2006 £m
Current service cost	**2.5**	3.8
Charged to profit before finance costs	**2.5**	3.8
Finance cost	**8.2**	6.8
Expected return on plan assets	**(7.5)**	(6.1)
Net finance costs	**0.7**	0.7
Expense recognised in the income statement before gains on curtailments and settlements	**3.2**	4.5
Gains on curtailments and settlements	**(5.2)**	–
(Gain)/expense recognised in the income statement	**(2.0)**	4.5

The actual return on plan assets was £9.9 million (2006: £12.5 million).

33 RETIREMENT BENEFIT OBLIGATIONS continued

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

	2007 £m	2006 £m
Total amount of actuarial gains/(losses)	**3.9**	(5.1)
Cumulative actuarial losses	**(16.4)**	(20.3)

Movement in present value of defined benefit obligations	2007 £m	2006 £m
At 1 July	**155.1**	135.1
Service cost	**2.5**	3.7
Interest cost	**8.2**	6.8
Experience gains	**(1.9)**	(5.2)
Impact of change in assumptions	**0.4**	16.7
Curtailment gain	**(5.2)**	–
Employee contributions	**0.9**	1.3
Benefit payments	**(3.7)**	(3.2)
Other	**0.1**	(0.1)
30 June	**156.4**	155.1

Movement in fair value of scheme assets	2007 £m	2006 £m
At 1 July	**108.0**	88.9
Expected return on plan assets	**7.5**	6.1
Actual return less expected return on Scheme assets	**2.4**	6.4
Employer contributions	**16.2**	8.7
Employee contributions	**0.9**	1.3
Benefit payments	**(3.7)**	(3.2)
Other	**–**	(0.2)
30 June	**131.3**	108.0

Of the total charge/(credit) for all schemes £2.8 million (2006: £4.1 million) and £4.4 million (2005: £2.2 million) were included, respectively, within cost of sales and administrative expenses. The curtailment gain of £5.2 million (2006: £Nil) 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:	2007	2006	2005
Difference between the expected and actual return on assets:			
Amount (£m)	**2.4**	6.4	6.2
Percentage of assets	**2**	6	7
Experience gains and losses on Scheme liabilities:			
Amount (£m)	**1.9**	5.2	(2.5)
Percentage of present value of defined benefit obligations	**1**	3	(2)
Total amount recognised in statement of recognised income and expense:			
Amount (£m)	**3.9**	(5.1)	(15.2)
Percentage of present value of liabilities	**2**	(3)	(11)

34 OPERATING LEASE COMMITMENTS – MINIMUM LEASE PAYMENTS

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:

	2007		2006	
	Property £m	**Vehicles, plant and equipment £m**	Property £m	Vehicles, plant and equipment £m
Amounts due:				
Within one year	**3.4**	**3.8**	2.5	2.9
Later than one year and less than five years	**12.4**	**4.0**	7.0	4.5
After five years	**25.1**	**–**	13.7	–
	40.9	**7.8**	23.2	7.4

35 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 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.

Galliford Try plc has entered into 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 £226.6 million (2006: £149.5 million).

36 CAPITAL AND OTHER FINANCIAL COMMITMENTS

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.

There was no capital expenditure contracted at 30 June 2007 (2006: £Nil).

37 RELATED PARTY TRANSACTIONS

Details relating to the trading and assets and liabilities of the Group's joint ventures and available for sale investments are set out in note 12 and note 13 respectively.

Midas Homes Limited has entered into jointly controlled operations with various third parties for the purpose of residential property developments at locations in the West Country. The Group's share of profits and assets and liabilities of these arrangements, which are unincorporated, range from 12.5 per cent to 50 per cent. During the year ended 30 June 2007 costs totalling £3.4 million (2006: £0.1 million) were invoiced to these arrangements and balances due to the Group at 30 June 2007 of £0.2 million (2006: £Nil) are included within other receivables. Balances due by the Group of £Nil (2006: £Nil) are included within other payables.

Galliford Try Construction Limited has entered into a jointly controlled operation with Costain Limited to carry out a contract for United Utilities. The Group's share of profits and assets and liabilities of this arrangement, which is unincorporated, is 50 per cent. During the year costs totalling £Nil (2006: £1.1 million) were charged to this arrangement and the balance due to the Group at 30 June 2007 was £Nil (2006: £Nil).

Galliford Try Construction Limited has entered into a jointly controlled operation with Morgan Est PLC to carry out a contract for Scottish Water. The Group's share of profits and assets and liabilities of this arrangement, which is unincorporated, is 50 per cent. During the year costs totalling £2.5 million (2006: £5.0 million) were charged to this arrangement and the balance due to the Group at 30 June 2007 was £0.1 million (2006: £0.1 million).

Galliford Try Construction Limited has entered into a jointly controlled operation with Costain Limited and WS Atkins Limited to carry out a contract for United Utilities. The Group's share of profits and assets and liabilities of this arrangement, which is unincorporated, is 42.5 per cent. During the year costs totalling £6.0 million (2006: £2.3 million) were charged to this arrangement and the balance due to the Group at 30 June 2007 was £1.0 million (2006: £0.7 million).

During the year, Galliford Try Construction Limited has entered into a jointly controlled operation with Pihl UK Ltd to construct the new Museum of Liverpool for the Board of Trustees of National Museums and Galleries on Merseyside. The Group's share of profits and assets and liabilities of this arrangement, which is unincorporated, is 50 per cent. During the year costs totalling £0.2 million were charged to this arrangement and the balance due to the Group at 30 June 2007 was £0.1 million.

37 RELATED PARTY TRANSACTIONS continued

Try Construction Limited has entered into a jointly controlled operation with FB Ellmer Ltd to carry out refurbishment works at the Lakeside Shopping Centre in Thurrock. The Group's share of profits and assets and liabilities of this arrangement, which is unincorporated, is 50 per cent. During the year costs totalling £Nil (2006: £0.2 million) were charged to this arrangement and the balance due from the Group at 30 June 2007 was £5.9 million (2006: £0.4 million).

During the year Galliford Try Construction Limited has entered into a jointly controlled operation with FB Ellmer Ltd to carry out refurbishment works at the Victoria Shopping Centre in Southend, further works at Thurrock and Marks and Spencer stores at Colney and Cheshunt. The Group's share of profits and assets and liabilities of this arrangement, which is unincorporated, is 50 per cent. During the year costs totalling £1.6 million (2006: £Nil) were charged to this arrangement and the balance due to the Group at 30 June 2007 was £1.7 million (2006: £Nil).

Galliford Try Construction Limited has entered into a jointly controlled operation with Meica Process Limited to carry out a contract for Anglian Water Services Limited. The Group's share of profits and assets and liabilities of this arrangement, which is unincorporated, is 50 per cent. During the year costs totalling £0.9 million (2006: £0.2 million) were charged to this arrangement and the balance due to the Group at 30 June 2007 was £0.2 million (2006: £0.1 million).

The Group holds an investment in UUGM Limited comprising 20 ordinary shares of £1 each (representing 20 per cent of the ordinary share capital). UUGM Limited is the consortium with United Utilities Contract Solutions Ltd and Morgan Est PLC working with Scottish Water on the delivery of their asset maintenance programme. During the year costs totalling £1.1 million (2006: £2.7 million) were charged to UUGM Limited. During the year UUGM Limited charged the Group costs of £Nil (2006: £Nil). The balance due to the Group as at 30 June 2007 was £0.6 million (2006: £0.1 million).

Morrison Construction Limited has a 50 per cent share in an unincorporated jointly controlled operation, Morrison Earth Tech JV, to carry out work for Yorkshire Water on the delivery of its asset management programme. During the year costs totalling £6.6 million (2006: £3.3 million) were charged to the arrangement. The balance due to the Group as at 30 June 2007 was £1.1 million (2006: £1.2 million).

Morrison Construction Limited has a 25 per cent share in an unincorporated jointly controlled operation, Morrison Brown & Root JV, to carry out work for Southern Water under a framework agreement. During the year costs totalling £0.1 million (2006: £0.2 million) were charged to the arrangement. The balance due to the Group at 30 June 2007 was £Nil (2006: £0.1 million).

Morrison Construction has a 70 per cent share in an unincorporated jointly controlled operation involved in the construction of three wind farms in Scotland. During the year costs totalling £0.1 million (2006: £0.2 million) were charged to the arrangement. The balance due from the Group as at 30 June 2007 was £5.8 million (2006: due to the Group £0.6 million).

Morrison Construction Limited has a 50 per cent share in an unincorporated jointly controlled operation involved in a road improvement scheme on the A78 in Central Scotland. There were no costs charged by the Group to the arrangement during the year. The balance due to the Group as at 30 June 2007 was £0.9 million (2006: £1.1 million).

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GALLIFORD TRY PLC

We have audited the parent company financial statements of Galliford Try plc for the year ended 30 June 2007 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 Directors' 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 2007.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report, the Directors' 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 Directors' 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 Directors' 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 Directors' Remuneration Report, the Company Structure, Highlights, the Chairman's Statement, the Business Review, the Corporate and Social Responsibility Report, the Directors and Executive Board, the Directors' Report, the Corporate Governance Report, 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 Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments 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 Directors' 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 Directors' 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 2007;
- the parent company financial statements and the part of the Directors' 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
6 September 2007

COMPANY BALANCE SHEET

At 30 June 2007

	Notes	2007 £m	2006 £m
Fixed assets			
Investments	3	**188.6**	77.1
Current assets			
Debtors	4	**13.8**	29.2
Cash at bank and in hand		**267.0**	66.8
		280.8	96.0
Creditors: amounts falling due within one year	5	**(102.5)**	(35.7)
Net current assets		**178.3**	60.3
Total assets less current liabilities		**366.9**	137.4
Creditors: amounts falling due after more than one year	6	**(88.2)**	(1.1)
Net assets		**278.7**	136.3
Capital and reserves			
Called up share capital	7	**18.8**	13.7
Share premium account	8	**190.6**	48.7
Merger reserve	8	**3.0**	3.0
Profit and loss account	8	**66.3**	70.9
Total equity shareholders' funds	9	**278.7**	136.3

The notes on pages 74 to 81 are an integral part of these financial statements.

The financial statements on pages 73 to 81 were approved by the board on 6 September 2007 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 of the Companies Act 1985 the Company has not presented its own profit and loss account.

Under Financial Reporting Standard 1, 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 Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions with entities that are part of the Galliford Try plc Group.

RECENT ACCOUNTING DEVELOPMENTS

FRS 29, Financial Instruments; Disclosures and amendments to IAS 1, Presentation of Financial Statements – Capital Disclosures were issued in August 2005 and effective for accounting periods beginning on or after 1 January 2007. These disclosures revise and enhance previous disclosures required by FRS 25, Financial Instruments: Disclosures and FRS 13, Derivatives and financial instruments: Disclosures. The adoption of FRS 29 will have no impact upon the results and net assets of the Company.

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.

SHARE BASED PAYMENTS

The Company issues equity settled share based payments to certain employees. The equity settled share based payments are measured at fair value at the date of grant. The fair value is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

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

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.

1 STATEMENT OF ACCOUNTING POLICIES continued

RETIREMENT BENEFIT OBLIGATIONS

The Group operates a defined benefit pension scheme for the benefit of the majority of its employees, 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.

Contributions to the Group's defined contribution scheme are determined as a percentage of employee's earnings and are charged to the profit and loss account on an accruals basis.

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:

	2007	2006
Directors	**7**	8

The directors received all of their remuneration, as disclosed in the Remuneration Report, from Galliford Try plc.

(ii) Staff costs	**2007 £m**	2006 £m
Wages and salaries	**1.7**	1.8
Social security costs	**0.2**	0.2
Pension costs	**0.1**	0.1
Share based payments	**0.4**	0.4
	2.4	2.5

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

(iii) Auditors' remuneration

The fee payable to the Company's auditors for the parent company is £0.2 million (2006: £0.2 million).

(iv) Dividends

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

3 INVESTMENTS

	Shares in Group undertakings £m
Cost	
At 1 July 2006	78.7
Additions	111.5
At 30 June 2007	**190.2**
Aggregate impairment	
At 1 July 2006 and 30 June 2007	**1.6**
Net book value	
At 30 June 2007	**188.6**
At 30 June 2006	77.1

The principal subsidiary companies are set out in note 15 on page 81.

On 6 March 2007, the Company acquired the beneficial interest in the entire share capital of Linden Holdings plc ('Linden Homes'), the holding Company of the Linden Group of companies, for £110.8 million. The purchase price was satisfied in cash and loan notes (see note 32 of the Group financial statements).

4 DEBTORS

	2007 £m	2006 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	9.6	7.6
Other debtors	1.4	0.1
Taxation recoverable	0.8	2.1
Dividends due from Group undertakings	–	18.4
	11.8	28.2
Amounts falling due after more than one year		
Deferred taxation	2.0	1.0
	13.8	29.2

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

The deferred tax asset recognised in the accounts is calculated on the liability method at 28 per cent (2006: 30 per cent) and comprises:

	2007 £m	2006 £m
Tax effect of timing differences due to:		
Share based payments	2.0	1.0

The UK Government announced on 21 March 2007 that the corporate tax rate will be reduced from 30 per cent to 28 per cent with effect from 1 April 2008. In accordance with UK GAAP, the rate of 28 per cent is used as a basis for the calculation of the deferred taxes stated above.

The movement on the deferred tax asset is as follows:

	£m
At 1 July 2006	1.0
Credited to the profit and loss account in the year	0.3
Credited to equity	0.6
Change in rate of deferred tax	0.1
At 30 June 2007	**2.0**

5 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £m	2006 £m
Bank loans	11.5	–
Unsecured loan notes	36.0	–
Amounts owed to subsidiary undertakings	41.1	32.9
Other creditors	13.1	2.6
Accruals and deferred income	0.8	0.2
	102.5	35.7

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

(ii) £1.1 million (2006: £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.

(iii) £34.9 million (2006: £Nil) of loan notes were issued in 2007 as part of the acquisition of Linden Holdings plc (note 32 in the Group financial statements). They are redeemable in whole or in part by the holders at six monthly intervals commencing on 30 September 2007, 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

	2007 £m	2006 £m
Bank loans	**88.2**	–
Loan notes	**–**	1.1
	88.2	1.1

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

The facilities expiring within one year are annual facilities provided by HSBC Bank plc and Barclays Bank PLC. These facilities are subject to review in November 2007 and January 2008 respectively. The other facilities have been arranged to help finance the ongoing business. All these facilities incur commitment fees at market rates.

The Company's principal borrowing facilities of £450 million are provided by HSBC Bank plc, The Royal Bank of Scotland plc, Bank of Scotland and Barclays Bank PLC. These facilities were entered into on 8 February 2007 and are secured by charges over certain freehold properties and developments.

7 CALLED UP SHARE CAPITAL

Authorised	2007 £m	2006 £m
505,000,000 (2006: 360,000,000) ordinary shares of 5 pence each	**25.3**	18.0

	2007		2006	
Issued and fully paid	**Shares**	**£m**	Shares	£m
Ordinary shares of 5 pence each				
At 1 July	**274,798,181**	**13.7**	226,784,829	11.3
Allotted during the year	**100,230,056**	**5.0**	46,834,753	2.3
Allotted under share option schemes	**1,484,864**	**0.1**	1,178,599	0.1
At 30 June	**376,513,101**	**18.8**	274,798,181	13.7

On 5 March 2007 the Company increased its authorised share capital to 505,000,000 by the creation of 145,000,000 ordinary shares of 5 pence each.

On 6 March 2007 the Group completed a placing and open offer of 100,230,056 shares at 150 pence per share for a total consideration of £150.3 million.

At 30 June 2007 the total number of shares outstanding under the SAYE share option scheme was 8,881,332 and under the long term incentive plans was 3,105,400, as detailed below:

SAYE share option scheme

Shares under option	Year of grant	Exercise price per share	Exercise period ending
1,345,653	2003	18p	30.11.08
1,608,850	2006	68.5p	31.07.09
1,144,663	2006	68.5p	31.07.11
2,565,383	2007	102p	30.06.10
2,216,783	2007	102p	30.06.12
8,881,332			

Long term incentive plans

Shares awarded	Year of grant	Award price	Vesting date
899,000	2005	60.75p	22.03.08
933,000	2006	71p	13.09.08
1,047,400	2007	126p	30.10.09
226,000	2007	177p	08.03.10
3,105,400			

8 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £m	Merger reserve £m	Profit and loss account £m	Total £m
At 1 July 2006	48.7	3.0	70.9	122.6
Premium on shares allotted on 6 March 2007	145.3	–	–	145.3
Fees on issue of shares	(3.7)	–	–	(3.7)
Arising on the issue of shares under share option schemes	0.3	–	–	0.3
Purchase of own shares by Galliford Try Employee Share Trust	–	–	(3.0)	(3.0)
Share based payments	–	–	1.1	1.1
Profit for the financial year	–	–	3.5	3.5
Dividend	–	–	(7.1)	(7.1)
Gain taken to the statement of total recognised gains and losses	–	–	0.9	0.9
At 30 June 2007	**190.6**	**3.0**	**66.3**	**259.9**

At 30 June 2007, the Galliford Try Employee Share Trust held 2,865,475 (2006: 1,999,311) shares. The nominal value of the shares held is £0.1 million (2006: £0.1 million). Shares were acquired in the period at a cost of £3.0 million (2006: £1.9 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 2007 was £4.5 million (2006: £2.3 million). No shareholders (2006: None) have waived their rights to dividends.

9 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2007 £m	2006 £m
Profit for the financial year	**3.5**	46.8
Dividend	**(7.1)**	(4.9)
Gain taken to the statement of total recognised gains and losses	**0.9**	–
Purchase of own shares by Galliford Try Employee Share Trust	**(3.0)**	(1.9)
Share based payments	**1.1**	0.7
Increase in share capital	**5.1**	2.4
Increase in share premium	**141.9**	46.4
Net movement in equity shareholders' funds	**142.4**	89.5
Opening equity shareholders' funds	**136.3**	46.8
Closing equity shareholders' funds	**278.7**	136.3

10 RETIREMENT BENEFIT OBLIGATIONS

The Company operated a defined benefit pension scheme for the benefit of the majority of its employees, the assets of which are held separately from those of the Company in independently administered funds. The scheme 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 Group scheme, it accounts for contributions as if they were to a defined contribution pension scheme. 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.

The most recent full actuarial valuations referred to in note 33 of the Group financial statements were updated to 30 June 2007 and the following information is disclosed in these financial statements in accordance with FRS17:

The assumptions used are specified below:

	2007	2006	2005
Rate of increase in salaries	**n/a**	4.50%	4.25%
Rate of increase in pensions in payment	**3.35%**	2.95%	2.70%
Discount rate	**5.70%**	5.30%	5.00%
Inflation assumption	**3.40%**	3.00%	2.75%

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

	2007		2006		2005	
	Return	**Value £m**	Return	Value £m	Return	Value £m
Equities	**8.35%**	**84.2**	7.65%	74.4	7.25%	69.0
Property	**8.35%**	**–**	7.65%	0.7	7.25%	0.7
Gilts	**5.35%**	**30.3**	4.65%	15.2	4.25%	9.8
Bonds	**5.70%**	**11.0**	5.30%	13.5	5.00%	9.6
Cash	**5.50%**	**5.9**	4.50%	4.4	4.75%	–
		131.4		108.2		89.1
Present value of liabilities		**(156.4)**		(155.1)		(135.1)
Deficit in the scheme		**(25.0)**		(46.9)		(46.0)
Deferred tax		**7.0**		14.1		14.0
		(18.0)		(32.8)		(32.0)

	2007 £m	2006 £m
Analysis of the amount charged to operating profit:		
Service cost	**2.5**	3.8
Past service cost	**–**	–
Curtailment credit	**(5.2)**	–
Total operating (credit)/charge	**(2.7)**	3.8
Analysis of the net return:		
Expected return on the pension scheme assets	**7.5**	6.1
Interest on pension scheme liabilities	**(8.2)**	(6.8)
Net return	**(0.7)**	(0.7)
Analysis of amount recognised in the statement of total recognised gains and losses:		
Actual return less expected return on assets	**2.2**	6.4
Experience gains and losses on liabilities	**1.9**	5.2
Changes in assumptions	**(0.4)**	(16.7)
Actuarial gain/(loss)	**3.7**	(5.1)
Movement in deficit during the year:		
At 1 July	**(46.9)**	(46.0)
Movement in the year:		
Current service cost	**2.7**	(3.8)
Contributions	**16.2**	8.7
Net return	**(0.7)**	(0.7)
Actuarial gain/(loss)	**3.7**	(5.1)
At 30 June	**(25.0)**	(46.9)

10 RETIREMENT BENEFIT OBLIGATIONS continued

Details of experience gains and losses in the year:	**2007**	2006	2005	2004	2003
Difference between the expected and actual return on assets:					
Amount (£m)	**2.2**	6.4	6.2	1.7	(8.9)
Percentage of assets	**2**	6	7	2	(14)
Experience gains and losses on liabilities:					
Amount (£m)	**1.9**	5.2	(2.5)	1.8	(0.7)
Percentage of present value of liabilities	**1**	3	(2)	2	(1)
Total amount recognised in statement of total recognised gains and losses:					
Amount (£m)	**3.7**	(5.1)	(15.2)	5.7	(17.1)
Percentage of present value of liabilities	**2**	(3)	(11)	5	(16)

11 FINANCIAL INSTRUMENTS

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.

The maturity profile of the loan notes is as follows:

Maturity of financial liabilities at 30 June:	**2007 £m**	2006 £m
In one year or less	**36.0**	–
Between one and two years	**–**	0.9
Between two and five years	**–**	0.2
	36.0	1.1

INTEREST RATE SWAP

The notional principal amount of the outstanding interest rate swap contracts at 30 June 2007 was £125 million (2006: £20 million).

At 30 June 2007, the fixed rate interest rates vary from 4.66 per cent to 5.763 per cent (2006: 5.2 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.

Grant date	Award price at grant date	Vesting period (months)	Risk free rate	Dividend yield	Fair value per option
22.03.04	53.25p	36	4.0%	2.8%	34.6p
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%	73p
08.03.07	177p	36	5.2%	1.5%	154.3p

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:

	2007 Number	2006 Number
Outstanding at 1 July	**3,119,000**	5,984,200
Granted	**1,273,400**	933,000
Forfeited	**(139,640)**	(116,600)
Exercised	**(1,147,360)**	(3,681,600)
Outstanding at 30 June	**3,105,400**	3,119,000
Exercisable at 30 June	**–**	–

The weighted average fair value of awards granted during the year was 87.4 pence (2006: 71 pence).

The weighted average share price at the date of exercise was 179.5 pence (2006: 110.75 pence).

The weighted average remaining contractual life is Nil as the shares are exercised on the day that they vest (2006: 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 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 £226.6 million (2006: £149.5 million).

14 OTHER FINANCIAL COMMITMENTS

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

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.

Building
Galliford Try Construction Limited*
Galliford Try Partnerships Limited
Try Construction Limited
Try Accord Limited

Infrastructure
Galliford Try Infrastructure Limited
Morrison Highway Maintenance Limited
Rock & Alluvium Limited
Pentland Limited

PPP Investments
Galliford Try Investments Limited*

Housebuilding
Galliford Try Homes Limited*
Stamford Homes Limited
Midas Homes Limited
Gerald Wood Homes Limited
Linden Limited
Chartdale Homes Limited

Group
Galliford Try Properties Limited*
Galliford Try Services Limited*
Galliford Try Employment Limited

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

FIVE-YEAR RECORD

	UK GAAP 2003 £m	UK GAAP 2004 Note 1 £m	IFRS 2005 Note 2 £m	IFRS 2006 £m	**IFRS 2007 £m**
Revenue	640.4	695.4	718.5	851.5	**1,409.7**
Profit before exceptional items	17.2	22.7	27.4	32.5	**53.0**
Exceptional items	(3.9)	–	–	2.0	**7.2**
Profit before tax	13.3	22.7	27.4	34.5	**60.2**
Tax	(3.9)	(7.1)	(8.3)	(9.1)	**16.6**
Profit after tax attributable to shareholders	9.4	15.6	19.1	25.4	**43.6**
Fixed assets and investments	15.1	14.8	14.2	12.5	**15.4**
Intangible assets	–	–	–	59.5	**121.2**
Net current assets	56.6	62.8	77.0	137.2	**312.0**
Long term receivables	1.1	0.7	15.4	15.9	**15.7**
Long term payables and provisions	(13.1)	(6.0)	(52.9)	(105.0)	**(157.7)**
Net assets	59.7	72.3	53.7	120.1	**306.6**
Share capital	11.0	11.2	11.3	13.7	**18.8**
Reserves	48.7	61.1	42.4	106.4	**287.8**
Shareholders' funds	59.7	72.3	53.7	120.1	**306.6**
Dividends per share (pence)	1.5	1.7	2.1	2.5	**3.0**
Basic earnings per share (pence)	4.4	7.2	8.6	10.8	**14.3**
Diluted earnings per share (pence)	4.2	6.9	8.5	10.6	**14.1**

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

CONTACTS

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Cowley
Uxbridge UB8 2AL
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Email: plc@gallifordtry.co.uk
Website: www.gallifordtry.co.uk

Chief Executive: Greg Fitzgerald
Finance Director: Frank Nelson
Managing Director, Building: Andy Sturgess
Managing Director, Infrastructure: Ken Gillespie
Managing Director, Housebuilding,
Midlands, South & South West: Ian Baker
Managing Director, Housebuilding, South East: Chris Coates
Company Secretary: Richard Barraclough

Building

Galliford Try Construction North
Innovation House
Daten Park
Birchwood
Warrington
Cheshire WA2 0XR
Tel: 01925 822 821
MD: Chris Bond

Galliford Try Construction Central
Wolvey
Hinckley
Leicestershire LE10 3JF
Tel: 01455 222 777
MD: Chris Bond

Galliford Try Construction South
Cowley Business Park
Cowley
Uxbridge
Middlesex UB8 2AL
Tel: 01895 855 000
MD: James Armitage

Morrison Construction
Kirkton Avenue
Pitmeddon Road
Industrial Estate
Dyce
Aberdeen AB21 0BF
Tel: 01224 725 244
MD: David Downie

Infrastructure

Morrison Construction
Civil Engineering
Wolvey
Hinckley
Leicestershire LE10 3JF
Tel: 01455 222 753
MD: Steve Walsh

Galliford Try Transport
Crab Lane
Fearnhead
Warrington
Cheshire WA2 0XR
Tel: 01925 822 821
MD: Colin Crumlin

Galliford Try Specialist Services
Wolvey
Hinckley
Leicestershire LE10 3JF
Tel: 01455 222 792
MD: Dean Ashton

Galliford Try Water & Morrison
Construction Water
Wolvey
Hinckley
Leicestershire LE10 3JH
Tel: 01455 222 753
MD: David Bevan

PPP Investments

Galliford Try Investments
Wolvey
Hinckley
Leicestershire LE10 3JF
Tel: 01455 222 777
MD: Alan Flood

Galliford Try Investments
51 Melville Street
Edinburgh EH3 7HL
Tel: 0131 200 4400
Dep MD: Andrew Richards

Housebuilding

Stamford Homes Midlands
Ashurst, Southgate Park
Bakewell Road
Orton Southgate
Peterborough PE2 6YS
Tel: 01733 396 600
MD: Mike Dempsey

Stamford Homes North
The Old Dairy
231-233 Heneage Road
Grimsby
Lincolnshire DN32 9JE
Tel: 01472 362 061
MD: Brendan Blythe

Linden Homes Southern
Linden House
14 Bartram Road
Totton
Southampton S040 9PP
Tel: 023 8066 5100
MD: Pat Feighery

Midas Homes and
Gerald Wood Homes
Homeside House
Silverhills Road
Newton Abbott
Devon TQ12 5YZ
Tel: 01626 356 666
MD: Bill Cawse

Linden Homes Western
Linden House
The Jacobs Building
Berkeley Place
Clifton
Bristol BS8 1EH
Tel: 0117 930 4949
MD: Toby Ballard

Linden Homes South East
Linden House
Guards Avenue
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

Linden Homes Thames Valley
The Old Brewery
Brewery Courtyard
Draymans Lane, Marlow
Buckinghamshire SL7 2FF
Tel: 01628 495 940
MD: Ian Ralston

Linden London Developments
18 Hanover Square
London W1S 1HX
Tel: 020 3159 5220
Directors: Steve Lavers
Gary Durden

Affordable Housing and Regeneration

Galliford Try Homes
Homeside House
Silverhills Road
Newton Abbott
Devon TQ12 5YZ
Tel: 01626 356 666
Director: Stephen Teagle

Galliford Try Partnerships
Hodgson House
50 Rainsford Road
Chelmsford
Essex CM1 2XB
Tel: 01245 494 849
MD: Stuart Gibbons

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR 2007

Half year results announced	8 February
Interim dividend paid	12 April
Full year results announced	6 September
Final dividend record date	19 October
Annual General Meeting	9 November
Final dividend payment	16 November

SHAREHOLDER ENQUIRIES

The Company's registrars are Lloyds TSB Registrars. 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:

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Shareholder helpline
Telephone: 0870 600 3970

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 e-mail address to receive shareholder information and the Annual Report and Financial Statements electronically.

SHARE DEALING SERVICE

The Company has established an execution only share dealing Service with Lloyds TSB Registrars 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 **0870 850 0852**. You should have your share certificate with you when you deal.

COMPANY WEBSITE

You can find out more about the Company on our website **www.gallifordtry.co.uk** which includes a section specifically prepared for investors. In this section you can check the Company's share price, find the latest Company news 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 60 pence 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 2007

Size of shareholding	Number of holders	% of holders	Number of shares	% of shares
1-10,000	3,394	75.2	10,432,387	2.8
10,001-50,000	750	16.6	15,777,947	4.2
50,001-500,000	233	5.2	34,811,147	9.2
500,000-highest	138	3.0	315,491,620	83.8
Totals	**4,515**	**100.0**	**376,513,101**	**100.0**

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

Registration
England 836539

Stockbrokers
KBC Peel Hunt

Financial advisers
Lazard

Auditors
PricewaterhouseCoopers LLP

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

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