

ANNUAL REPORT 2005



## Galliford Try plc

**Construction.** Providing construction services for the built environment, operating within key areas of expertise, with an unrivalled collaborative approach, and a total dedication to project delivery.

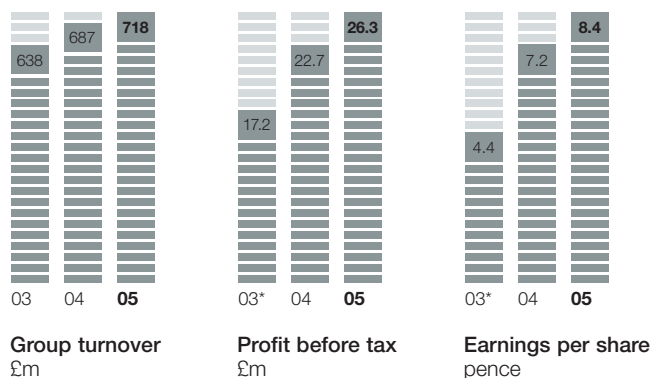
**Housebuilding.** A leading regional developer with strong local brands, specialising in individually designed developments with an expertise in brownfield, conversion and a strong focus on customer service.

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Front cover image:

Project delivery is key to our success. Whether on a £22 million project in the Midlands as featured here, or for an apartment in the south west, it has to be to time, budget and quality.

## Highlights for the year ended 30 June 2005



\*2003 pre exceptional (post exceptional profit £13.3m, EPS 4.2p)

### Financial

Group turnover up 5% to £718 million  
(2004: £687 million)

Profit before tax up 16% to £26.3 million  
(2004: £22.7 million)

Earnings per share up 17% to 8.4p  
(2004: 7.2p)

Dividend increased 24% to 2.1p  
(2004: 1.7p)

### Operational

Construction margin rises to 1.5%, on course for 2% by end of 2006

Construction work in hand £944 million – 90% on non-price competitive basis

Strong construction cash flow

Housebuilding operating profit at record £26.4 million, margin increases to 14.1%

Current housebuilding sales in hand up 5% on a year ago at £100 million

Over £150 million work in hand for affordable housing sector

Year end gearing down to 15%



Our regional housing businesses develop quality homes with individual designs for the mainstream market. This terrace near Letchworth was built in the grounds of a redundant hospital. 72% of the homes we sold in the year were on brownfield land.

## Chairman's Statement



I am delighted to report another excellent year. We achieved record financial results and are delivering growth in both construction and housebuilding.

Profit before tax increased 16% to £26.3 million (2004: £22.7 million). Turnover increased 5% to £718 million in line with our strategy for sustainable growth. Construction operating profits rose 36% to £7.8 million on a turnover of £536 million, with the margin increasing to 1.5%. As our investment in private finance initiative and other forms of public/private partnership projects grows, we have taken the decision to report this activity separately. After allowing for the profit of £1.6 million on the sale of our investment in the Birmingham Schools PFI, PPP Investments incurred a net loss of £1.2 million (2004: £1.5 million loss) as the costs we are incurring to build up the business are expended ahead of a return. Housebuilding, in a difficult market, achieved an increase in its margin to 14.1% and again produced record operating profits, up 4% to £26.4 million on a turnover, including joint ventures, of £188 million.

Shareholders funds have risen to £86.2 million from £72.3 million at 30 June 2004. Earnings per share for the period were 8.4p compared to 7.2p the previous year.

### Dividend

The directors have taken into account 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 1.5p per share, an increase of 30% on last year (2004: 1.15p), resulting in a total dividend up 24% to 2.1p (2004: 1.7p). The directors remain committed to a progressive dividend policy that takes into account earnings growth as well as the need for continued investment in the business.

### People

The success of our business is driven by the quality and commitment of our people and I continue to be impressed by the first class teams I meet across the Group.

As announced in February this year, I shall retire at the forthcoming Annual General Meeting in October after six years as Chairman and am delighted that I will be succeeded by David Calverley. David retired as Chief Executive on 30 June 2005 after 11 years with the business, the last five as Chief Executive of the Group. He has provided the most effective leadership throughout that period, without which the business would not be in the strong position it is today. Greg Fitzgerald, formerly Managing Director of the Housebuilding Division, took over as Chief Executive on 1 July 2005. He is already demonstrating that he has the skills and experience to deliver profitable growth and I am confident that, with our first class executive team, we have the best management in place to take the business forward.

Chris Bucknall, our Senior Independent Director for the last two years, becomes Deputy Chairman at the Annual General Meeting. We were delighted to welcome Amanda Burton, Chief Operating Officer for the London region of Clifford Chance and a former Director of Meyer International plc to the Board as a Non Executive Director from 1 July this year.

### Outlook

The prospects for the business have never been better. Our construction division is performing well, it has a strong order book and is positioned for sustained growth in markets with good potential.

In housebuilding we have been encouraged by our performance in one of the most difficult markets we have experienced in recent years and by the opportunities that we continue to secure. This gives us confidence in our expansion plans as more consistent markets return in the medium term.

Financially we are in very good shape. With our well motivated management team, the aim is to grow the business both organically and by selective acquisition. We look forward to reporting further progress in the coming year.

**Tony Palmer**  
Chairman



Working for Network Rail, Galliford Try Construction replaced the existing structure with a new bridge over the railway in the centre of Bolton.



## Operating and Financial Review

### Operating Review

#### Overview

Profit before tax increased 16% to £26.3 million (2004: £22.7 million). Turnover increased 5% to £718 million in line with our strategy for sustainable growth. Construction operating profits rose 36% to £7.8 million on a turnover of £536 million, with the margin increasing to 1.5%. As our investment in private finance initiative and other forms of public/private partnership projects grows, we have taken the decision to report this activity separately. After allowing for the profit of £1.6 million on the sale of our investment in the Birmingham Schools PFI, PPP Investments incurred a net loss of £1.2 million (2004: £1.5m loss) as the costs we are incurring to build up the business are expended ahead of a return. Housebuilding, in a difficult market, achieved an increase in its margin to 14.1% and again produced record operating profits, up 4% to £26.4 million on a turnover, including joint ventures, of £188 million.

We have a rigorous approach to cash management. Construction continued to generate strong positive cash flows and, with our tightened criteria for land acquisition and controls over work in progress, we have firmly managed the capital employed in housebuilding. Net interest costs for the year were £2.2 million compared to £3.0 million in the previous year, and at 30 June 2005 net borrowings stood at £12.5 million compared to £12.3 million at 30 June 2004, representing gearing of 15% (2004: 17%).

Shareholders funds have risen to £86.2 million from £72.3 million at 30 June 2004. Earnings per share for the period were 8.4p compared to 7.2p the previous year.

#### Strategy

Our strategy is to deliver sustainable growth in shareholder value through the profitable expansion of two businesses, construction and housebuilding.

In construction, our business model is to operate within specific key areas of expertise, adopting a collaborative approach with our clients and others with whom we do business, and have a total dedication to project delivery. We will invest in selected private/public partnership projects to provide a source of construction workload.

In housebuilding we aim to develop strong regional brands specialising in individually designed developments, with an expertise in brownfield and conversion, and a strong focus on customer service.

We will achieve growth in our businesses by increasing our share of our existing markets, by extending and improving our range of services through organic growth and, where appropriate, by selective acquisition.

#### Performance measures

A range of measures are used to monitor and manage the business. We use key performance indicators that are both financial, and non-financial to measure performance achieved and to allow us to manage the business into the future.

Our key financial measures are turnover, operating profit, margin and cash flow.

In construction we measure our forward order book and the percentage secured out of price competition. We have measures to enable us to monitor contract performance, and to ensure we are delivering the service required to our clients.

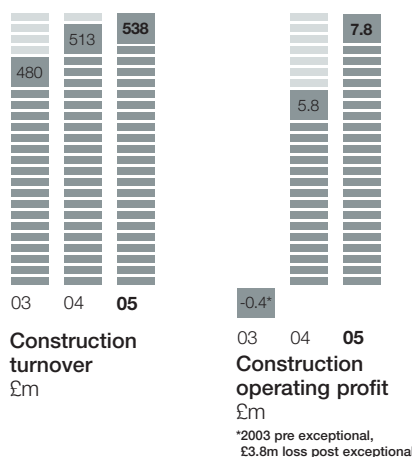
In housebuilding we measure each stage of the purchasing process from reservation through exchanges of contract to legal completions. Build progress measures enable us to monitor the construction process. We measure our progress in acquiring land and obtaining planning consents. Generated with the involvement of independent external assessors, we also measure customer satisfaction.

Our performance during the year on the key measures detailed above is covered in the relevant sections of this review. Our progress on health & safety, environmental and human resources issues is covered in the relevant sections of Corporate Social Responsibility.

#### Construction

The construction profit margin has increased again as we benefit from our policy of working in key market sectors. Having risen steadily over the last three years it now stands at 1.5%, and we are well on course to meet our target of 2% by the end of 2006.

We are a major provider of infrastructure services to the water and rail industries. Both involve integrated project teams dealing with design, planning, procurement and execution, all to stringent quality and safety standards. We carried out work for Scottish Water, United Utilities and Welsh Water under framework agreements. We are also winning an increasing number of separate contracts based on our framework accreditation, such as the £35 million Holyhead waste water and long sea outfall project that we completed in the year for Welsh Water. We were delighted with our appointment for United Utilities' AMP4 programme of work, building on our established track record with this client. We will carry out around a quarter of their £940 million, five year programme under a framework that could potentially be extended to 2015.





We sold 853 homes in the year. Independent research shows that over 90% of our purchasers would recommend us to their best friend, one of the highest scores in the industry survey.



## Operating and Financial Review continued

In transport infrastructure, we are carrying out more work for Network Rail in the London and north west regions following the integration of their building and bridgeguard frameworks. The number of stand alone projects in this sector is also increasing.

Significant public investment in health and education continues to be channelled through long term collaborative frameworks. Current work in hand is £149 million, generated both through our investments business and as single projects. Contracts range from health centres for primary care trusts across the country to buildings for a number of universities, including a series of projects at Milton Keynes for the Open University.

We are taking advantage of the steady improvement in the commercial market where our track record is generating a number of new opportunities. We recently completed a £19 million mixed scheme for the Corporation of London in Oxford Street. We have commenced our latest project for the All England Lawn Tennis Club at Wimbledon, the reconstruction of the Centre Court buildings to incorporate a retractable roof, due for completion in 2009.

We have retained our leading market position in providing construction services to the telecommunications market. We are extending the range of services that we provide to all the UK mobile phone operators, and are encouraged by the prospects for further growth as the uptake of 3G accelerates, requiring additional network capacity.

The success we have had in securing frameworks, particularly in water and health, has resulted in a significant increase in construction work in hand. At the end of August it stood at £944 million compared to £621 million a year ago, of which 90% has been secured on a non-price competitive basis and 80% is in the public and regulated sectors. Our objective is to achieve profit growth by expanding the business at a rate that does not compromise margin.

### PPP Investments

PPP Investments role is to take an active equity participation in public/private partnership arrangements for public sector work, with the objective of providing negotiated work for the construction division.

During the year we achieved financial close on four such schemes for £120 million of construction work. We are currently working towards financial close on one of the largest multi-school PFI programmes, for Northamptonshire County Council, which we anticipate will generate over £150 million of work on 41 schools over a three year period.

The intention is to sell equity when projects have reached the stage of generating a consistent income in the operational phase. We sold our PFI investment in Birmingham Schools Partnership (Holdings) Limited during the year which contributed a profit of £1.6 million towards offsetting the significantly higher costs incurred during the year as we grew our presence in the market.

We are well placed to take the business forward with the next phase of NHS LIFT projects and Building Schools for the Future.

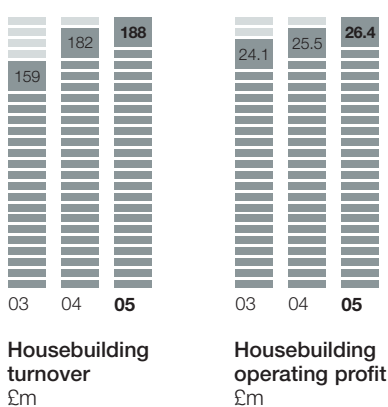
### Housebuilding

Galliford Try operates as a regional housebuilder with strong local brands in the south west, eastern counties and the south east of England.

During the year we completed 853 homes compared to 761 in 2004. The average selling price decreased from £224,000 to £208,000, in line with our strategy of growing the business in the mainstream market.

In contrast to the buoyant conditions of the previous year, the market in each of our three regions was more difficult throughout the period. However, our business model, which focuses on individually designed developments, with a particular strength in conversions and brownfield developments, demonstrated its value in reducing the market impact on our business. We have no high rise apartment developments and do not depend on major consortium sites, giving us a competitive advantage in a purchaser driven market and minimising the level of sales incentives required. Good progress on our cost reduction programme is assisting our margins, and we are obtaining better subcontract prices in the current market. Customer care is critical in minimising our after sales costs and supporting our reputation among homebuyers in any market, and we achieved one of the highest scores in independent industry research, with over 90% of our purchasers stating they would recommend us to their best friend.

All our developments in the south east were on brownfield land during the year, thereby enabling us to sell into the sustainable urban market. In the eastern counties we made good progress in rebalancing the business to develop more brownfield and urban sites. We secured a site for over 50 homes in Coventry where we could offer the Education Authority a school redevelopment package in partnership with our construction division.





A new 1,500 pupil school at Caludon Castle in Coventry being built under the Private Finance Initiative. We currently have £138 million of work in hand for the education sector.

## Operating and Financial Review continued

There are good opportunities for land acquisition in the current market although we remain selective. Since the year end we have acquired a substantial brownfield site in Osterley, West London of 8 acres for both conversion and new build. In May we acquired the derelict Banstead Hospital in Surrey for conversion into around 100 units. Sites such as these provide regular production over a long period, complementing the smaller sites that form the majority of our outlets. Overall, our landbank at the end of August has risen to 2,605 units compared to 2,520 last year, helped by a good record in achieving planning consents. We are building up our strategic land base, which stands at 695 acres from which we anticipate securing over 2000 plots from 2006 onwards.

Since the start of the new financial year there has been an encouraging increase in activity on our sites with sales 42% higher than for the same period in 2004. At the end of August the value of total sales in hand stood at £100 million, 5% above a year ago. In the first half of the new financial year we will be selling from 20% more active sites than in the same period last year, in line with our planned growth. We are therefore confident that we are on track with our strategy for expansion.

### Affordable Housing

Both our construction and housebuilding divisions work in the affordable housing market. In construction, our track record in collaborative working is proving to be a major advantage as affordable housing providers are increasingly entering into longer term partnering arrangements to deliver both their programmes for new build and refurbishment of existing properties. During the year we secured four new framework clients and we believe there is considerable scope for further growth.

We are seizing the opportunities that the increased requirements for affordable housing on developments for sale are generating. In the south west we are a market leader and, in a joint venture with affordable housing provider Westco, secured planning consent for the redevelopment of Truro Hospital into 190 units, 45% of which will be affordable. We announced in July that we have been prequalified by the Housing Corporation for inclusion in the Government's £3.9 billion 'New Partnerships in Affordable Housing' scheme which allows for grant direct to developers.

Our affordable housing work in hand across the Group stands at £152 million, we are currently working with 16 affordable housing providers, and have the capability and opportunities to deliver significant growth.

## Financial Review

### Turnover and profit

The Group turnover for the year was 5% up on last year at £718 million (2004: £687 million). Joint venture turnover, primarily the housebuilding joint venture, Fairfield Redevelopments Limited, remained at a similar level to last year, bringing the total turnover up to £726 million (2004: £695 million).

Profit before interest increased from £25.7 million to £28.6 million.

Following our increased investment in public finance initiative, and other forms of public/private partnership projects, we have decided that this activity, along with the associated income, should be reported separately. 2004 has been restated accordingly.

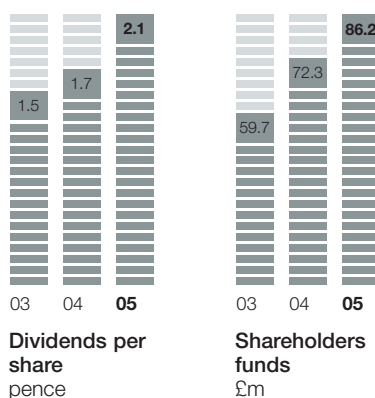
The construction division made a profit before interest for the year of £7.8 million (2004: £5.7 million) on a turnover, including joint ventures, of £538 million (2004: £513 million) and the housebuilding division made a profit before interest of £26.4 million (2004: £25.5 million), an increase in margin to 14.1%. PPP Investments incurred a loss, net of the profit on sale of the Birmingham Schools investment, of £1.2 million (2004: loss £1.5 million).

### Taxation

The total tax charge of £7.7 million on the profit before taxation of £26.3 million represents an effective rate of 29.3% compared to the standard rate of corporation tax of 30%. The decrease in the effective rate is largely due to the benefit recognised with respect to land remediation relief.

### Dividend and shareholders' funds

The proposed final dividend of 1.5p makes the total for the year 2.1p. The cost of the total dividend amounts to £4.7 million. Shareholders' funds have increased by 19% to £86.2 million, and the return on average shareholders' funds at 30 June 2005 was 33%.





We have a growing affordable housing business, acting as both developer/contractor in partnership with housing associations and providing mixed tenure schemes on our developments for sale. This brownfield development for 61 affordable homes and 35 for outright sale, completed in the year, creates a new vista to the water in Plymouth.

## Operating and Financial Review continued

### Cash and borrowings

Net debt including loan notes, was £12.5 million at the end of the year, which is in line with the end of the previous year (£12.3 million). The expected increase in borrowing levels did not arise during the year. This was a result of the planned increased investment in housebuilding being offset by higher than budgeted cash levels maintained within the construction division.

### Financing

Net Group interest payable was £1.6 million (2004: £2.2 million), reflecting average net borrowings of approximately £30 million (2004: £35 million). The total interest payable of £2.2 million (2004: £3.0 million) was covered 12.8 times (2004: 8.5 times) by the profit before interest and tax.

In the next financial year borrowings are expected to increase due to the planned investment within the housebuilding division. The Group's banking facilities total £112 million of which £95 million was undrawn at the year end (2004: £95 million). Of the undrawn amounts £4 million expire within one year and £91 million expire in more than two years. These amounts are at floating rates of interest, subject to the interest rate swap referred to below. 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. In November 2001 the Group entered into a swap agreement which has the effect of fixing interest on £20 million of borrowings at 5.2% for a period of 5 years. Further information on the Group's financial instruments is disclosed in note 21.

### Pension costs

We continue to adopt the transitional disclosure provisions of FRS17, Retirement Benefits, in the financial statements. The net pension liability at 30 June 2005 was £32.2 million. The required three year valuations on the Group's two main pension schemes were completed as at their respective valuation dates of 1 April 2003 and 1 July 2003, and these schemes were merged on 1 November 2004. As a result of the deficits shown by these valuations, and based on advice from our actuaries, the Group has increased its pension contributions into the scheme. The cost of pensions charged to the profit and loss account in the financial year was £5.9 million. Further detail on pensions is given in note 20 to the financial statements.

### International Financial Reporting Standards (IFRS)

The Group will apply IFRS for the year ending 30 June 2006 and hence the first information to be reported under IFRS will be for the six months ending 31 December 2005. The adoption of IFRS will have no impact on the underlying cash flows or trading of the Group and will not affect the ability of the Group to pay dividends to shareholders.

The major differences between our existing accounting policies and those that will apply under IFRS in 2006 relate to the following areas:

**Pensions** – IAS 19 is similar to FRS 17 although IAS 19 permits the deferral of actuarial gains and losses in certain circumstances which is not permitted under FRS 17. The pension fund deficit will be included within the Group net assets rather than being disclosed by way of note.

**Share based payments** – Under IFRS 2 the company is required to expense the fair value of providing all share option schemes to employees. This standard now encompasses Save As You Earn Schemes which have previously been excluded. In addition the expense will be based on fair value rather than the intrinsic value of the shares.

**Dividend recognition** – IAS 10 requires the Group to account for dividends to shareholders in the period in which they are approved rather than accruing them in the period to which they relate.

In addition the adoption of IAS will result in changes to the format and disclosure requirements of both the primary financial statements and the notes to the financial statements.

The International Accounting Standards Board is continuing to review existing standards and some have yet to be endorsed by the European Union. We will continue to monitor these developments and their potential impact on the Group's reporting.

## Construction

Galliford Try Construction delivers sector specific expertise to private and public sector clients throughout the UK. North, based in Warrington, manages all water and rail projects throughout the UK. Central, based at Wolvey in Leicestershire, manages national building framework agreements and carries out commercial building, infrastructure and interiors contracts.

South, based in Uxbridge carries out commercial and interiors work for both public and private sectors in London and the south of England. Communications, based at Wolvey, provides nationwide infrastructure services to the telecommunications industry. Partnerships, based in Chelmsford Essex, specialises in major affordable housing projects in the south east of England.

PPP Investments is responsible for the Group's participation in equity based private/public partnerships, including private finance initiatives, National Health Service local improvement finance trust (LIFT) work and education frameworks.

Rock & Alluvium, based in Surrey, carries out specialised ground engineering services for housebuilding and construction clients.

### Water & Rail

Galliford Try Construction is one of the country's leading providers of construction services to the water utilities and rail businesses. It operates both within long term framework agreements and as an accredited contractor for specific single projects.

We completed United Utilities' three year AMP3 programme and were successfully selected for the AMP4 programme of work, to carry out around a quarter of their estimated total of £940 million of work during the next five years, with a potential five year extension thereafter. We completed the £35 million Holyhead waste water treatment works and long sea outfall for Dwr Cymru Welsh Water and in Scotland, where we were in the second year of a three year agreement as a construction partner of Scottish Water, there was a significant increase in the number of projects carried out.

Working for Network Rail and the train operating companies, we are benefiting from our record in delivering work within existing rail frameworks with more single projects awarded outside the frameworks. Infrastructure expenditure is continuing at good levels and we are carrying out substantial works through an integrated buildings and bridgeguard framework for Network Rail's London and north west regions.

### Health & Education

Construction opportunities generated through our investments in infrastructure projects as well as single project work continue to grow. We have health sector projects on site across the country from a care centre in Ealing, commenced during the year, to the Liverpool & Sefton NHS LIFT health centres.

Our PFI project for a 1,500 pupil school at Caludon Castle in Coventry is progressing well. We are working on the seventh school project awarded by Coventry Education Partnership, including Howes School where we were able to facilitate the financing of construction works through a joint development with our housebuilding division. In the further education sector, we are carrying out projects for Loughborough, Leicester, Birmingham, Brunel and the Open Universities.

### Commercial

Following a period of limited growth, opportunities in the commercial and interiors market increased in the second half of the year. In London we completed a £19 million mixed retail development for the Corporation of London and Welbeck Land at Sedley Place just off Oxford Street, are carrying out an £8 million customer centre for Ealing Council, are working on a £12 million office and retail development for BP Investments in Knightsbridge and in Cheltenham are redeveloping the Brewery Site for Salmon Harvester. We are working on the RAF Cosford Museum, a major millennium arts centre project in West Bromwich and industrial works for Bison and Belkin in the Midlands. We continue to work with the All England Lawn Tennis Club at Wimbledon. Our latest project is the reconstruction of the Centre Court buildings which will incorporate a retractable roof, due for completion in 2009. We continue to work on project SLAM, the long term accommodation programme for the Ministry of Defence.

### Communications

Galliford Try Communications remains a market leader in the provision of infrastructure services to the mobile phone market in the UK. Expenditure on the 3G networks is expected to rise as more consumers switch to the latest available technology which will require an increase in the number of new sites as well as in the capacity of existing sites. We are broadening the range of services provided to offer a turnkey service to our clients.



### Affordable Housing

With continued growth in affordable housing driven by Government spending our involvement in all sectors of the market is increasing. We have framework agreements in place with many of the south east based housing associations to which we added London & Quadrant, East Thames, Mosaic Homes and the Family Housing Association this year. New agreements with Circle, Anglia and Hanover Housing Association were entered into. Projects currently underway include two for the Toynbee Housing Association, for 221 and 169 flats respectively, a development of 131 flats for London & Quadrant and a mixed use project for the Family Housing Association of 38 residential units, a medical facility and a community centre. We received the Regeneration Contractor of the Year award during the year, recognising our experience and contribution to the sector. This, together with our expertise in generating opportunities through land transactions and our ability to put together mixed tenure schemes, is driving the business forward.

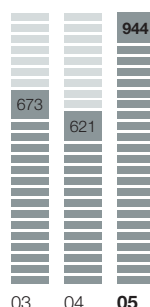
### Ground Engineering

Rock & Alluvium, our specialist ground engineering business, has a full design and consultancy service for all types of piling systems. It has specific expertise in CFA piling, specifically designed for environmentally sensitive situations, and for solutions to meet the increasing demand for underground construction using secant or contiguous bored pile retaining walls.

### PPP Investments

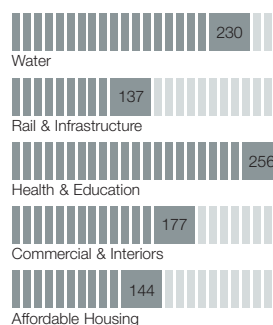
With public sector investment remaining strong, our business in health and education projects continues to grow. We are working towards financial close of the £150 million Northampton Schools PFI project which encompasses construction work on over 40 schools during a three year period. We financially closed on NHS LIFTs for Coventry and Barnet, Enfield and Haringey during the year. We have started the second phase of projects under our LIFT framework agreement with Liverpool and Sefton. The 20 year frameworks associated with our existing LIFT agreements will provide further work in later phases, and we are selectively targeting the opportunities that will arise from the next release of LIFT schemes.

Having completed an award winning 'Building Schools for the Future' contract at Kingsdale School in London we are encouraged by the opportunities that this new form of long term partnering agreement will bring.



Construction order book £m

### Sector order book £m



## Housebuilding

Galliford Try is a regional housebuilder, specialising in individually designed developments with an emphasis on brownfield, conversion and urban regeneration projects incorporating our specialist expertise in affordable housing. Our geographic spread encompasses Midas Homes in the south west, Stamford Homes in the eastern counties and Try Homes in the south east of England.

### South West

Midas Homes is a leading housebuilder in the south west of England. It has a long established business in Devon and Cornwall and is expanding eastwards into Dorset, Somerset and Gloucestershire. Under the Gerald Wood Homes brand, the Company builds a small number of luxury homes in attractive village locations.

The 43 homes scheme at the mouth of the Teign Estuary in Shaldon was completed in the year, winning the National Homebuilder Design award for the Best Large Housing Development and a Building for Life Silver Standard award sponsored by the Civic Trust, CABE and the HBF. Working with local housing associations we developed a number of mixed tenure schemes. In partnership with Westco, part of the Devon and Cornwall housing association, we acquired the site of the former City Hospital in Truro to develop around 190 homes, 45% of which will be affordable. We were also appointed partner contractor for a 180 unit development in Bude of which 120 will be affordable and 60 for direct private sale. We were awarded the Best Social Housing Development award for a 35 homes scheme in South Molton incorporating sustainable design principles throughout.

### Eastern Counties

Stamford Homes made good progress towards its objective of carrying out a larger proportion of brownfield and urban regeneration projects, in line with the business model adopted in our other regions. The year saw a number of new relationships formed with affordable housing providers to develop sites in the region. In joint venture with Galliford Try Construction, Stamford Homes secured a site for over 50 homes as part of the redevelopment of Howes School in Coventry. Our scheme at Michaelgate, in Lincoln, won a regional design award and was shortlisted for the national Best Scheme in Partnership with an Architect.

### South East

The south east market was more challenging than in recent years however the effect on Try Homes was mitigated by the differentiation achieved from our policy of providing individually designed developments, 100% on brownfield sites during the year.

Try Homes Thames Valley completed the major mixed development in partnership with Boleyn & Forest and Toynbee Housing Associations at Stratford in East London and sold well on sites in outer London locations such as Wimbledon, Ham and Hemel Hempstead. Since the year end, an eight acre site in Osterley, West London has been acquired for redevelopment. Comprising the conversion of an attractive building and substantial new build, the site will provide both affordable and homes for sale over three years.

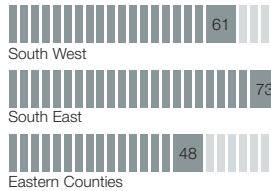
Try Homes Southern acquired the listed Queen Elizabeth Hospital in Banstead for conversion into around 100 homes over the next two years. With a significant amount of restoration work to be carried out to the original Arts & Crafts period property, the region will be building on the experience gained with hospital conversions carried out in Maidstone, Wickstead and Epsom to deliver homes and apartments from mid 2006 onwards.

### Customer Care

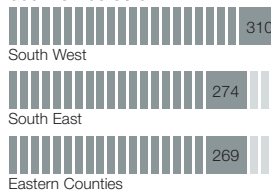
We place a strong emphasis on customer satisfaction and carry out independent external monitoring of customer care, the results of which are benchmarked across our regions and with industry data. The most important measure is that taken following a short period in which our purchasers have lived in their new homes, when they can assess their entire home buying experience with us and decide if they would recommend us to their best friend. We made good progress during the year, particularly on implementing more stringent handover procedures at completion, which has been reflected in over 90% of our purchasers stating they would recommend us to their best friend compared to 85% the previous year. This is one of the best results in the industry survey and our objective is to retain this position.

### Housebuilding analysis

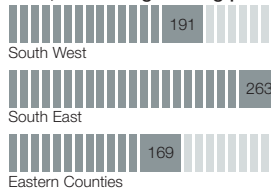
#### £182m Turnover



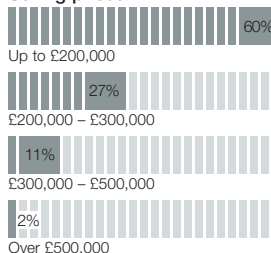
#### 853 Homes sold



#### £208,000 Average selling price



#### Selling prices



## Corporate Social Responsibility

Galliford Try aims to make a positive impact within the communities in which it operates by contributing economically, environmentally and socially. Our vision is to be leaders in building partnerships for service excellence. We recognise that many stakeholders have an interest in our activities, and that achieving our vision is dependant 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 is committed to achieving high standards of health and safety as an integral part of our business performance. Our commitment to effectively manage all aspects of health, safety and welfare extends to each of our business units, all our work places, our employees, contractors and all others affected by our operations.

The Group Board executive director having particular responsibility for health, safety and welfare is Andy Sturgess. The Group Board and the board of each business unit accept their responsibility for health and safety and for ensuring that such resources, facilities, finances, information, instruction, training and supervision are provided as is necessary to maintain a positive health and safety culture and performance throughout our operations.

The Group health, safety and environment department has overall responsibility for directing the effective provision of health, safety and environment services across the Group. Its objectives are to enable each business unit to meet its obligations and to maintain the vision and culture of the Group to ensure that accidents, ill health and environmental impact are kept to a minimum.

Our performance remains significantly better than the benchmarked figures for the national average within our industry. However we did not maintain our previously improving performance in the year as there was a small increase in our accident frequency rate for each 100,000 hours worked to 0.42 and for each 100,000 persons at risk to 9.78. There

were 70 reportable accidents and 5 dangerous occurrences, all of which were investigated fully by the professional health and safety teams and necessary amendments made to our management systems. There were no health and safety related prosecutions during the year. We received over 50 health and safety executive inspection visits where our health and safety systems were commended, although on three sites prohibition notices in respect of specific working methods were issued that were swiftly rectified and action taken to prevent reoccurrence.

We successfully achieved our objective to gain independent accreditation and certification to the internationally recognised health and safety standard BSNIISO18001, demonstrating that our health and safety management system is to a recognised standard, complies with legislation and demonstrates a process of continual improvement. We also received again the ROSPA Gold award for Occupational Health & Safety.

Our objectives for 2005/06 have been formally included in a business plan which has been approved by the Group to maintain our active programme of achieving continual improvement. Specific objectives have been set to cover standards setting, revising and updating the management systems in place within the Group and each business unit. We are also reviewing and updating our internal reporting procedures to improve the analysis of incidents and help to focus our programme.

### People

The importance we place on the loyalty, commitment and flexibility of our employees in the achievement of our objectives is central to our values. We understand the essential need for a constructive relationship with our employees, and our human resource policies and practices are designed to support this mutually beneficial relationship.

The achievement and maintenance of our Investor in People accreditation continues to be the cornerstone of our corporate training and development strategy. During the year several of our businesses successfully completed the re-accreditation process maintaining our record of 100% coverage across the Group. Learning and career development is an important part of our business ethos and is supported by a number of personal and management development programmes that lead to a variety of nationally recognised qualifications and membership of appropriate professional bodies which equip our employees at all levels with the knowledge, skills and capabilities to satisfy their own developmental needs and those of the business. This year we ran, for the first time, two in-house programmes accredited by the Institute of Leadership and Management (ILM) and currently have funded advanced management study for a group of senior employees at Warwick University's Business School. Both the ILM and Warwick

## Corporate Social Responsibility continued

programmes have proved successful and will represent significant elements of next year's training plan. We are committed to an annual intake of trainees and graduates across all our businesses and we provide them with a range of structured training and development programmes. We have introduced standardised salary scales for trainees and graduates which provide consistency across the Group and are commensurate with attracting and retaining good quality trainees. We also fund undergraduate sponsorship in areas which we regard as key to our business success.

We undertake an annual non-attributable employee survey to gauge how our employees feel about the Group and their work, the results of which are communicated back to employees and provide the basis for improvement programmes initiated within each business unit to address issues raised through the survey. The results of our survey in 2005 showed that 91% of our staff stated they were satisfied with their job and 90% felt that they were motivated. Our object is to maintain this level, improving where possible. We also measure the ratio of employees leaving of their own accord, which showed a downwards trend in the year to 16%. We assess the effectiveness of our communication systems through the survey and we consult with staff at all levels about those matters that affect the progress of the Group and are of interest and concern to them as employees.

As a result of feedback from employees, this year we introduced a remodelled Annual Performance and Development Review across the Group with specific focus on individual roles through the introduction of a behavioural competency framework which centred on those behavioural skills and capabilities that support our culture/vision and values and which deliver our competitive edge. Through the use of this framework we can more effectively direct our investment in training and development in order to equip our employees with the key skills they require for their roles. The training plan coverage laid particular emphasis on health and safety, management development and IT.

Also during the year we introduced a new Employee Resourcing Policy which centralises the recruitment and selection process of new employees. This has resulted in an improved selection of candidates and led to a more effective control over the costs of recruitment. This policy has been supported by a number of recruitment tools including the establishment of preferred supplier agreements with two national recruitment agencies, psychometric profiling, greater use of internal recruitment to satisfy vacancies, direct advertising and encouraging employee referrals.

The Group has a policy of providing equal opportunities for everyone in respect of recruitment, benefits, training, placement and advancement. We respect cultural diversity, encourage inclusiveness and recognise the value and benefits that a diverse workforce can deliver. 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 respect our employees' work life balance, and promote a flexible approach in managing the employment relationship, challenging traditional work patterns by encouraging managers to re-examine how much time is spent at work as well as issues of when, where and how people work. Examples of how we carry out this philosophy in practice include conducting 'exit' interviews to provide valuable feedback on employment issues, home working, special leave arrangements such as career breaks and sabbaticals, and flexible hours for employees who have children at school.

In our relationship with our employees, we value open and constructive two-way communication. We aim to achieve this through quarterly employee briefings and half-yearly results updates by the Group and the business units. These are supplemented by our publications, the GT Times and the employee newsletter, info@gt, one of which is published each quarter.

### Environment

Galliford Try is committed to a policy of effectively managing environmental performance in order to minimise the impact of our business processes on the natural environment and the community at large. This commitment extends to all business units, workplaces, employees and others affected by our activities.

Our objective is to continue to integrate the assessment, management and control of environmental issues into the management of our business.

Our aim is to:

- Assess environmental impact in the planning, design and implementation of our projects to help prevent pollution and ensure that activities with high environmental risks are controlled effectively.
- Ensure compliance with all relevant environmental legislation and, where practical, with specific codes of practice and other requirements such as those specified by our clients.

- Incorporate environmental and sustainability consideration into our design standards and practices with regard to the use of materials, energy consumption, waste disposal and recycling.
- Provide appropriate training in environmental issues for our employees.

We have taken a number of steps during the year to raise the awareness of environmental issues within the Group and to put in place a new programme to better identify the environmental impacts of our activities in order that we can more effectively monitor these impacts over time and put in place continuous improvement plans. Accordingly, we have:

- Reorganised our advisory services to create a health, safety and environment department which has overall responsibility for directing the effective provision of environment services across the Group to enable each of our business units to meet its obligations under our policy and to drive forward our practices.
- Appointed for the first time a director responsible for the environment who reports directly to a main Board executive director.
- Reviewed and revised the Group's environmental policy statement to more accurately reflect our business strategy and its implications for environmental impact.
- Set in train the process to review the Group's environmental management system as part of a Group business plan for the environment.

Our action plan for the coming year is to:

- Complete the environmental management system review.
- Accelerate progress towards our objective of achieving certification of our systems for environmental management to the internationally recognised standard of ISO 14001 across the remaining business units that have not yet achieved this standard.
- Implement a new system to ensure all relevant legislation is tracked and registered to ensure operational controls are sufficient to maintain compliance, also enabling effective dissemination of information on best practice.
- Review Group systems for identifying environmental incidents and monitoring trends.

During the year we ran a number of environmental initiatives, including sustainable site waste management plans, waste segregation programmes and a new internal environmental alert system. Environmental training has been increased, with individual needs now being assessed as part of each business units training plan. A number of employees successfully completed the five day environment managers' course through the Institution of Occupational Safety and Health.

Group environmental performance is now formally discussed every two months. These regular meetings involve representatives of all business units to discuss the key environmental issues facing the Group, formulate action strategies to minimise risk, ensure compliance with new legislation and disseminate best practice. Our objective is to build on the review of the environmental management system to introduce a number of measurable objectives during the next financial year. We had one prosecution during the year, where a silt trap installed below bridgeworks being undertaken by the Company failed to effectively prevent pollution which resulted in a fine of £6,000. Appropriate changes to our procedures were implemented as a result of the lessons learned.

We are a major developer of brownfield land and in converting buildings that have become redundant in their existing use to residential. During the year 72% of our homes were on brownfield sites, with 100% in the south east of England. We won the Best Social Housing Development award for our scheme in South Molton, Devon, which incorporated sustainable design principles throughout.

At the 2004 regeneration awards we were awarded the Regeneration Contractor of the Year award with three key developments judged by the panel for their technical excellence and innovative approach – one of which was also awarded an excellent rating in the Building Research Establishments EcoHomes environmental assessment scheme.

### Community

Galliford Try aims to make a positive impact within the communities in which it operates. We work closely with schools to give pupils practical opportunities to understand construction and the dangers associated with construction sites. We also take part in other educational initiatives, such as the Bourne School's Science Festival, a project to giving children an insight into the world of science. We made a number of donations to schools, an example being £500 for the development of outside space at Southfield Park, near one of our housing sites. We support staff fund raising efforts, among others during the year were staff completing the Breast Cancer Stride for Life walk, the Three Peaks Challenge for Care International UK and for Comic Relief.

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.

The Group's external giving in the year totalled £61,000. Of this amount, £15,000 went to construction industry charities and the remainder was distributed by our businesses supporting their adopted charities and local community initiatives.

## Board of Directors



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### **Tony Palmer FCIQB FRICS \* † °**

Chairman. Formerly Chief Executive of Taylor Woodrow, Tony Palmer is currently Chairman of Poole Investments plc, and is a Non Executive Director of The Berkeley Group. (Appointed 14 July 1999) (Age 68).

2

### **David Calverley FCA \***

Non Executive Director and Chairman designate. David Calverley was Chief Executive of Galliford Try from 2000 until 2005 and of Try Group from 1995. He was formerly a director of Trafalgar House, Chairman of Ideal Homes and Managing Director of Trafalgar House Property. (Appointed 15 September 2000) (Age 63).

3

### **Greg Fitzgerald**

Chief Executive. Greg Fitzgerald became Chief Executive on 1 July 2005. He was Managing Director of the Housebuilding Division from 2003 to 2005 before becoming Chief Executive. He was a founder of Midas Homes in 1992, and its managing director when it was acquired in 1997. (Appointed 1 July 2003) (Age 41).

4

### **Frank Nelson FCMA**

Finance Director. Finance Director of Try Group since 1988, Frank Nelson was formerly a divisional finance director with Wiltshier and a management consultant with Coopers & Lybrand. (Appointed 15 September 2000) (Age 54).

5

### **Chris Bucknall BA \* °**

Non Executive Director and Senior Independent Director. Chris Bucknall is currently 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. (Appointed 15 September 2000) (Age 55).

6

### **Andy Sturgess MCIOB**

Managing Director, Construction. Andy Sturgess was previously a director of Skanska and managing director of Kvaerner Construction UK. (Appointed 2 January 2003) (Age 55).

7

### **Jonathan Dawson MA MTheol \* † °**

Non Executive Director. Jonathan Dawson is a Non Executive Director of Next plc and a senior advisor to Apax Partners. He was previously a managing director at Lazard. (Appointed 1 January 2004) (Age 53).

8

### **Amanda Burton BA \* † °**

Non Executive Director. Amanda Burton was previously a director of Meyer International plc and Chairman of its timber group. She is currently Chief Operating Officer for the London region of Clifford Chance LLP and a Non Executive Director of Fresca Group Limited. (Appointed 1 July 2005) (Age 46).

\* Non Executive

† Member of the Audit Committee

° Member of the Remuneration and Nomination Committees



## Directors' Report

The directors have pleasure in presenting their annual report and the audited accounts for the year ended 30 June 2005.

### Principal activities

The principal activities of the Group are construction and housebuilding. Further details of the Group's activities during the year under review and of its prospects are contained in pages 3 to 14.

### Dividend

The profit for the year after tax of £18.6 million is shown in the consolidated profit and loss account on page 28. The directors recommend a final dividend of 1.5 p per share be paid, which together with the interim dividend of 0.6p results in a total dividend for the year of 2.1p, amounting to £4.7 million. The final dividend will be payable on 4 November 2005, to shareholders on the register at 7 October 2005.

### Share capital

Resolutions to be proposed at the 2005 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 2005.

Further explanation of the resolutions is included with the notice of the meeting.

### Employment policies

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 Social Responsibility review on pages 15 to 17.

### Directors

The Board of directors at the date of this report is shown on page 18. During the year Mike Jackson retired from the Board as a Non Executive Director on 29 October 2004. Tony Palmer will retire at the forthcoming Annual General Meeting on 28 October 2005 and will not offer himself for re-election. David Calverley and Frank Nelson will retire by rotation at this Annual General Meeting and each will offer themselves for re-election. Amanda Burton was appointed to the Board as a Non Executive Director on 1 July 2005 to fill a vacancy. She will retire at this Annual General Meeting and offer herself for re-election.

The biographies of all of the Company's directors are on page 18.

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 page 24.

### Substantial shareholdings

As at 8 September 2005, the following beneficial interests in 3% or more of the Company's ordinary share capital had been notified to the Company.

	No of Shares	%
UBS Global Asset Management	14,066,036	6.2
Platinum Investment Trust plc	9,670,000	4.3
Barclays plc and subsidiaries	9,077,498	4.0
AMVESCAP plc	6,789,691	3.0
Legal & General Group	6,723,691	3.0

### Charitable and political contributions

Contributions for charitable purposes during the year amounted to £61,000 (2004: £26,000). 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. For the year to 30 June 2005, trade creditors of £70.1 million represented 37 days (2004: 37 days) of average daily purchases.

### Annual General Meeting

The Annual General Meeting will be held at The Ivory Suite, The Grove, Chandler's Cross, Rickmansworth, Herfordshire WD3 4TG on Friday 28 October 2005 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.

### Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit and loss of the Group for that period. In preparing these accounts, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the accounts on the going concern basis.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The maintenance and integrity of the Company's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the 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

8 September 2005

## Corporate Governance Report

The Company is committed to attaining high standards of corporate governance and has throughout the year complied with the provisions set out in section 1 of the Combined Code on Corporate Governance (the "new Code") as maintained by the Financial Reporting Council, except in respect of the appointment of a new Chairman; the explanation of which is given below.

This statement describes how the Company has complied with the code provisions and has applied the main and supporting principles set out in the new Code throughout the year.

### The Board and its directors

The Board currently comprises a Non Executive Chairman, three Executive Directors and four other Non Executive Directors. The biographies of all members of the Board are on page 18. Amanda Burton was appointed a Non Executive Director on 1 July 2005 following a recommendation by the Nomination Committee. Mike Jackson retired on 29 October 2004. David Calverley retired as Chief Executive on 30 June 2005 on the appointment of Greg Fitzgerald. He is currently a Non Executive Director and will become Chairman when Tony Palmer retires at the forthcoming Annual General Meeting.

The Non Executive Directors are considered by the Board to be independent, with the exception of David Calverley. Jonathan Dawson retired from Lazard, the Company's financial advisers within the last three years. The Company has had no dealings of any materiality with Lazard for five years and the Board considers that he is independent. Chris Bucknall is the senior independent director and is an available point of contact for shareholders. The Board announced in February 2005 that David Calverley would become Chairman on the retirement of Tony Palmer at the forthcoming Annual General Meeting. The Board gave full consideration to the provisions of the new Code in respect of the appointment and decided that David Calverley was the right person to lead the Board. He is a businessman with considerable knowledge and experience of the commercial environment and corporate activity, he has a thorough understanding of the industries in which the Company operates and has outstanding and proven leadership skills which the Board know that he can bring to this role. He has no other significant commitments. The Board also decided to appoint Chris Bucknall as Deputy Chairman at the same time, in order to strengthen the independent balance on the board. Before coming to the decision the Board consulted its major shareholders.

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.

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 running the Board and ensuring that it operates effectively, and he and the Chief Executive meet regularly to discuss the business and issues for the Board.

The Board meets regularly during the year. The Chairman has held meetings with Non Executive Directors, and certain Executive Directors and the Company Secretary also attended part of these meetings by invitation. The senior independent director chaired the meeting at which the Chairman's annual performance was evaluated and on other such occasions as were deemed appropriate. There is a formal schedule of matters reserved for decision by the Board. The Board agrees the Group's business plan, determines overall group strategy, acquisitions, investment, human resources, environmental and health and safety policies, and is responsible for the approval of major items of capital expenditure, significant financial matters, and reviewing the Group's system of internal control. All directors receive appropriate and timely information and briefing papers in advance of the Board meetings. All directors have access to the advice and services of the Company Secretary. There is an agreed procedure for directors to take independent professional advice, if necessary, at the Company's expense. 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 appropriate training 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 up by an appraisal interview. The process also enables appropriate training and development to be planned.

### 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 were requested to complete 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.

The Board delegates various matters to its committees, all of which have defined terms of reference, procedures, responsibilities and powers. The committees are as follows:

**Executive Committee** – chaired by the Chief Executive and comprising the Executive Directors and the Company Secretary, the Executive Committee meets each fortnight and is responsible for matters concerned with the executive management of the Group.

**Audit Committee** – members are Tony Palmer, 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 are considered independent and served throughout the year, except Amanda Burton, who was appointed after the year-end. Mike Jackson served until he retired on 29 October 2004. Chris Bucknall will replace Tony Palmer when he retires at the forthcoming Annual General Meeting.

The Audit Committee is responsible for reviewing the interim and final accounts 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 auditor's terms of engagement, their remuneration and approves any non-audit work. 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 non audit work carried out by the auditors was not material in relation to their audit services. 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 the 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.

**Remuneration Committee** – members are Tony Palmer, Chris Bucknall, Jonathan Dawson and Amanda Burton. The Remuneration Committee is chaired by Tony Palmer until he retires from the Board at the forthcoming Annual General Meeting, when Chris Bucknall will chair the Remuneration Committee. Each of these Non Executive Directors are considered independent and served throughout the year, except Amanda Burton, who was appointed after the year-end. The Remuneration Committee is responsible for deciding on all elements of Executive Directors' remuneration. It also monitors the remuneration levels of the Company's senior management. The role of the Remuneration Committee is discussed in the Directors Remuneration Report on page 23.

**Nomination Committee** – members are Tony Palmer, Chris Bucknall, Jonathan Dawson and Amanda Burton. The Nomination Committee is chaired by Tony Palmer until he retires from the Board at the forthcoming Annual General Meeting, when Chris Bucknall will chair the Nomination Committee. Each of these Non Executive Directors are considered independent and served throughout the year, except Amanda Burton, who was appointed after the year-end. Chris Bucknall took the chair when the appointment of Tony Palmer's successor as Chairman was dealt with as explained above, including drawing up a specification and assessing the time commitment required. Its 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. During the year the Committee conducted a recruitment process for a new Non Executive Director, by defining a job specification, involving an external recruitment agency and conducting interviews. It also satisfies itself that, in terms of succession planning, the necessary processes are in place in respect of Board and senior management appointments.

The terms of reference for the above committees, which are closely modelled on the provisions of the new Code can be accessed on the Company's web-site under the Investor Relations section.

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	12	3	7	3
Tony Palmer	11	3	7	3
David Calverley	12	–	–	–
Greg Fitzgerald	12	–	–	–
Frank Nelson	12	–	–	–
Chris Bucknall	10	–	6	3
Andy Sturgess	11	–	–	–
Jonathan Dawson	11	3	7	3
Mike Jackson *	2	1	–	–

\* Mike Jackson retired from the Board on 29 October 2004.

The Company Secretary is also secretary to the Board's committees.

### 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 Listing Authority guidelines. The Company Secretary oversees communications with private shareholders.

Every effort is made to ensure that annual general meetings are informative and meaningful occasions, and the full Board, including the chairmen of the Audit, Remuneration and Nomination Committees, are available to answer questions. At the Annual General Meeting proxy votes are announced after the show of hands on each occasion. The Company has a comprehensive investor relations section within its website to provide shareholders with all relevant information, including institutional presentation documents and annual and interim reports and accounts, in an effort to ensure that they are well informed about the Company.

## Corporate Governance Report *continued*

### 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 14.

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 19 and the going concern statement on page 22.

### Internal Control and risk management

The Board has overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against misstatement or loss.

The control environment is based on the following:

- The annual group budget, supported by the business unit budgets, which is approved by the Group Board;
- The monthly monitoring of progress against budget and regular updated forecasts;
- The review by the Group Board of year end forecast out turns;
- Monitoring and reporting of trends at group and business unit levels;
- Key limits of authority. There is in place a formal management structure with a schedule of matters specifically reserved for the Board's approval and terms of reference of the Executive Committee. The group corporate manual, backed up by other control manuals, and individual job descriptions outline limits of authority;
- Risk management profiles dealing with the major risks that the Group faces in achieving its objectives, and comprehensive levels of operational risk management at business unit level are regularly reviewed by the Group Board in detail. As well as financial and commercial issues, this encompasses changes in the business environment and human resources, as well as reputational risks;
- A structure of business unit board and divisional meetings with business unit management.

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.

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.

The Board has reviewed the operation and effectiveness of the internal controls for the year ended 30 June 2005. They have been in place during the period under review up to the date of approval of the annual report and accounts.

### Going Concern

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

## Remuneration Report

The following report by the Remuneration Committee has been approved by the Board and is prepared in accordance with schedule 7A to the Companies Act 1985 (the "Act"). It also meets the relevant requirements of the UK Listing Authority's Listing Rules and the Combined Code of Corporate Governance (the "Combined Code"), as maintained by the Financial Reporting Council. In accordance with the Act, the report will be submitted to shareholders at the forthcoming Annual General Meeting for approval.

The Act requires the auditors to report to the Company's members on the auditable part of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Act. This report has therefore been divided into separate sections for unaudited and audited information.

**This part of the remuneration report is unaudited.**

### The Remuneration Committee

The Remuneration Committee (the "Committee") is governed by formal terms of reference agreed by the Board and is composed entirely of Non Executive Directors, whom the Board considers are independent.

The Committee members are Chris Bucknall, Jonathan Dawson, Amanda Burton and Tony Palmer who chairs the Committee. Each of the Non Executive Directors served throughout except for Amanda Burton who was appointed after the year-end. The Chief Executive is invited to attend all meetings of the Committee, except those when his own contract and remuneration are being discussed.

The remuneration packages of Executive Directors are determined by the Committee. They have no personal financial interest, other than as shareholders, in the Committee's decisions and they have no conflicts of interest arising from cross directorships. The remuneration of Non Executive Directors is determined by the full Board. The approach of the Committee is to align Executive Directors' remuneration with the interests of shareholders' whilst maintaining the motivation and performance of the team of executives leading the Company. The Committee receives details of, and takes into account, the pay and benefits structure for other employees in the Group. It also monitors, and makes recommendations on the benefit packages for executives immediately below board level.

The Committee is supported by the Company Secretary, and obtains independent advice from external consultants when required on individual remuneration packages and on executive remuneration practices in general. During the year, independent consultants M M & K Ltd provided advice to the Committee.

### Remuneration Policy

The Company's policy on directors' remuneration is determined by the Committee. Its aim is to ensure that each director's rewards and incentives relate to the Company's performance and shareholders' interests and attract, retain and incentivise high calibre executives.

The policy is to pay:

- basic salaries based on the responsibilities, skills and experience of the individual, and which also take into account the individual's performance;
- short-term incentive by payment of an annual bonus linked to the achievement of specific corporate objectives;
- taxable benefits, in line with current market practice;
- longer-term incentive with share-based elements.

It is the Committee's policy that a significant proportion of total remuneration, as detailed below, is represented by variable pay.

### Total Remuneration

The total remuneration levels of Executive Directors are reviewed annually by the Committee, taking into account market data relating to companies of similar size and complexity to that of the Company, and as explained above, the remuneration packages for other employees.

The total remuneration package of Executive Directors comprises the following fixed and variable elements:

- basic salary;
- annual bonus;
- restricted shares conditionally awarded under the Group's Restricted Share Scheme which is based on a comparator total shareholder return over a three-year performance period;
- eligibility to participate in the Company's all-employee savings-related share option scheme;
- benefits (which include the provision of a fully expensed company car, life assurance, disability and health insurance, and appropriate pension arrangements).

During the year, the Committee carried out a review of the directors' remuneration packages, in conjunction with an independent published report on directors' remuneration in FTSE Small Cap companies and specific data from a selected peer group comprised of companies with a similar capitalisation and size. The Committee particularly took into account the need to incentivise the new Chief Executive and both retain and incentivise the executive team in the light of the Company's challenging long term business plan and competition for senior executives in the construction and housebuilding sectors. In consultation with its advisers, the Committee is proposing to reduce the maximum benefits payable under the current annual bonus scheme by 25% to 50% of salary and introduce a long term bonus over a three year performance period that will provide a fixed cash sum and shares incentive for achieving the Group's demanding business plan worth circa 30% of annual salary per annum. Shareholders' approval for the proposals is being sought at the forthcoming Annual General Meeting.

### Bonus Scheme

For the year ended 30 June 2005, Executive Directors and other senior executives earn an annual bonus under a scheme which is capped at a maximum of 75% of basic salary. A maximum of 50% is payable at the end of the performance year based on targets split 90% to profit and cash with 10% on a personal objective. The remaining 25% is payable at the end of the subsequent financial year dependent upon the achievement of additional, more challenging profit targets for the performance year and a threshold profit for the subsequent year.

### Long Term Incentive Schemes

The Company operates a performance-related share incentive scheme for executives, the Galliford Try Restricted Share Plan (the "plan"), under the terms of which the Committee may make an award annually. The total market value of shares in any award may not exceed 75% of that executive's basic annual salary. Awards made under the plan are held on trust for a restricted period of three years. External consultants measure the total shareholder return during 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

## Remuneration Report *continued*

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% of the shares and a ranking of between 52 and 90 in an allocation between 20% and 100% of the shares pro rata. During the year awards over 899,000 shares were made. It is the intention of the Board to continue to award shares under the plan, which provides the opportunity to earn greater awards for superior performance and also further aligns the interests of shareholders and executives. The Committee has reviewed the performance target and decided that a challenging TSR comparison and a three-year performance period continue to be effective criteria and that an additional financial target would create additional complexity without a commensurate advantage.

The Company had outstanding options remaining under the Try Group Executive Option Scheme, (the "scheme") under which no options have been granted since 1995. These were originally awarded in 1995 for which the performance criteria was for the Company's share price to outperform the FTSE Construction and Building Materials Index. The final options outstanding under the scheme were exercised during the year.

The Company operates an Inland Revenue approved savings-related share option scheme ("SAYE") for the benefit of all employees including Executive Directors, where employees save via a bank/building society with an option to buy shares in Galliford Try plc at the end of a three or five-year period at a discount of up to 20% of the market value. There are no performance conditions attached to SAYE options. Shareholders approval to renew the scheme is being sought at the forthcoming Annual General Meeting.

### Pensions

David Calverley, Frank Nelson and Greg Fitzgerald are members of the Galliford Try Final Salary Pension Scheme (the "scheme") which was formed during the year by the merger of the Group's former final salary schemes. David Calverley and Greg Fitzgerald's benefits under the scheme are subject to the earnings cap and they therefore received salary supplements of 35% and 20% of their basic salaries respectively less an allowance in respect of the pension provided through the scheme. Frank Nelson's benefits are uncapped. Andy Sturgess receives an allowance in lieu of a pension of 20% 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 12 months' notice for early termination.

Their remuneration is determined by the Board, after taking independent advice from the Committee's external consultants, who review the fee payments for Non Executive Directors in similar companies.

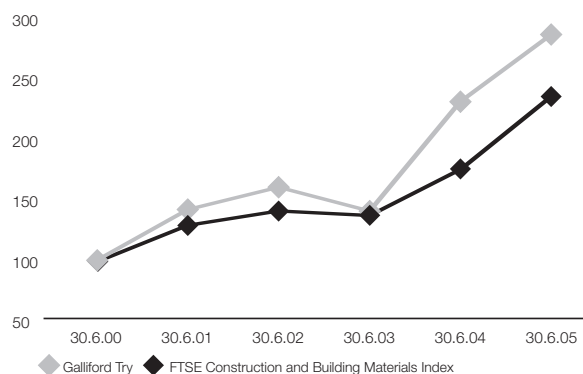
### External Appointments

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 Graph

The Group's total shareholder return performance (ie share price movements plus dividends reinvested) over the last five financial years relative to the FTSE Construction and Building Materials Sector Index is set out below. This index is considered to be the most appropriate index against which the Group's TSR performance can be measured, as it comprises a broad equity market index of which the company has been

a constituent during the period, and is also the basis from which the comparator companies for the Company's Restricted Share Scheme are drawn.



Tables 1 and 2 are unaudited information.  
The information in Tables 3 to 6 is audited.

### Table 1: Directors' interests

The directors at 30 June 2005 held the following beneficial interests in the ordinary shares of the Company:

	at 1.7.04	at 30.06.05
Tony Palmer	84,700	<b>84,700</b>
David Calverley	646,698	<b>961,692</b>
Frank Nelson	365,415	<b>250,415</b>
Chris Bucknall	150,000	<b>150,000</b>
Andy Sturgess	–	–
Greg Fitzgerald	1,771,396	<b>1,792,338</b>
Jonathan Dawson	30,000	<b>30,000</b>
Mike Jackson	–	*

1 \*At date of retirement.

2 Amanda Burton held no shares at the date of her appointment at 1 July 2005.

3 There were no changes in the directors' interests in ordinary shares or under the Company's share option or restricted share schemes from 30 June 2005 to 8 September 2005.

### Table 2: Directors' service contracts

Non Executive		
Director	Contract date	Notice – months
Tony Palmer	14 July 1999	12
Chris Bucknall	17 March 1998	12
Jonathan Dawson	1 January 2004	6
Amanda Burton	1 July 2005	6

### Executive

Director	Contract date	Notice – months
David Calverley	7 March 1994	12
Frank Nelson	4 April 1989	12
Andy Sturgess	1 January 2003	12
Greg Fitzgerald	1 July 2003	12

1 Contract dates shown are the director's initial contract as a director of the Company or of Try Group plc if prior to its merger with the Company in 2000. 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 of the contracts. The Committee will seek mitigation in appropriate circumstances.



**Table 3: Directors' remuneration**

Name	Salary and fees £000	Bonuses £000	Benefits £000	Pension payments £000	Total 2005 £000	Total 2004 £000
<b>Executive Directors</b>						
David Calverley	284	142	16	88	530	510
Frank Nelson	200	100	22	–	322	316
Andy Sturgess	190	95	16	38	339	309
Greg Fitzgerald	190	95	47	18	350	265
<b>Non Executive Directors</b>						
Tony Palmer	60	–	–	–	60	58
Chris Bucknall	25	–	–	–	25	25
Mike Jackson	10	–	–	–	10	25
Jonathan Dawson	25	–	–	–	25	12
<b>Former Directors</b>						
Hugh Try	–	–	–	–	–	21
<b>Total</b>	<b>984</b>	<b>432</b>	<b>101</b>	<b>144</b>	<b>1,661</b>	<b>1,541</b>

1 Benefits include the provision of a company car (or equivalent car allowance), fuel and health insurance for every Executive Director. In addition, the benefits for Greg Fitzgerald include a £30,000 allowance for relocation.

2 Pension payments are included within emoluments as set out on page 24.

**Table 4: Directors' interests in share options**

Details of options held by Directors at 30 June 2005 are set out below:

Name	Date of Grant	At 01/07/04	Granted in Year	Exercised in Year	Lapsed in Year	At 30.06.05	Exercisable from	Exercisable to	Exercise Price
<b>David Calverley</b>									
Executive	24.10.95*	1,150,000	–	1,150,000**	–	–	25.10.98	24.10.05	6.67p
SAYE	01.06.01	47,393	–	–	–	47,393	01.06.06	30.11.06	23.5p
SAYE	01.06.03	8,000	–	–	–	8,000	01.06.06	30.11.06	18.0p
<b>Total</b>		<b>1,205,393</b>	<b>–</b>	<b>1,150,000</b>	<b>–</b>	<b>55,393</b>			
<b>Frank Nelson</b>									
SAYE	01.06.01	47,393	–	–	–	47,393	01.06.06	30.11.06	23.5p
SAYE	01.06.03	8,000	–	–	–	8,000	01.06.06	30.11.06	18.0p
<b>Total</b>		<b>55,393</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>55,393</b>			

1 \* Denotes option originally held over Try Group shares.

2 The market price of the Company's shares at 30 June 2005 was 58.75p and the range of market prices during the year was between 47.5p and 64.5p.

3 Performance criteria for share options is set out in page 24 and is audited information.

4 \*\* The market price at exercise was 60.0p. The total gain on exercise, calculated as at the date of sale, was £613,295.

## Remuneration Report continued

**Table 5: Directors' interests in restricted shares**

	Award Date	Number of shares at 01.07.04	Shares awarded	Shares vested	Shares lapsed	Number of shares at 30.06.05	Value vested £	Vesting date
David Calverley	26.02.03	857,100	–	–	–	857,100	–	26.02.06
	22.03.04	352,000	–	–	–	352,000	–	22.03.07
<b>Total</b>		<b>1,209,100</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,209,100</b>		
Frank Nelson	26.02.03	607,100	–	–	–	607,100	–	26.02.06
	22.03.04	253,000	–	–	–	253,000	–	22.03.07
	22.03.05	–	246,000	–	–	246,000	–	22.03.08
<b>Total</b>		<b>860,100</b>	<b>246,000</b>	<b>–</b>	<b>–</b>	<b>1,106,100</b>	<b>–</b>	
Andy Sturgess	26.02.03	607,100	–	–	–	607,100	–	26.02.06
	22.03.04	253,000	–	–	–	253,000	–	22.03.07
	22.03.05	–	234,000	–	–	234,000	–	22.03.08
<b>Total</b>		<b>860,100</b>	<b>234,000</b>	<b>–</b>	<b>–</b>	<b>1,094,100</b>	<b>–</b>	
Greg Fitzgerald	11.03.02	81,429	–	35,495	45,934	–	22,184	11.03.05
	26.02.03	183,300	–	–	–	183,300	–	26.02.06
	22.03.04	239,000	–	–	–	239,000	–	22.03.07
	22.03.05	–	234,000	–	–	234,000	–	22.03.08
<b>Total</b>		<b>503,729</b>	<b>234,000</b>	<b>35,495</b>	<b>45,934</b>	<b>656,300</b>	<b>22,184</b>	

1 The award prices were as follows:

11.03.02	34.5p	22.03.04	53.25p
26.02.03	21.0p	22.03.05	60.75p

2 The market price at the date of vesting on 11.03.05 was 62.5p.

3 Performance criteria for the Restricted Share Plan are set out on page 23.

**Table 6: Pension details of the directors**

	Member's contributions for the year ended 30.06.05	Accumulated total accrued pension as at 30.06.05	Gross increase in accrued pension for the year ended 30.06.05	Increase in accrued pension (excluding inflation) for the year ended 30.06.05	GN11 Transfer Value of net increase in accrued pension	GN11 Transfer Value of accrued pension as at 30.06.05	GN11 Transfer Value of accrued pension as at 30.06.04	Increase in GN11 Transfer Value less member contributions paid since 30.06.04
	£	£	£	£	£	£	£	£
David Calverley	7,140	20,059	2,379	1,868	26,442	363,135	318,052	37,943
Frank Nelson	17,779	148,683	19,028	15,280	229,316	2,404,350	1,730,918	655,653
Greg Fitzgerald	9,920	19,659	2,376	1,870	1,805	123,185	63,831	49,434

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, 1 July 2005.

2 The value of net increase represents the incremental value to the director of his service during the year, calculated on the assumption service terminated at the year-end. It is based on the accrued pension increase (4) after deducting the director's contribution.

3 Transfer values have been calculated in accordance with version 8.1 of Guidance Note GN11 issued by the actuarial profession.

4 The change in the transfer value includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and directors, such as stockmarket movements. It is calculated after deducting the director's contribution.

5 Members of the Pension Plan have the option to pay Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the above table.

6 The details disclosed above correspond with the guidelines in the Directors' Remuneration Report Regulations 2002.

### Tony Palmer

Chairman of the Remuneration Committee

8 September 2005

## Independent Auditors' Report to the members of Galliford Try plc

We have audited the financial statements which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of accounting policies and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the chairman's statement, the operational review, the finance review, the corporate responsibility review, the corporate governance report and the remuneration report.

We review whether the corporate governance report reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code 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 to form an opinion on the effectiveness of the company's or group's corporate governance procedures or its risk and control procedures.

### Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the directors' remuneration report. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the 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 financial statements and the auditable part of the directors' remuneration report 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 financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2005 and of the profit and cash flows of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

### PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors  
London  
8 September 2005

**Consolidated Profit and Loss Account** for the year ended 30 June 2005

	Notes	2005 £000	2004 £000
<b>Turnover</b>			
Continuing operations	1	726,238	695,400
less share of joint ventures' turnover		(7,744)	(7,902)
<b>Group turnover</b>	1	718,494	687,498
Cost of sales		(654,464)	(629,197)
<b>Gross profit</b>		64,030	58,301
Net operating expenses	2	(37,163)	(33,850)
<b>Group operating profit</b>		26,867	24,451
Share of operating profits in joint ventures		26	1,324
Income from other participating interests		100	–
Profit/(loss) on sale of fixed asset investments	11	1,562	(27)
<b>Profit on ordinary activities before interest</b>		28,555	25,748
Net interest payable			
Group	5	(1,603)	(2,224)
Joint ventures		(622)	(820)
		(2,225)	(3,044)
<b>Profit on ordinary activities before tax</b>	3	26,330	22,704
Tax	6	(7,738)	(7,084)
<b>Profit for the financial year</b>		18,592	15,620
Dividends	7	(4,672)	(3,756)
<b>Retained profit for the year</b>		13,920	11,864
<b>Earnings per ordinary share</b>	8	8.4p	7.2p
<b>Diluted earnings per ordinary share</b>	8	8.1p	6.9p
<b>Dividend per ordinary share</b>		2.1p	1.7p

All of the Group's activities are continuing.

There was no material difference between the profit on ordinary activities before tax and the retained profit for the year stated above and their historical cost equivalents.

There were no gains and losses in the year other than those shown in the profit and loss account.

**Balance Sheets** at 30 June 2005

	Notes	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
<b>Fixed assets</b>					
Intangible assets: goodwill	9	–	–	–	–
Tangible assets	10	11,630	11,936	–	–
Investments in joint ventures:					
Share of gross assets		11,831	10,739	–	–
Share of gross liabilities		(9,751)	(8,480)	–	–
	11	2,080	2,259	–	–
Investments in associates	11	31	31	–	–
Other investments	11	468	608	9,174	9,781
		14,209	14,834	9,174	9,781
<b>Current assets</b>					
Stocks	12	613	795	–	–
Developments	13	209,247	177,392	–	–
Debtors	14	103,228	107,932	32,524	23,331
Current asset investments	11	3,412	–	–	–
Cash at bank & in hand		2,007	2,570	54,125	40,905
		318,507	288,689	86,649	64,236
<b>Creditors: amounts falling due within one year</b>					
Borrowings falling due within one year	15	(16,769)	(13,648)	–	(3,804)
Other amounts falling due within one year	15	(221,902)	(211,552)	(25,040)	(21,275)
		(238,671)	(225,200)	(25,040)	(25,079)
<b>Net current assets</b>					
		79,836	63,489	61,609	39,157
<b>Total assets less current liabilities</b>					
		94,045	78,323	70,783	48,938
<b>Creditors: amounts falling due after more than one year</b>					
Provisions for liabilities and charges	17	(4,750)	(3,108)	(1,154)	(1,231)
		(3,059)	(2,928)	–	–
<b>Net assets</b>					
		86,236	72,287	69,631	47,707
<b>Capital and reserves</b>					
Called up share capital	18	11,340	11,239	11,340	11,239
Share premium account	19	2,295	2,196	2,295	2,196
Merger reserve	19	4,687	4,687	2,969	2,969
Revaluation reserve	19	1,789	1,909	–	–
Profit and loss account	19	66,125	52,256	53,027	31,303
<b>Equity shareholders' funds</b>					
		86,236	72,287	69,631	47,707

The financial statements on pages 28 to 46 were approved by the Board on 8 September 2005 and signed on its behalf by:

**Greg Fitzgerald**  
Chief Executive

**Frank Nelson**  
Finance Director

## Consolidated Cash Flow Statement for the year ended 30 June 2005

	Notes	2005 £000	2004 £000
<b>Net cash inflow from operating activities</b>	27(a)	<b>13,785</b>	17,107
<b>Dividends from other participating interests</b>		<b>100</b>	–
<b>Returns on investments and servicing of finance:</b>			
Interest received		674	660
Interest paid		(2,204)	(2,299)
Loan note interest paid		(46)	(328)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(1,576)</b>	(1,967)
<b>Taxation</b>		<b>(8,472)</b>	(5,620)
<b>Capital expenditure and financial investment:</b>			
Purchase of tangible fixed assets		(1,598)	(1,821)
Sale of tangible fixed assets		29	601
<b>Net cash outflow for capital expenditure and financial investment</b>		<b>(1,569)</b>	(1,220)
<b>Acquisitions and disposals:</b>			
Increase in own shares held by Galliford Try Employee Trust		(450)	–
Increase in investment in joint ventures		(75)	–
Increase in other investments		(69)	(103)
Realisation of investment in joint ventures		35	115
Realisation of investment in associates		–	17
Realisation of other investments		1,771	–
<b>Net cash inflow for acquisitions and disposals</b>		<b>1,212</b>	29
<b>Equity dividends paid</b>		<b>(3,875)</b>	(3,423)
<b>Net cash (outflow)/inflow before use of liquid resources and financing</b>		<b>(395)</b>	4,906
<b>Management of liquid resources:</b>			
Increase in short term deposit with banks		(3,412)	–
<b>Financing:</b>			
Issue of ordinary share capital		200	610
Increase in other loans		12	–
Decrease in bank loans		(67)	(24,151)
Repayment of loan notes		(3,881)	(16)
		<b>(3,736)</b>	(23,557)
Decrease in cash		<b>(7,543)</b>	(18,651)
<b>Reconciliation of net cash flow to movement in net debt</b>			
Decrease in cash		<b>(7,543)</b>	(18,651)
Decrease in debt		<b>3,936</b>	24,167
Increase in short term deposits with banks		<b>3,412</b>	–
Change in net debt		<b>(195)</b>	5,516
Net debt at start of year		<b>(12,309)</b>	(17,825)
<b>Net debt at end of year</b>	27(b)	<b>(12,504)</b>	(12,309)



## Statement of Accounting Policies

### Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain freehold properties, and in accordance with the Companies Act 1985 and applicable accounting standards. A summary of the more important Group accounting policies is set out below.

### 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 and associated undertakings. 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.

In accordance with Section 230 of the Companies Act 1985 a separate profit and loss account for Galliford Try plc has not been presented.

### Goodwill

Goodwill represents the excess purchase consideration over the fair value of net assets acquired. Any goodwill arising on acquisition is capitalised and amortised evenly over its estimated useful economic life of up to 20 years. The current amortisation rate is between two and three years. Goodwill on acquisitions before 30 June 1998 was written off to reserves and has not been reinstated, as permitted by FRS10. On disposal or closure of a previously acquired business, any associated goodwill that has been written off against reserves will be charged in determining the profit or loss recognised on sale or termination.

### Turnover and profit

Turnover 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 profit and loss account until the outcome is reasonably 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 debtors.

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.

### Fixed assets – investments

Investments in subsidiary undertakings held by Galliford Try plc are carried at the lower of cost and net asset value at each year end.

### Associates and joint ventures

In accordance with the reporting requirements of FRS9 the consolidated profit and loss account includes the Group's share of turnover and profits less losses of joint ventures and, where applicable, associated undertakings. In the consolidated balance sheet the interests in joint ventures are included at the Group's share of the net assets of the respective joint ventures plus goodwill on acquisition less related amortisation and impairment write-downs.

The Group's share of turnover and profits less losses attributable to joint arrangements that are not entities is included in arriving at operating profit and its share of individual assets and liabilities is included, where appropriate, in the consolidated balance sheet.

### Impairment review

In addition to systematic depreciation or amortisation, the book value of fixed assets or goodwill would be written down to estimated recoverable amount should any impairment in the respective carrying values be identified.

### Current asset investments

Current asset investments include short-term deposits and restricted cash deposits, which are shown at market value. Restricted cash deposits relate to accounts where withdrawals are restricted under contractual arrangements.

## Statement of Accounting Policies continued

### Interest rate swaps

Interest rate swaps are used to manage the Group'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 not revalued to fair value prior to maturity.

### 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 profit and loss account.

### Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

### Tangible fixed assets and depreciation

Certain freehold land and buildings are included at valuation, less accumulated depreciation. As permitted by FRS15, the book values at 1 July 2000 of revalued fixed assets have been retained. All other tangible fixed assets are included at cost less accumulated depreciation. Fees incurred prior to and during the construction of a fixed asset are capitalised until the time the asset is brought into use.

Depreciation is calculated to write off the cost or valuation 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%

### Accounting for Employee Share Ownership Plan

Own shares held by the Galliford Try Employee Share 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 intrinsic value of the award spread over the performance period.

### Stocks

Stocks 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.

### Deferred tax

Deferred tax is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements. 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 timing differences can be deducted.

### Pensions

The expected cost to the Group of pension benefits, relating to the defined benefit schemes, is charged to the profit and loss account so as to spread the cost over the employees' estimated service lives with the Group, in accordance with advice from independent qualified actuaries. The transitional disclosure arrangements of FRS17 are being used in these financial statements.

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 as incurred.

## Notes to the Financial Statements

### 1 Segmental analysis

	Turnover 2005			Turnover 2004		
	Including joint ventures	Joint ventures	Group	Including joint ventures	Joint ventures	Group
	£000	£000	£000	£000	£000	£000
Construction	537,733	1,714	536,019	512,905	1,610	511,295
PPP Investments	–	–	–	–	–	–
Housebuilding	187,991	6,030	181,961	182,031	6,292	175,739
Group	514	–	514	464	–	464
Total	726,238	7,744	718,494	695,400	7,902	687,498

All turnover arises in the United Kingdom.

	Profit/(loss) before interest		Net assets/(liabilities)	
	2005 £000	2004 £000	2005 £000	2004 £000
Construction	7,847	5,750	(40,569)	(16,934)
PPP Investments	(1,179)	(1,532)	733	–
Housebuilding	26,430	25,470	134,907	103,590
Group	(4,543)	(3,940)	3,669	(2,060)
Sub-total	28,555	25,748	98,740	84,596
Net debt			(12,504)	(12,309)
			86,236	72,287

The share of profits in the joint ventures relating to construction of £188,000 (2004: £297,000), PPP Investments losses of £28,000 (2004: £Nil) and housebuilding losses of £134,000 (2004: profit £1,027,000) are included in profit/(loss) before interest. The share of net assets/(liabilities) relating to the joint ventures included in construction, PPP Investments and housebuilding are £466,000 (2004: £273,000), £(28,000) (2004: £Nil) and £1,642,000 (2004: £1,986,000) respectively.

### 2 Net operating expenses

The net operating expenses represent administrative expenses.

### 3 Profit on ordinary activities before tax

The profit on ordinary activities before tax is stated after charging/(crediting):

	2005 £000	2004 £000
Directors' emoluments	1,661	1,541
Depreciation on tangible fixed assets – owned	1,821	1,642
Goodwill amortisation	–	167
Hire of plant and machinery – operating leases	4,338	4,162
Other operating lease rentals	1,163	964
Auditors' remuneration – audit services (Company: £5,000 (2003: £5,000))	228	220
– other services	29	30
Loss/(profit) on disposal of fixed assets	54	(150)

The other services provided by the auditors relate to advice on other financial matters such as joint ventures.

## Notes to the Financial Statements

### 4 Employee information

	2005 Number	2004 Number
The average number of persons employed during the year was:		
Construction	1,414	1,433
PPP Investments	12	8
Housebuilding	416	438
Group	114	93
	<b>1,956</b>	<b>1,972</b>

The total group employment costs for all employees, including directors, during the year were:

	£000	£000
Wages and salaries	66,395	63,555
Social security costs	6,947	6,399
Other pension costs	5,860	6,375
	<b>79,202</b>	<b>76,329</b>

### 5 Net interest payable – Group

	2005 £000	2004 £000
Interest payable:		
On bank loans and overdrafts	2,174	2,605
On loan notes	47	284
Other	46	–
	<b>2,267</b>	<b>2,889</b>
Interest receivable:	(664)	(665)
	<b>1,603</b>	<b>2,224</b>

### 6 Tax on profit on ordinary activities

	2005 £000	2004 £000
United Kingdom Corporation tax at 30% (2004: 30%)	8,003	7,049
Adjustment in respect of prior year	(19)	195
Share of joint ventures	(102)	270
Total current tax	<b>7,882</b>	<b>7,514</b>
Deferred tax		
Origination and reversal of timing differences	17	(422)
Adjustment in respect of prior year	114	(8)
Share of joint ventures	(275)	–
Total deferred tax	<b>(144)</b>	<b>(430)</b>
Tax on profit on ordinary activities	<b>7,738</b>	<b>7,084</b>

The current tax charge for the year is lower (2004: higher) than the standard rate of corporation tax in the UK of 30%.

The differences are explained below:

	2005 £000	2004 £000
Profit on ordinary activities before tax	26,330	22,704
Profit on ordinary activities multiplied by the standard rate in the UK (30%)	7,899	6,811
Effects of:		
Accelerated capital allowances and other timing differences	(17)	422
Expenses not deductible for tax purposes	136	86
Additional relief for qualifying expenditure	(117)	–
Adjustments in respect of prior year	(19)	195
Current tax charge for the year	<b>7,882</b>	<b>7,514</b>

## 7 Dividends

	2005	2004
	£000	£000
Interim dividend paid of 0.6p per share (2004: 0.55p per share)	1,330	1,211
Proposed final dividend of 1.5p per share (2004: 1.15p per share)	3,342	2,545
	<b>4,672</b>	<b>3,756</b>

## 8 Earnings per share

Basic earnings per share is calculated using the profit on ordinary activities after tax and the weighted average number of ordinary shares in issue during the year less the weighted average number of shares held by the Galliford Try Employee Share Trust amounting to 3,713,787 (2004: 3,760,079) shares which have not unconditionally vested in employees. For diluted earnings per share the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

	2005			2004		
	Earnings £000	Number of shares	Per share amount	Earnings £000	Number of shares	Per share amount
Basic earnings per share	18,592	221,821,456	8.4p	15,620	218,316,515	7.2p
Effect of dilutive securities:						
Options	–	2,783,274		–	4,153,252	
Restricted shares	–	4,131,560		–	4,278,215	
Diluted earnings per share	18,592	228,736,290	8.1p	15,620	226,747,982	6.9p

## 9 Intangible fixed assets: goodwill

	£000
<b>Group</b>	
Cost at 1 July 2004 and 30 June 2005	735
Amortisation at 1 July 2004 and 30 June 2005	735
Net book value at 30 June 2004 and 30 June 2005	–

## 10 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000
<b>Group</b>				
Cost or valuation				
At 1 July 2004	10,397	4,501	7,332	22,230
Additions at cost	46	448	1,104	1,598
Disposals	(40)	(371)	(389)	(800)
<b>At 30 June 2005</b>	<b>10,403</b>	<b>4,578</b>	<b>8,047</b>	<b>23,028</b>
Comprising:				
Cost	4,155	4,578	8,047	16,780
As valued 1978	548	–	–	548
As valued 1990	5,700	–	–	5,700
	<b>10,403</b>	<b>4,578</b>	<b>8,047</b>	<b>23,028</b>
Accumulated depreciation				
At 1 July 2004	2,133	3,301	4,860	10,294
Charge for the year	407	438	976	1,821
Disposals	(31)	(353)	(333)	(717)
<b>At 30 June 2005</b>	<b>2,509</b>	<b>3,386</b>	<b>5,503</b>	<b>11,398</b>
<b>Net book value</b>				
<b>At 30 June 2005</b>	<b>7,894</b>	<b>1,192</b>	<b>2,544</b>	<b>11,630</b>
At 30 June 2004	8,264	1,200	2,472	11,936

## Notes to the Financial Statements

### 10 Tangible fixed assets continued

Land and buildings at net book value comprise:

	2005	2004
	£000	£000
Freeholds	7,190	7,406
Long leaseholds	149	233
Short leaseholds	555	625
	<b>7,894</b>	<b>8,264</b>

If the revalued assets were stated on an historical cost basis the amounts would be:

	2005	2004
	£000	£000
Cost	4,240	4,240
Aggregate depreciation	(1,218)	(1,137)
	<b>3,022</b>	<b>3,103</b>

Certain freehold properties occupied by the Group were revalued by independent, qualified property surveyors as follows:

Valuation by:	Date	Basis	Value
Robinson, Osborne & Moules	1978	Open market value	548
DTZ Debenham Thorpe	1990	Existing use	5,700

Certain of the Group's freehold land and buildings have been charged as security for bank borrowings. More information is given in note 15.

### 11 Investments

	Joint ventures			Associated undertakings	Other participating interests	Total
	Shares and results	Loans	Total			
	£000	£000	£000	£000	£000	£000
<b>Fixed asset investments</b>						
<b>Group</b>						
Cost:						
At 1 July 2004	(3)	2,262	2,259	51	608	2,918
Additions	75	–	75	–	69	144
Disposals	–	(35)	(35)	–	(209)	(244)
Share of post-acquisition net losses	(219)	–	(219)	–	–	(219)
<b>At 30 June 2005</b>	<b>(147)</b>	<b>2,227</b>	<b>2,080</b>	<b>51</b>	<b>468</b>	<b>2,599</b>
Amounts written off:						
At 1 July 2004	–	–	–	20	–	20
Disposals	–	–	–	–	–	–
<b>At 30 June 2005</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>20</b>	<b>–</b>	<b>20</b>
<b>Net book value at 30 June 2005</b>	<b>(147)</b>	<b>2,227</b>	<b>2,080</b>	<b>31</b>	<b>468</b>	<b>2,579</b>
Net book value at 30 June 2004	(3)	2,262	2,259	31	608	2,898

	2005	2004
	£000	£000
<b>Current asset investments</b>		
Restricted cash	3,412	–

The restricted cash is held on deposit in an escrow account. The funds will become available on finalisation of the associated contract.



**11 Investments** continued

<b>Fixed asset investments</b>	Shares in group undertakings £000	Other participating interests £000	Total £000
<b>Company</b>			
Cost			
At 1 July 2004	11,081	607	11,688
Disposals	(330)	(607)	(937)
<b>At 30 June 2005</b>	<b>10,751</b>	<b>-</b>	<b>10,751</b>
Amounts written off			
At 1 July 2004	1,907	-	1,907
Disposals	(330)	-	(330)
<b>At 30 June 2005</b>	<b>1,577</b>	<b>-</b>	<b>1,577</b>
<b>Net book value at 30 June 2005</b>	<b>9,174</b>	<b>-</b>	<b>9,174</b>
Net book value at 30 June 2004	9,174	607	9,781

The Group increased its investment in Oak Fire Protection Limited at a cost of £75,000 and the Group now holds an 80% interest in this company. However, under the terms of the shareholders' agreement this investment continues to be treated as a joint venture. The Group also received a repayment of £35,000 of loans from the company during the year.

gbconsortium 1 Limited issued further share capital to its shareholders in equal proportions and the Group acquired a further 450 ordinary shares bringing the total investment to 1,050 ordinary shares of £1 each issued at par (representing 10% of the ordinary share capital). In June 2005 the Group subscribed for loan stock of £65,129. The Group has committed to subscribe for further loan stock of £47,000 during the year ending 30 June 2006. This consortium with Bilfinger Berger BOT Limited, BHE Holdings Limited and Sapphire Primary Care Developments Limited is the private sector partner in Liverpool and Sefton NHS LIFT and Barnet, Enfield and Haringey NHS LIFT. Under the terms of the shareholders' agreement the investment has been treated as a participating interest.

The Group made an investment in gbconsortium 2 Limited. This consortium with BHE Holdings Limited and Sapphire Primary Care Developments Limited is the private sector partner in Coventry NHS LIFT. The investment comprised 27 shares of £1 each issued at par (representing 45% of the ordinary share capital) and the Group has committed to subscribe for loan stock of £179,000 during the year ending 30 June 2006. Under the terms of the shareholders' agreement the investment has been treated as a joint venture.

The Group made an investment in Coventry Education Partnership Holdings Limited comprising 2,000 shares of £1 each issued at par (representing 20% of the ordinary share capital). Under the terms of the shareholders' agreement the investment has been treated as a participating interest. The Group has committed to subscribe for loan stock of £496,613 in September 2007.

The Group made an investment in Ealing Care Alliance (Holdings) Limited comprising 1,600 shares of £1 each issued at par (representing 16% of the ordinary share capital). Under the terms of the shareholders' agreement the investment has been treated as a participating interest. The Group has committed to subscribe for loan stock of £604,800 in August 2009.

The Company transferred its interest in Birmingham Schools Partnership (Group) Limited to Galliford Try Investments Limited at book value. On 20 May 2005 Galliford Try Investments Limited sold its interest in Birmingham Schools Partnership (Group) Limited resulting in a profit of £1,562,000.

The Company transferred its interest in Education Link (Holdings) Limited to Galliford Try Investments Limited at book value.

A number of dormant subsidiary companies which were no longer required by the Group and which had no outstanding liabilities have been struck off the Companies register during the year.

## Notes to the Financial Statements

### 12 Stocks

	Group	
	2005	2004
	£000	£000
Raw materials and consumables	613	795

### 13 Developments

	Group	
	2005	2004
	£000	£000
Land	143,894	122,365
Work in progress	64,103	53,777
Other	1,250	1,250
	<b>209,247</b>	<b>177,392</b>

### 14 Debtors

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	57,481	75,447	–	–
Amounts recoverable on contracts	33,556	22,339	–	–
Amounts owed by subsidiary undertakings	–	–	5,451	8,203
Amounts owed by joint ventures and associates	1,006	654	–	–
Other debtors	2,879	4,220	4	–
Prepayments and accrued income	4,357	4,601	–	10
Dividends due from group undertakings	–	–	27,069	15,118
	<b>99,279</b>	<b>107,261</b>	<b>35,524</b>	<b>23,331</b>
Amounts falling due after more than one year:				
Trade debtors	3,542	302	–	–
Other debtors	407	369	–	–
	<b>103,228</b>	<b>107,932</b>	<b>32,524</b>	<b>23,331</b>

### 15 Creditors: amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Bank loans and overdrafts	16,757	9,844	–	–
Loan notes	–	3,804	–	3,804
Other loans	12	–	–	–
Borrowings falling due within one year	<b>16,769</b>	<b>13,648</b>	<b>–</b>	<b>3,804</b>
Payments received on account	3,852	10,610	–	–
Trade creditors	70,663	67,946	–	–
Development land creditors	45,964	43,022	–	–
Amounts owed to subsidiary undertakings	–	–	21,070	18,190
Amounts owed to related undertakings	523	204	137	160
Proposed dividend	3,342	2,545	3,342	2,545
Corporation tax	3,549	4,037	257	274
Other taxation and social security	3,727	4,514	–	–
Other creditors	7,593	8,436	–	8
Accruals and deferred income	82,689	70,238	234	98
Other amounts falling due within one year	<b>221,902</b>	<b>211,552</b>	<b>25,040</b>	<b>21,275</b>

The bank loans and overdrafts are secured on some of Group's freehold properties and on certain of its developments.

**16 Creditors: amounts falling due after more than one year**

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Trade creditors	781	101	-	-
Development land creditors	2,731	1,670	-	-
Loan notes	1,154	1,231	1,154	1,231
Other creditors	84	106	-	-
	<b>4,750</b>	<b>3,108</b>	<b>1,154</b>	<b>1,231</b>

The loan notes included above are redeemable at par between July 2007 and 2011. Further details are given in note 21.

**17 Provisions for liabilities and charges**

Deferred tax provided in the accounts is calculated on the liability method at 30% (2004: 30%) and comprises:

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Tax effect of timing differences due to:				
Accelerated capital allowances	(150)	(164)	-	-
Other timing differences	3,209	3,092	-	-
	<b>3,059</b>	<b>2,928</b>	<b>-</b>	<b>-</b>

The movements on the provisions for deferred tax were as follows:

	Group	Company
	£000	£000
At 1 July 2004	2,928	-
Provided during year	17	-
Adjustment in respect of prior years	114	-
<b>At 30 June 2005</b>	<b>3,059</b>	<b>-</b>

**18 Called up share capital**

	2005	2004
	£000	£000
Authorised:		
360,000,000 ordinary shares of 5 pence each	18,000	18,000
Allotted, called up and fully paid ordinary shares of 5 pence each:		
At 1 July: 224,773,509 (2004: 221,159,148)	11,239	11,058
Nil (2004: 306,316) allotted under the restricted share plan	-	15
2,011,320 (2004: 3,308,045) allotted under share option schemes	101	166
<b>At 30 June 2005: 226,784,829 (2004: 224,773,509)</b>	<b>11,340</b>	<b>11,239</b>

**Share Options:**

At 30 June 2005 the total number of options outstanding under the SAYE share option scheme and the restricted share plan were as follows:

SAYE Share Options			Restricted shares		
Shares under option	Exercise price per share	Exercise period ending	Shares awarded	Award price	Vesting date
18,139	21.5p	30.11.05	3,798,200	21p	26.02.06
1,385,576	23.5p	30.11.06	1,287,000	53.25p	22.03.07
1,311,800	18p	30.11.06	899,000	60.75p	22.03.08
1,556,651	18p	30.11.08			

## Notes to the Financial Statements

### 19 Share premium account and reserves

	Share premium account £000	Merger reserve £000	Revaluation reserve £000	Profit and loss account £000
<b>Group</b>				
At 1 July 2004	2,196	4,687	1,909	52,256
Arising on issue of shares under share option schemes	99	–	–	–
Purchase of own shares by Galliford Try Employee Share Trust	–	–	–	(450)
Charge on employee share options	–	–	–	279
Transfer	–	–	(120)	120
Profit for the year	–	–	–	13,920
<b>At 30 June 2005</b>				
<b>Non-distributable</b>	<b>2,295</b>	<b>4,687</b>	<b>1,789</b>	<b>–</b>
<b>Distributable</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>66,125</b>

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9,527,000 (2003: £9,527,000).

	Share premium account £000	Merger reserve £000	Profit and loss account £000
<b>Company</b>			
At 1 July 2004	2,196	2,969	31,303
Arising on the issue of shares under share option schemes	99	–	–
Purchase of own shares by Galliford Try Employee Share Trust	–	–	(450)
Charge on employee share options	–	–	279
Profit for the year	–	–	21,895
<b>At 30 June 2005</b>			
<b>Non-distributable</b>	<b>2,295</b>	<b>2,969</b>	<b>–</b>
<b>Distributable</b>	<b>–</b>	<b>–</b>	<b>53,027</b>

As explained in the statement of accounting policies, the cost of shares held by the Galliford Try Employee Share Trust (the "Trust") are deducted from reserves. 750,000 shares were acquired by the Trust in the year (2004: nil). At 30 June 2005, the Trust held 4,004,598 (2004: 3,682,471) with a cost of £1,293,000 (2004: £901,000), which have been conditionally allocated under the restricted share plan, details of which are given in the remuneration report on pages 23 to 26. The market value of the shares held at 30 June 2005 was £2,352,701 (2004: £1,795,205).

### 20 Pension commitments

The Galliford Group Pension Scheme and the Try Group Pension and Life Assurance Plan were merged on 1 November 2004 to form the Galliford Try Final Salary Pension Scheme. The scheme is funded and provides benefits based on final pensionable salaries. Its assets are held separately from the Group and are invested with professional fund managers. Formal valuations are carried out every three years by independent qualified actuaries. The scheme was closed to new members from 31 December 2001 and new staff employees employed after that date became 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 valuations of the Galliford Group Pension Scheme and the Try Group Pension and Life Assurance Plan were at 1 April 2003 and 1 July 2003 respectively, using the projected unit method with a three year control period. The assumptions used for both schemes which have the most significant effect on the results of the valuation were the investment return which was assumed to be 6.5% per annum on pre-retirement assets and 5% on post-retirement assets, and the rate of increase in pensionable salaries which was assumed to be 4.5% per annum. The valuation showed that the market value of the Galliford Group Pension Scheme's assets was £35.8 million and that those assets represented 60% of the value of the benefits that had accrued to members after allowing for the expected future increases in pensionable salaries. The valuation of the Try Group Pension and Life Assurance Plan showed that the market value of its assets was £23.6 million and that those assets represented 70% of the value of the benefits that had accrued to members after allowing for the expected future increases in pensionable salaries. The next valuation of the Galliford Try Final Salary Pension Scheme is due as at 1 July 2006.

## 20 Pension commitments continued

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 2002. The assumptions used which had the most significant effect on the results of the valuation were the investment return which was assumed to be 7% per annum on pre-retirement assets and 6.25% for post-retirement assets and the rate of increase in pensionable salaries which was assumed to be 4.75% per annum. The valuation showed that the market value of the Scheme's assets was £2.8 million and that those assets represented 82% of the value of the benefits that had accrued to members after allowing for the expected future increases in pensionable salaries. The results of the 2005 valuation of the Galliford Group Special Scheme are awaited.

The pension charge for the year for all the schemes was £5,860,000 (2004: £6,375,000). The charge for the year for the defined benefit schemes amounted to £5,147,000 (2004: £5,838,000) which took into account the amortisation of the deficits revealed by the valuations above. The deficits are being recognised over 13 years for the Galliford Try Final Salary Pension Scheme and over 10 years for the Galliford Group Special Scheme, being the expected average remaining service lives of existing scheme members at the most recent valuation. The charge for the year for the defined contribution scheme amounted to £713,000 (2004: £537,000).

The difference between the pension charge and the amounts paid to the schemes of £1,371,000 has given rise to a prepayment of £2,422,000 (2004: £1,051,000). The future company contribution rate for the Schemes is 12.3% of pensionable salaries. The Company made additional cash contributions during the year amounting to £3,115,000 to reduce the past service deficits which it will continue to fund by £3,036,000 in the coming year. As the Galliford Try Final Salary Pension Scheme is now closed to new members the current service cost will increase as members approach retirement.

The most recent full actuarial valuations referred to above were updated to 30 June 2005 and the following information is disclosed in these financial statements in accordance with the FRS17 transitional rules:

The assumptions used are specified below:

	2005	2004	2003
Rate of increase in salaries	4.25%	4.50%	4.00%
Rate of increase in pensions in payment	2.70%	2.75/3.00%	2.25/2.75%
Discount rate	5.00%	5.75%	5.25%
Inflation assumption	2.75%	3.00%	2.50%

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

	Return at 30.06.05	Value at 30.06.05 £000	Return at 30.06.04	Value at 30.06.04 £000	Return at 30.06.03	Value at 30.06.03 £000
Equities	7.25%	68,939	7.50%	57,656	7.00%	49,873
Gilts	4.25%	9,830	5.00%	3,704	4.50%	3,009
Bonds	5.00%	9,591	5.0-5.75%	9,563	4.50/5.25%	9,429
Property	7.25%	728	7.50%	649	7.00%	587
Cash	4.75%	12	4.50%	885	4.50%	654
		<b>89,100</b>		<b>72,457</b>		<b>63,552</b>

The following amounts at 30 June 2005 were measured in accordance with the requirements of FRS 17:

	2005 £000	2004 £000	2003 £000
Total market value of assets	<b>89,100</b>	72,457	63,552
Present value of scheme liabilities	<b>(135,072)</b>	(105,662)	(101,728)
Deficit in the scheme	<b>(45,972)</b>	(33,205)	(38,176)
Related deferred tax @ 30%	<b>13,792</b>	9,961	11,453
Net pension liability	<b>(32,180)</b>	(23,244)	(26,723)

## Notes to the Financial Statements

### 20 Pension commitments continued

If the above amounts had been recognised in the financial statements, the Group's net assets and profit and loss reserve at 30 June would be estimated as follows:

	2005 £000	2004 £000	2003 £000	
Net assets excluding SSAP24 pension asset	<b>83,814</b>	71,236	57,190	
Pension liability	<b>(32,180)</b>	(23,244)	(26,723)	
Net assets including pension asset	<b>51,634</b>	47,992	30,467	
Profit & loss reserve excluding SSAP24 pension asset	<b>63,703</b>	51,205	37,766	
Pension reserve	<b>(32,180)</b>	(23,244)	(26,723)	
Profit & loss reserve	<b>31,523</b>	27,961	11,043	
		<b>2005 £'000</b>	2004 £'000	
Analysis of the amount charged to operating profit:				
Service cost		<b>3,342</b>	3,767	
Past service cost		-	-	
Total operating charge		<b>3,342</b>	3,767	
Analysis of the net return:				
Expected return on the pension scheme assets		<b>5,319</b>	4,230	
Interest on pension scheme liabilities		<b>(6,131)</b>	(5,406)	
Net return		<b>(812)</b>	(1,176)	
Analysis of amount recognised in the statement of total recognised gains and losses:				
Actual return less expected return on assets		<b>6,201</b>	1,743	
Experience gains and losses on liabilities		<b>(2,494)</b>	1,817	
Changes in assumptions		<b>(18,857)</b>	2,143	
Actuarial gain/(loss) recognised in STRGL		<b>(15,150)</b>	5,703	
Movement in surplus during the year:				
Surplus/deficit at 1 July		<b>(33,205)</b>	(38,176)	
Movement in the year:				
Current service cost		<b>(3,342)</b>	(3,767)	
Contributions		<b>6,537</b>	4,211	
Net return		<b>(812)</b>	(1,176)	
Actuarial (loss)/gain		<b>(15,150)</b>	5,703	
Deficit at 30 June		<b>(45,972)</b>	(33,205)	
Details of experience gains and losses in the year:				
	<b>2005</b>	2004	2003	2002
Difference between the expected and actual return on assets:				
Amount £000	<b>6,201</b>	1,743	(8,935)	(13,850)
Percentage of assets	<b>7</b>	2	(14)	(21)
Experience gains and losses on liabilities:				
Amount £000	<b>(2,494)</b>	1,817	(738)	1,138
Percentage of present value of liabilities	<b>(4)</b>	2	(1)	1
Total amount recognised in statement of total recognised gains and losses:				
Amount £000	<b>(15,150)</b>	5,703	(17,062)	(18,367)
Percentage of present value of liabilities	<b>(11)</b>	5	(16)	(21)



## 21 Financial instruments

The Group's financial instruments principally comprise bank borrowings, cash and liquid resources, and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

All of the activities of the Group take place within the United Kingdom and consequently there is little direct exchange risk other than payments to overseas suppliers who require settlement in their currency. If there is any foreign exchange exposure, the Group's policy is to enter into forward foreign currency contracts. The Group has no currency exposure at 30 June 2005.

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.

The main risk arising from the Group's financial instruments is interest rate risk and this is reviewed regularly by the Board. The Group's policy is to accept a degree of interest rate risk as long as the effects of various changes in rates remain within certain prescribed ranges.

The Group has historically not borrowed at fixed rates for periods in excess of three months. As a result of this policy, the majority of borrowings have been at daily floating rates of interest and all at rates which mature within one year. The Group has an interest rate swap agreement which has the effect of fixing interest on £20 million of borrowing at 5.2% for a period of five years from November 2001. Interest payments are made quarterly.

The interest rate risk profile of financial assets and liabilities, other than short term debtors and creditors, all of which are denominated in sterling, was as follows:

	2005 £'000	2004 £'000	2005/2006 Interest rates
<b>Financial assets:</b>			
Cash at bank	2,007	2,570	Note 1
Current asset investments	3,412	–	Note 1
Long term debtors	3,949	671	Nil
	<b>9,368</b>	3,241	
<b>Financial liabilities:</b>			
Overdrafts	15,740	8,760	Note 2
Bank loans (secured)	1,017	1,084	Note 2
Other loan	12	–	Note 3
Loan notes – repayable between 2007 and 2011	1,154	5,035	Note 4
Other long term creditors	3,596	1,877	Nil
	<b>21,519</b>	16,756	

Note 1. The interest earned on cash balances is at floating rates linked to bank base rate.

Note 2. These liabilities incur interest at between 0.9 and 1.2% over bank base rate or LIBOR. Of these financial liabilities £20 million is effectively fixed at 5.2% as a result of the interest rate swap agreement detailed above.

Note 3. The other loan incurs interest at 3% over bank base rate.

Note 4. The loan notes incur interest at floating rates linked to LIBOR.

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
<b>Maturity of financial liabilities at 30 June:</b>				
In one year or less	16,769	13,648	–	3,804
Between one and two years	3,586	1,877	–	–
Between two and five years	912	957	912	957
In more than five years	252	274	242	274
	<b>21,519</b>	16,756	<b>1,154</b>	5,035

The Group has taken advantage of the exemption in respect of the disclosure of short-term debtors and creditors. The fair value of the interest rate swap as at 30 June 2005 amounts to £139,000 (2004: £151,000). The fair values of the Group's other financial assets and liabilities are not considered to be materially different from their book values. Details of the Group's borrowing facilities are set out in the financial review on pages 9 to 11.

## Notes to the Financial Statements

### 22 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.

Galliford Try plc has entered into its guarantees and counter indemnities in respect of performance bonds issued on behalf of Group undertakings in the normal course of business amounting to £43,375,000 (2004: £39,670,000).

### 23 Other financial commitments

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

Galliford Try plc, together with certain of its subsidiaries, has entered into contracts for the operational leasing of land and buildings and plant and machinery. The maximum annual commitments for payments under these contracts are as follows:

	2005		2004	
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
<b>Group</b>				
Operating leases which expire:				
Within one year	73	418	207	1,376
Within two to five years	474	2,421	272	2,427
After five years	619	–	619	–
	<b>1,166</b>	<b>2,839</b>	1,098	3,803
		Group		Company
	2005	2004	2005	2004
	£000	£000	£000	£000
Capital expenditure contracted for at 30 June	–	–	–	–

### 24 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% owned and have 30 June year ends.

Construction	Housebuilding	Group
Galliford Try Construction Limited*	Galliford Try Homes Limited*	Galliford Try Properties Limited*
Galliford Try Partnerships Limited	Stamford Homes Limited	Galliford Try Services Limited*
Try Construction Limited	Midas Homes Limited	Try Group Limited*
Try Accord Limited	Gerald Wood Homes Limited	Galliford Try Employment Limited
Rock & Alluvium Limited	Try Homes Limited	
Galliford Try Investments Limited*		

The shares of the companies marked with an asterisk are owned directly by Galliford Try plc.

## 25 Joint ventures

The Group has a 50% interest in the share capital of Fairfield Redevelopments Limited, whose principal activity is the residential development of the former Fairfield hospital site near Letchworth. It is incorporated in England and Wales and has a 30 June year end. Under the joint venture agreement the Company has subscribed £2.25million in shares and loan stock.

The Group has a 80% interest in Oak Fire Protection Limited, whose principal activity is the installation of fire protection equipment. The Company is incorporated in England and Wales and has a 30 June year end. Under the terms of the shareholders' agreement the investment has been treated as a joint venture.

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

## 26 Related party transactions

During the year Crownway Builders Limited carried out construction work valued at £646,928 (2004: £894,702) for Gerald Wood Homes Limited, pursuant to agreements entered into on the acquisition of Gerald Wood Homes Limited in 2001. As at 30 June 2005, balances due by the Group amounted to £Nil (2004: £844,941). During the previous year, Midas Homes Limited entered into a contract, approved by shareholders at the 2004 Annual General Meeting, to purchase a housebuilding site at Teignmouth in Devon from L.A.D.S Limited, a wholly owned subsidiary of Crownway Builders Limited, for a price of £1,155,000. G P Fitzgerald is a shareholder in Crownway Builders Limited. David Wood, a director of Midas Homes Limited and Gerald Wood Homes Limited, is a director and shareholder of Crownway Builders Limited. Also during the previous year, Tony Palmer's wife entered into a contract, approved by shareholders at the 2004 Annual General Meeting, for the purchase of a residential property from Gerald Wood Homes Limited on its site in Chagford for a price of £499,950. plus purchasers' extras of £17,235.

Midas Homes Limited has entered into joint arrangements 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% to 50%. During the year ended 30 June 2005 costs totalling £98,918 (2004: £98,797) were invoiced to these arrangements and balances due to the Group at 30 June 2005 of £3,635 (2004: £31,138). are included within other debtors. Balances due by the Group of £28,956 (2004: £42,006) are included within other creditors.

Try Homes Limited has entered into a joint arrangement with Morgan Sindall plc for the purpose of residential property development at Chatham in Kent. The Group's share of profits and assets and liabilities of this arrangement, which is unincorporated, is 50%. During the year ended 30 June 2005 costs totalling £Nil (2004: £170) were invoiced to this arrangement and the balance due to the Group at 30 June 2005 amounted to £Nil (2004: £Nil).

Galliford Try Construction Limited has entered into a joint arrangement 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%. During the year costs totalling £3,164,000 (2004: £3,781,000) were charged to this arrangement and the balance due to the Group at 30 June 2005 was £426,000 (2004: £338,000).

Galliford Try Construction Limited has completed its work in connection with its joint arrangement with Christiani & Neilsen Limited to construct a building for a third party client. The Group's share of the assets and liabilities of this arrangement, which is unincorporated, is 50%. During the year costs totalling £44,000 (2004: £1,614,000) were charged to this arrangement and the balance due to the Group at 30 June 2005 was £38,000 (2004: £256,000).

Galliford Try Construction Limited has entered into a joint arrangement 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%. During the year costs totalling £3,778,000 (2004: £892,000) were charged to this arrangement and the balance due to the Group at 30 June 2005 was £2,000 (2004: £218,000).

Try Construction Limited has entered into a joint arrangement 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%. During the year costs totalling £Nil (2004: £256,000) were charged to this arrangement and the balance due to the Group at 30 June 2005 was £343,000 (2004: £36,000).

The Group holds an investment in UUGM Limited comprising 20 ordinary shares of £1 each (representing 20% 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. Under the terms of the shareholders' agreement the investment is treated as an associate. During the year costs totalling £3,683,000 (2004: £861,000) were charged to UUGM Limited. During the year UUGM Limited charged the Group costs of £3,000 (2004: £72,000). The balance due to the Group as at 30 June 2005 was £358,000 (2004: £141,000).

## Notes to the Financial Statements

### 27 Notes to the cash flow statement

#### a) Reconciliation of operating profit to cash flows

	2005 £000	2004 £000
Operating profit	26,867	24,451
Depreciation	1,821	1,642
Charge for employee share options	279	82
Loss/(profit) on disposal of tangible fixed assets	54	(150)
Amortisation of goodwill	–	167
Decrease/(increase) in stocks	182	(347)
Increase in developments	(31,855)	(28,840)
Decrease in debtors	4,694	8,423
Increase in creditors	11,743	11,679
Net cash inflow from operating activities	13,785	17,107

#### b) Analysis of changes in net debt

	At 1 July 2004 £000	Cash flow £000	At 30 June 2005 £000
Cash at bank and in hand	2,570	(563)	2,007
Overdrafts	(8,760)	(6,980)	(15,740)
	(6,190)	(7,543)	(13,733)
Debt due after one year	(5,035)	3,881	(1,154)
Debt due within one year	(1,084)	55	(1,029)
Liquid resources	–	3,412	3,412
Net debt	(12,309)	(195)	(12,504)

#### 28 Reconciliation of movement in group shareholders' funds

	2005 £000	2004 £000
Profit for the financial year	18,592	15,620
Dividends	(4,672)	(3,756)
	13,920	11,864
Charge for employee share options	279	82
Purchase of own shares by Galliford Try Employee Share Trust	(450)	–
New share capital issued	200	610
Net increase in shareholders' funds	13,949	12,556
Opening shareholders' funds	72,287	59,731
Closing shareholders' funds	86,236	72,287

## Five Year Record

	2001	2002	2003	2004	2005
	£m	£m	note 1 £m	£m	£m
Turnover (including associates and joint ventures)	570.7	649.8	640.4	695.4	<b>726.2</b>
Profit before exceptional items	15.1	18.0	17.2	22.7	<b>26.3</b>
Exceptional items	(10.2)	–	(3.9)	–	–
Profit before tax	4.9	18.0	13.3	22.7	<b>26.3</b>
Tax	(1.8)	(5.7)	(3.9)	(7.1)	<b>(7.7)</b>
Profit after tax attributable to shareholders	3.1	12.3	9.4	15.6	<b>18.6</b>
Fixed assets	14.2	14.5	15.1	14.8	<b>14.2</b>
Net current assets	40.5	54.9	56.6	62.8	<b>75.9</b>
Long term debtors	1.5	3.1	1.1	0.7	<b>3.9</b>
Long term creditors and provisions	(12.2)	(18.8)	(13.1)	(6.0)	<b>(7.8)</b>
Net assets	44.0	53.7	59.7	72.3	<b>86.2</b>
Share capital	10.8	11.0	11.0	11.2	<b>11.3</b>
Reserves	33.2	42.7	48.7	61.1	<b>74.9</b>
Shareholders' funds	44.0	53.7	59.7	72.3	<b>86.2</b>
Dividends per share (pence)	1.4	1.5	1.5	1.7	<b>2.1</b>
Basic earnings per share (pence)	1.5	5.8	4.4	7.2	<b>8.4</b>
Diluted earnings per share (pence)	1.4	5.6	4.2	6.9	<b>8.1</b>

Note 1. Restated for effect of new accounting pronouncements adopted in 2004.

## Contacts

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## Shareholder Information

### Financial calendar 2005

Half year results announced	24 February
Interim dividend paid	12 April
Full year results announced	8 September
Final dividend record date	7 October
Annual General Meeting	28 October
Final dividend payment	4 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](http://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 Annual Report & Accounts 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](http://www.shareview.co.uk/dealing) or telephone **0870 850 0852**. You should have your share certificate with you when you deal.

### Company website

[www.gallifordtry.co.uk](http://www.gallifordtry.co.uk)

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

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

### Company contact

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

### Analysis of shareholdings

at 30 June 2005

Size of shareholding	Number of holders	% of holders	Number of shares	% of shares
1 – 10,000	3,284	76.9	10,558,278	4.7
10,001 – 50,000	690	16.2	14,337,311	6.3
50,001 – 500,000	218	5.1	33,691,036	14.9
500,001 – Highest	77	1.8	168,094,166	74.1
<b>Totals</b>	<b>4,269</b>	<b>100.0</b>	<b>226,680,791</b>	<b>100.00</b>

### Registered office

Galliford Try plc  
Cowley Business Park  
Cowley, Uxbridge  
Middlesex UB8 2AL

### Registration

England 836539

### Corporate advisers

**Financial advisers:**  
Lazard

### Stockbrokers:

KBC Peel Hunt

### Auditors:

PricewaterhouseCoopers LLP

### Bankers:

Barclays Bank plc  
HSBC Bank plc



**GallifordTry plc**

Cowley Business Park  
Cowley, Uxbridge  
Middlesex UB8 2AL

Tel: 01895 855001  
Fax: 01895 855298  
[www.gallifordtry.co.uk](http://www.gallifordtry.co.uk)

## Notice of Annual General Meeting 2005

NOTICE IS HEREBY GIVEN that the forty first Annual General Meeting of Galliford Try plc will be held at The Ivory Suite, The Grove, Chandler's Cross, Rickmansworth, Hertfordshire WD3 4TG on Friday 28 October 2005 at 12.00 noon for the following purposes:

### Ordinary Business

- 1 To receive the directors' report and accounts for the year to 30 June 2005
- 2 To approve the report on directors' remuneration for the year to 30 June 2005
- 3 To declare the final dividend
- 4 To elect Amanda Burton as a director of the Company
- 5 To re-elect David Calverley as a director of the Company
- 6 To re-elect Frank Nelson as a director of the Company
- 7 To re-appoint PricewaterhouseCoopers LLP as auditors to the Company and to authorise the Audit Committee to fix their remuneration.

### Special Business

To consider and, if thought fit, pass the following resolutions of which resolutions 8, 11 and 12 will be proposed as ordinary resolutions and resolutions 9 and 10 as special resolutions.

- 8 THAT the directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 to allot relevant securities (within the meaning of that section) of the Company up to an aggregate nominal value of £3,741,949. This authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2006 or fifteen months from the date of the passing of this resolution, whichever shall occur first, save that the Company may before such expiry make offers or agreements which would or might require relevant securities of the Company to be allotted after such expiry.
- 9 THAT subject to the passing of resolution No 8 set out in the notice convening this meeting, the directors be, and they are hereby empowered, pursuant to section 95 of the Companies Act 1985, to allot equity securities (within the meaning of section 94 of the said Act) for cash as if sub-section 89(1) of the said Act did not apply to such allotment, provided that this power shall be limited:
  - a to the allotment of equity securities in connection with a rights issue in favour of or general offer or open offer to ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate as nearly as may be to the respective number of ordinary shares held by them (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with problems under the law of any territory or the requirement of any regulatory body or any stock exchange in any territory or in connection with fractional entitlements or otherwise); and
  - b to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £566,962, and shall expire at the conclusion of the annual general meeting of the Company to be held in 2006 or fifteen months from the date of the passing of this resolution, whichever shall occur first, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the directors of the Company may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.
- 10 THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 (3) of the Companies Act 1985) of not more than 22,678,482 of its own ordinary shares of 5p each in its share capital at not less than 5p each and not more than 5% (in each case exclusive of expenses) above the average of the middle market quotation for an ordinary share of 5p as taken from the Daily Official List of The London Stock Exchange for the last five business days immediately preceding the day on which the contract to purchase the shares is made provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company; and the Company may, before expiry of this authority, make contracts for such purchases which would or might be executed wholly or partly after such expiry and may make a purchase in pursuance of any such contract.
- 11 THAT the Company's 2005 Executive Long Term Bonus Plan (the "2005 Executive Plan"), the main features of which are summarised in the Chairman's letter to shareholders dated 8 September 2005 and the Rules of which are produced to the Meeting and initialled by the Chairman for the purposes of identification, be approved, and the Directors be authorised to do all acts and things which they consider necessary or desirable to carry the 2005 Executive Plan into effect.
- 12 THAT the Company's 2005 Savings Related Share Option Plan (the "2005 SAYE Plan"), the main features of which are summarised in the Chairman's letter to shareholders dated 8 September 2005 and the Rules of which are produced to the Meeting and initialled by the Chairman for the purposes of identification, be approved and the Directors be authorised to do all acts and things which they consider necessary or desirable to carry the 2005 SAYE Plan into effect including such modifications to the Rules, if any, which are necessary to ensure the approval of the 2005 SAYE Plan by the Board of Inland Revenue.

By order of the Board  
**Richard Barraclough**  
Secretary  
8 September 2005

Registered Office:  
Cowley Business Park,  
Uxbridge,  
Middlesex  
UB8 2AL

Registration: England 836539

## **Explanation of resolutions**

### **Resolution 1 – Report and Accounts**

The directors are required to present the directors' and auditors' reports and the financial statements for the year ended 30 June 2005 to the meeting.

### **Resolution 2 – Remuneration Report**

The Directors' Remuneration Report Regulations 2002 require that the report on directors' remuneration be put to a vote by shareholders. The report is set out on pages 23 to 26 of the annual report.

### **Resolution 3 – Declaration of Dividend**

The proposed final dividend for the year to 30 June 2005 of 1.5p per share will be paid on 4 November 2005 to shareholders who are on the register at 7 October 2005.

### **Resolution 4 – Election of Directors**

The Company's articles of association require any new director appointed by the Board to hold office only until the next general meeting when that director becomes eligible for election by shareholders. The biographical details of the directors are on page 18 of the annual report that accompanies this notice. The directors believe that the experience that Amanda Burton brings from her previous executive positions in the building and construction sector, together with an independent perspective from other sectors, will make a valuable contribution to the Board.

### **Resolutions 5 & 6 – Re-election of Directors**

The Company's articles of association state that one third of the directors must retire annually, those doing so being firstly any director who wishes to retire and not offer himself for re-election, and secondly those who have been longest in office since last being re-elected. The biographical details of the directors are on page 18 of the annual report that accompanies this notice. All the directors have an annual performance appraisal. As required under the Combined Code on Corporate Governance (the "new Combined Code") for non executive directors, the Chairman confirms that he has carried out a performance evaluation of David Calverley and that his performance continues to be effective and demonstrates commitment to the role.

### **Resolution 7 – Auditors**

The resolution proposes the re-appointment of PricewaterhouseCoopers LLP as the Company's auditors, and permits the Audit Committee to fix their remuneration, in accordance with the new Combined Code.

### **Resolutions 8 & 9 – Allotment of Shares**

The resolutions seek to renew the directors' authority to allot shares. Under section 80 of the Companies Act 1985 the directors cannot generally allot shares in the Company unless they are authorised to do so by the Company in general meeting. Resolution 8 will authorise the directors to be able to issue new shares up to one third of the amount of the nominal value of the issued share capital of the Company as at the date of this notice. The authority will expire at the conclusion of the next Annual General Meeting. The directors have no present intention of issuing shares except as needed to satisfy the exercise of options or grant of awards under the Company's employee share schemes.

Under resolution 9, the directors will be subject to constraints on the issue of shares for cash. They will only be able to issue shares for cash in connection with a rights issue or general or open offer, or for up to 5% only of the nominal value of the Company's issued share capital.

### **Resolution 10 – Purchase of Shares**

The resolution seeks to renew the Company's authority to purchase its own shares. It specifies the maximum number of shares which may be acquired as 10% of the Company's issued ordinary share capital, and specifies the minimum and maximum prices at which shares may be bought. The directors will only use this authority if, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share, and that taking into account other investment opportunities, purchases will be in the best interests of the shareholders

generally. Any shares purchased in accordance with this authority will subsequently be cancelled. The directors have no present intention of exercising this authority which will expire at the conclusion of the next Annual General Meeting. Under the Company's share option and restricted share schemes, at 8 September 2005, options and restricted share awards over a total of 10,204,366 ordinary shares in the Company (of which 4,004,598 shares are held by the Employee Share Trust), were outstanding representing 4.50% of issued share capital. This would represent 6.26% of issued share capital if the proposed authority to purchase the Company's shares were exercised in full.

### **Resolutions 11 & 12 –**

#### **Approve the 2005 Executive & 2005 SAYE Plans (the "Plans")**

The Chairman's letter accompanying this notice explains the purpose of both Plans and also provides a summary of their key provisions.

## **Notes**

- a Any member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
- b To be effective the form of proxy (together with any power of attorney or other authority under which it is signed) must reach the office of the Registrars not less than 48 hours before the time appointed for holding this meeting.
- c The register of directors' share interests and the service agreements of the directors are available for inspection during normal business hours at the registered office of the company and will be available for inspection for fifteen minutes prior to and during the Annual General Meeting.
- d As permitted by regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company as at 6.00 pm on 26 October 2005 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the relevant register of securities after 6.00 pm on 26 October 2005 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- e A copy of the Plans referred to in resolutions 11 and 12 may be inspected at the addresses and times shown below:
  - (i) during normal business hours (Saturdays and Sundays excepted) at the Company's registered office, from the date of this notice until the conclusion of the Annual General Meeting;
  - (ii) during normal business hours (Saturdays and Sundays excepted) at the offices of MM & K, 1 Bengal Court, Birchin Lane, London EC3V 9DD from the date of this notice until the conclusion of the Annual General Meeting; and
  - (iii) on the date of the Annual General Meeting at The Ivory Suite, The Grove, Chandler's Cross, Rickmansworth, Hertfordshire WD3 4TG from 11.45am until the conclusion of the Annual General Meeting.

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

***If you are in any doubt as to what action to take, you should consult a stockbroker, bank manager, solicitor, accountant, licensed dealer or other independent advisor who specialises in advising on shares or other securities and who is authorised under the Financial Services and Markets Act 2000.***

If you have sold or transferred all of your registered holding of Ordinary Shares in Galliford Try plc, please forward this and the accompanying documents to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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# Galliford Try plc

**CIRCULAR TO SHAREHOLDERS**

**regarding the Board's proposal to seek at the Annual General Meeting to be held on 28 October 2005 approval to the adoption of a new Executive Long Term Bonus Plan and a new Savings Related Share Option Plan.**



Directors:  
Tony Palmer  
David Calverley  
Greg Fitzgerald  
Frank Nelson  
Chris Bucknall  
Andy Sturgess  
Jonathan Dawson  
Amanda Burton

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

Registered in England and  
Wales under number 836539

8 September 2005

*To holders of Ordinary Shares*

Dear Shareholder

#### **PROPOSED NEW EXECUTIVE LONG TERM BONUS PLAN AND SAYE PLAN**

I am writing to provide you with details of proposals which are being put to shareholders of Galliford Try plc (the "Company") at the Annual General Meeting on 28 October 2005 in connection with the above.

In summary, the Board is seeking shareholder approval to:

1. a new Executive Long Term Bonus Plan (the "2005 Executive Plan"), and
2. a new "all-employee" Savings Related Share Option Plan, (the "2005 SAYE Plan") to replace the previous SAYE Plan which expired earlier this year. This will operate in a broadly similar way to the previous SAYE Plan and as before, is intended to qualify for Inland Revenue approval.

The rationale for the 2005 Executive Plan is to more effectively incentivise executive directors, business unit managing directors and other members of the senior executive management team to stay with the Company for the next three years and to deliver on the Company's demanding business plan over this period. The Board strongly believes that it has a top quality senior management team in place, one that would be attractive to others in the market place, and that members of this team need to be properly incentivised and rewarded going forward.

To provide a better balance between longer term and short term incentives, the 2005 Executive Plan will replace part of the annual bonus scheme that the Company has operated for executive directors and other senior executives. The maximum payable to executive directors under the annual bonus scheme will drop by 25% to 50% of salary based on annual profit, cash and a personal target. Executive directors, and a strictly limited number of other senior executives with Group management responsibilities, will also remain eligible for awards of up to an annual maximum of 75% of salary under the Company's restricted share plan.

In determining the most appropriate total incentive compensation package for senior management, the Remuneration Committee (the "Committee") has taken into consideration the balance of the incentive package as well as market practice. It believes that the introduction of the new 2005 Executive Plan will help to provide the right balance to the total package and will provide an effective additional tool to assist with the motivation and retention of the key people in the business going forward.

The Company has operated an "all employee" Savings Related Share Option Scheme for many years. This has encouraged employees to identify with the Company's financial performance and has played a significant part in helping increase shareholder value and to recruit and retain staff.

The Board strongly believes it is in the best interests of the Company and its shareholders to encourage employees to acquire shares in the Company and thereby profit from its growth.

The proposals are summarised below. The principal terms of the 2005 Executive Plan and 2005 SAYE Plan are set out in Appendices 1 and 2 respectively.

#### **1. THE 2005 EXECUTIVE PLAN**

The proposed new 2005 Executive Plan (the "Plan") is structured as a cash and shares based long term incentive with vesting at the end of three years. For the first performance period, which will run from 1 July 2005 to 30 June 2008, each participant will receive a provisional award, ranging in value from up to a maximum of £225,000 (equivalent to £75,000 per annum) for executive director level with lesser sums for business unit managing directors and other senior managers, which will vest after the end of a period of three financial years provided prescribed performance conditions are met. If they are not met, there will be no vesting. There is no sliding scale. A new performance period may start after this first three year period has ended, but not before.

Two thirds of a vested award will be paid in cash, one third in shares. Payment is subject to applicable deductions for income tax/national insurance.

The performance condition for executive director level participants, for the first three year performance period ending on 30 June 2008, is a simple cumulative group profits before tax target over the three years, in line with the three year business plan. The Committee is satisfied that the target for this first performance period, requiring annual compound growth in profit before tax of in excess of 10%, is demanding and stretching in the context of the industry that we are in.

The performance condition for business unit managing directors will be based on the cumulative profit before tax target of the business unit as set out in the business plan for the three years to 30 June 2008.

In addition to achieving the performance target, the participant has to remain in the Group's employment until the normal vesting date, after the end of the performance period. If the participant leaves before the normal vesting date, other than in certain clemency situations, he/she will forfeit all rights under the Plan.

Shareholders are asked to approve the introduction of the proposed new executive plan, to be called the Galliford Try plc 2005 Executive Long Term Bonus Plan by Resolution number 11 set out in the notice convening the Annual General Meeting of the Company.

## 2. THE 2005 SAYE PLAN

The previous SAYE plan was adopted by the Company in general meeting in November 1994 and had a ten year life. No further grants may be made under it after January 2005. It is now proposed to implement a replacement scheme in broadly similar terms, with certain updating amendments to reflect recent changes in legislation. The proposed new 2005 SAYE Plan, like its predecessor, will qualify for UK Inland Revenue approved status and thus enjoy particular taxation advantages.

The 2005 SAYE Plan will be open to all employees or full time executive directors of the Group chargeable to UK income tax provided they have completed twelve months of continuous service. Options to acquire ordinary shares of 5p each in Galliford Try plc may be granted to qualifying employees who, under a linked "certified savings contract", have committed to save monthly amounts for three or five years, through payroll deduction from salary. The number of shares over which a participant would be granted an Option would be related to the amount which, within prescribed limits, the particular individual had contracted to save and the Option exercise price would be paid out of the proceeds of the savings contract.

Shareholders are asked to approve the introduction of the proposed new plan, to be called the Galliford Try plc 2005 Savings Related Share Option Plan (the "2005 SAYE Plan"), by Resolution number 12 set out in the notice convening the Annual General Meeting of the Company.

## GENERAL

Copies of the full Rules of both plans are available for inspection at the Company's registered office and at the offices of MM & K Limited, 1 Bengal Court, Birchin Lane, London EC3V 9DD during normal business hours (excluding Saturdays and Sundays) until the close of the Annual General Meeting and at the place and on the date of the Annual General Meeting from 11.45 a.m. until the close of the meeting.

The Board reserves the right up to the time of the Annual General Meeting to make such additions and amendments to the Rules of both plans as it may consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summaries and other details contained in this circular.

## ACTION TO BE TAKEN

Whether or not you intend to attend the Annual General Meeting, you are requested to complete the enclosed form of proxy and return it to the Company's Registrars Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6AB as soon as possible and in any event so as to be received no later than 48 hours before the time appointed for the Annual General Meeting. The completion and submission of a form of proxy will not prevent you from attending and voting in person if you so wish.

## RECOMMENDATION

**Your Board are of the opinion that the adoption of both the 2005 Executive Plan and the 2005 SAYE Plan are in the best interests of the Company and its shareholders and recommend that you vote in favour of both of the resolutions being put to the Annual General Meeting seeking their approval. The directors will be doing so in respect of their own beneficial shareholdings.**

Yours sincerely,

**Tony Palmer**  
Chairman

## Appendix 1

### Summary of the Principal Terms of the Galliford Try 2005 Executive Long Term Bonus Plan (the “2005 Executive Plan” or the “Plan”)

#### Eligibility

Any employee or full-time director of the Group is eligible to participate in the Plan, at the discretion of the Remuneration Committee (the “Committee”), other than those due to retire within twelve months of the start of a performance period. If any employee is within three years of normal retirement date, the Committee shall, when assessing the size of an award under the Plan (an “Award”), consider his or her ability to contribute to the achievement of the relevant performance condition.

#### Value and Structure of Awards

Awards may be made in respect of a performance period of three years. The first performance period will be the three financial years ending 30 June 2008. Only once this first performance period has ended may a new performance period commence. It is currently envisaged that a new three year performance period shall commence on 1 July 2008.

The maximum value of an Award (which would apply in aggregate to a three year performance period) for any individual shall not exceed 150%, equivalent to 50% per annum, of his basic annual salary at the Award date.

An Award will only vest in full on the achievement of the performance condition applied to that Award, after the end of the performance period applicable to that Award.

#### Timing of Awards

Awards under the Plan in respect of a performance period may be made at any time within the period commencing 60 days prior to the start of and ending twelve months prior to the end of the performance period.

#### Performance Conditions

The performance condition to be imposed on the vesting of any Award shall be determined by the Committee at the time the Award is made. In determining the performance condition for any award, the Committee shall be mindful of the guidelines issued from time to time by the bodies representing institutional shareholders. In particular the performance condition for each Award will be set so as to demonstrate the achievement of demanding and stretching financial performance over the performance period.

The Committee has determined that the most appropriate performance condition for the first performance period for executive directors and senior executives with Group responsibility (“Tier 1 participants”) should be growth in consolidated profits before tax (“PBT”) of the Group. The Board of Directors of the Company has set a very demanding PBT target for the next three financial years in its business plan, and it is this target that the Committee has determined should be the target for the first performance period. The condition requires the Group to achieve or exceed the aggregated target PBT figures for the three financial years ending 30 June 2008, for the first Awards to Tier 1 participants to vest in full. If the Group fails to reach this target the Awards shall not vest and shall lapse in their entirety.

For Tier 2 participants, which comprise business unit managing directors and other senior managers, the Committee has determined that the performance condition for the first performance period shall be the achievement of the cumulative profit before tax of the business unit as set out in the business plan for the three years to 30 June 2008. Again, the Committee believes this to be a demanding and stretching target. If the business unit fails to achieve this cumulative target, the Award to that participant shall not vest and shall lapse in its entirety.

#### Vesting of Awards

Subject to the achievement of the performance condition, which shall be determined by the Committee in its sole discretion, an Award will vest partly in shares and partly in cash. For the first performance period the Committee has determined that Awards shall vest (subject to performance) as to two-thirds in cash and one third in shares in Galliford Try plc. The Committee shall determine whether the performance condition has been achieved only after the interim results for the financial year immediately following the last financial year of the performance period. If at that time the Committee determines that the performance condition has been achieved, two-thirds of the Award value shall be distributed in cash within thirty days after the announcement of the interim results to the Stock Exchange (the “Release Date”). The other third of the Award value shall be used to acquire shares in Galliford Try plc at that time (based on the market value of Galliford Try plc shares at that time), and these shares shall be awarded to the relevant participants, but subject to a restriction that they may not dispose of those shares for a further period of twelve months.

If, at any time prior to the Release Date, the Committee determines that the true underlying performance of the Group or of a relevant business unit over the three years of the performance period, in particular as a result of events that may become apparent after the end of the performance period, does not warrant the vesting of some or all of an Award, the Committee may at its sole discretion determine that no payment, or a lesser payment shall be made to the relevant participant(s).



### Shares Available to the Plan

The Company shall determine whether shares will be purchased or subscribed. Shares shall be issued to or purchased by the trustees, from time to time, of the Galliford Try Employee Share Trust, prior to eventual onward distribution to participants. It is intended that shares used to satisfy Awards under the Plan will normally be purchased in the market. If, however, new issue shares are to be used then, in line with ABI guidelines, the number of new shares that may be issued pursuant to Awards shall not:

- (a) exceed 10% of the Company's issued ordinary share capital, when aggregated with the number of shares issued pursuant to rights granted in the preceding ten years under any other employees' share scheme approved in general meeting by the Company; or
- (b) exceed 5% of the Company's issued ordinary share capital, when aggregated with the number of shares issued pursuant to rights granted in the preceding ten years under any other discretionary employees' share scheme approved in general meeting by the Company.

### Leavers and Change of Control

Where a participant ceases employment due to death, disability, injury, retirement or early retirement with the agreement of the Company, or his business unit being disposed of out of the Group, or in the event of a change in control of the Company, the Committee may determine that an Award shall vest, in whole or in part, early.

Where the Committee determines that an Award shall vest early, the value of the Award shall be pro rated in line with the shortened performance period. For the Award to vest early in these circumstances, the Committee must also determine that the performance condition has been met up to the date of cessation of employment or change of control.

Alternatively the Committee may determine that for a participant who ceases his or her employment for any of the reasons referred to above during a performance period, their Award shall still vest subject to the same performance conditions and on the normal date(s) for that Award, but that their Award value shall be reduced, pro rated in line with the time elapsed since the start of the performance period.

If a participant's employment ceases for any reason other than those stated above, their unvested Awards shall lapse.

### Transferability of Awards

Awards are neither transferable nor assignable.

### Pensionability

Benefits under the Plan will not be included in pensionable earnings.

### Variation of Capital

In the event of any variation in the issued ordinary share capital of the Company during any financial year by way of, for example, a capitalisation, scrip dividend, enhanced scrip dividend or rights issue, open offer with clawback, sub-division, consolidation or reduction then the Committee may make such adjustment to the target PBT figure set for that financial year as it believes to be fair and reasonable in the circumstances.

### Variation and Termination of the Plan

The Committee may vary the Plan rules or terminate the Plan at any time provided that:

- (a) no deletion, amendment or addition would operate to affect adversely any rights already acquired by a participant in the Plan without his/her prior consent in writing;
- (b) the subsisting rights of participants would not be affected by any termination of the Plan;
- (c) no alteration to the advantage of participants or eligible employees may be made without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the Plan, to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Plan or for the Company or for other companies in the Group).

## Appendix 2

### Summary of the Principal Terms of the Galliford Try 2005 Savings Related Share Option Plan (the “2005 SAYE Plan” or the “Plan”)

#### Eligibility

The 2005 SAYE Plan will be open to any employee or full-time director of the Group whose earnings from that employment are (or would be if there were any) general earnings to which section 15 or section 21 of the Income Tax (Earnings and Pensions) Act 2003 applies and who has been in continuous service for at least one year or is permitted by the Board to participate.

#### Savings Contract

Participants will enter into a three or five year contractual savings scheme with an approved savings carrier under which they agree to make 36 or, as appropriate, 60 monthly contributions. Under current legislation, these may not be less than £5 nor (when aggregated with savings made under any other savings related share option schemes) more than £250 per month. The directors can limit the maximum monthly contribution under the Plan to a lower amount and will determine whether to offer three year and/or five year contracts. Options may be exercised, as permitted under the Plan rules, using the proceeds of the savings contract. Participants may withdraw the proceeds of their savings contracts at any time but, if they do so before the Option becomes exercisable, the Option will lapse.

#### Option Exercise Price

The price per ordinary share at which Options may be exercised will not be less than the greater of its nominal value and 80 per cent of the middle market quotation of an ordinary share of Galliford Try plc, as derived from the Daily Official List as published by the London Stock Exchange for the dealing day two days preceding the date on which invitations to apply for Options are made.

#### Grant of Options

The number of ordinary shares over which an Option will be granted to a participant will be the nearest whole number (rounded down) obtained by dividing the amounts payable to the participant under the relevant contractual savings scheme (subject to its completion) by the relevant option exercise price. Invitations to apply for Options will normally be made within the period of 42 days following the announcement by the Company of its interim or final results in any year. In addition an invitation may be made within 42 days of the Plan's approval by the Inland Revenue after its adoption by shareholders. Options will be granted for nil consideration. No Option may be granted under the Plan later than ten years after the date of its formal approval by the Inland Revenue.

#### Shares Available for the Plan

The maximum number of shares issued or issuable pursuant to Options granted under the Plan when added to the number of shares issued pursuant to rights granted in the preceding ten years under any other employees' share scheme approved in general meeting by the Company shall not exceed 10% of the Company's issued ordinary share capital for the time being.

#### Exercise of Options

Participants may exercise Options in whole or in part. Normally, Options may only be exercised within six months after the third anniversary of the commencement of a three year savings contract or within six months after the fifth anniversary of the commencement of a five year savings contract.

An Option will normally lapse if the participant ceases to hold the office or employment by virtue of which he or she is eligible to participate except where the cessation of employment is by reason of injury, disability, redundancy, retirement at the specified age, or a disposal of the company or business in which the participant works, in which case the participant will have six months from the date of cessation in which to exercise the Option. If a participant dies, the Option may be exercised by the legal personal representative within 12 months after the date of death. Early exercise will also be permitted within specified periods in the event of a takeover, reconstruction, amalgamation or voluntary winding up of the Company.

#### Transferability of Options

Options will be neither transferable nor assignable.

#### Pensionability

Benefits under the Plan will not be pensionable.

#### Variation of Capital

In the event of a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation or rights issue, reduction, sub-division or consolidation) the number and Option Exercise price of ordinary shares subject to Options will be adjusted in such manner as the directors determine to be appropriate, provided that the prior approval of the Inland Revenue has been obtained and subject to written confirmation from the auditors that, in their opinion, the adjustment is fair and reasonable.

**Variation and Termination of the Plan**

The directors may vary the Plan rules or terminate the Plan subject to the following:

- (d) no deletion, amendment or addition will operate to affect adversely any rights already acquired by a participant without his/her prior consent in writing;
- (e) the subsisting rights of Option holders will not be affected by any termination of the Plan;
- (f) no alteration to any key feature of the Plan will take effect unless the Inland Revenue has confirmed in writing that it will not affect the approved status of the Plan;
- (g) no alteration to the advantage of participants will be made without the prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the Plan, to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the Plan or for the Company or for other companies in the Group).