

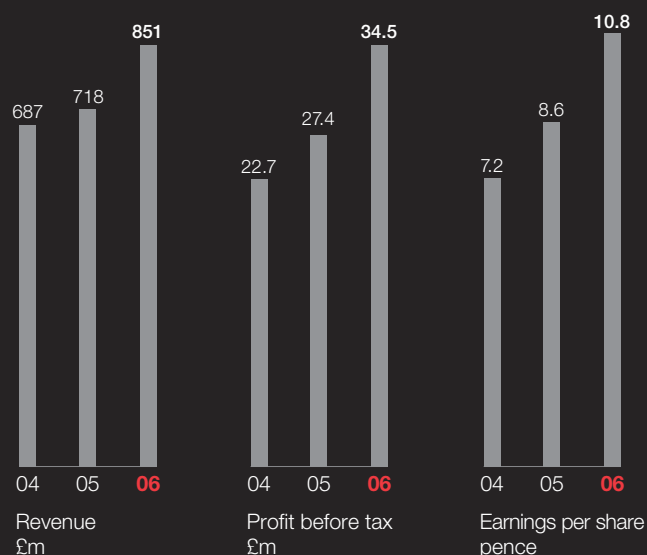
“Galliford Try has become one of the UK’s major construction businesses following the acquisition of Morrison Construction. Acquiring Chartdale Homes has accelerated the expansion of our housebuilding division. Our objective is to increase shareholder value by profitable growth delivered organically and by selective acquisition.”

Greg Fitzgerald
Chief Executive

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HIGHLIGHTS for the year ended 30 June 2006



| | 2006 £m | 2005 £m | Increase |
|--------------------|------------|------------|----------|
| Revenue | 851 | 718 | + 19% |
| Profit before tax | | | |
| Pre exceptional* | 32.5 | 27.4 | + 19% |
| Post exceptional | 34.5 | 27.4 | + 26% |
| Earnings per share | pence | pence | |
| Pre exceptional* | 9.7 | 8.6 | + 13% |
| Post exceptional | 10.8 | 8.6 | + 26% |
| Dividend per share | 2.5 | 2.1 | + 19% |

Construction

- Profit from operations* at a record £13.2 million, representing margin of 2.1%
- Forward order book £2.3bn, over 90% on non price competitive basis
- Strong cash flow

Housebuilding

- Profit from operations* at record £32.0 million, representing margin of 14.3%
- Current sales in hand up 22% on a year ago at £122 million
- Landbank up 58% at record 4,115 units

Net cash at the year end of £16 million

Profit from operations* (excluding acquisitions) up 14% to £35.6 million

Acquisitions of Morrison Construction and Chartdale Homes performing well

* The net exceptional gain of £2 million (2005: Nil) arises from the profit on the sale and leaseback of Group premises net of restructuring costs. Profit from operations is stated before finance costs, exceptional items, amortisation and share of joint venture interest and tax.

BUILDING

GALLIFORD TRY IS ONE OF THE UK'S PREMIER BUILDING CONTRACTORS, WITH AN EXPERTISE IN SPECIFIC MARKET SECTORS: AFFORDABLE HOUSING, COMMERCIAL, EDUCATION, HEALTH, INTERIORS AND LEISURE.

GALLIFORD TRY GENERATES AND INVESTS IN PUBLIC/PRIVATE PARTNERSHIP OPPORTUNITIES, SUCH AS THE MULTI SCHOOL PFI PROJECTS FOR NORTHAMPTONSHIRE COUNTY COUNCIL AND THE HIGHLANDS COUNCIL TOTALLING £326 MILLION THAT FINANCIALLY CLOSED IN THE YEAR.

HAMPTON VALE SCHOOL IN PETERBOROUGH WAS RECENTLY COMPLETED.



INFRASTRUCTURE

PROVIDING CONSTRUCTION SERVICES IN THE WATER, HIGHWAYS, RAIL, GROUND REMEDIATION AND ENGINEERING, RENEWABLE ENERGY AND TELECOMMUNICATIONS SECTORS THROUGHOUT THE UK, 90% OF GALLIFORD TRY'S INFRASTRUCTURE WORK IN HAND IS IN LONG TERM FRAMEWORKS.

HIGHWAYS WORK FOR THE SCOTTISH EXECUTIVE INCLUDED AN INTERSECTION ON THE A80 AT AUCHENKILNS.



HOUSEBUILDING

OPERATING THROUGH REGIONAL BRANDS IN THE SOUTH WEST, SOUTH EAST AND THE EAST OF ENGLAND, GALLIFORD TRY PRODUCES OVER 1000 HOMES ANNUALLY SPECIALISING IN INDIVIDUALLY DESIGNED DEVELOPMENTS WITH AN EXPERTISE IN BROWNFIELD, CONVERSION AND A STRONG FOCUS ON CUSTOMER SERVICE.

AT ST. AUSTELL IN CORNWALL, A MAJOR URBAN REGENERATION PROJECT IN PARTNERSHIP WITH THE LOCAL AUTHORITY AND HOUSING ASSOCIATION IS PROVIDING 148 HOMES, BOTH AFFORDABLE AND FOR SALE, TOGETHER WITH LIVE/WORK UNITS AS WELL AS RETAIL AND OFFICE SPACE.



SECTOR FOCUS

1 Commercial

The BMW technical academy in Berkshire completed for Initial Style Conferences.

2 Health

The Ainsdale Medical Centre, constructed under the Liverpool and Sefton LIFT framework.

3 Leisure

The Wimbledon Lawn Tennis Museum completed and the centre court retractable roof project underway for the AELTC.

4 Interiors

A fast track fit out of new headquarters for SAB Miller.

5 Housebuilding

Individually designed homes for the mainstream market in Guildford.

6 Affordable Housing

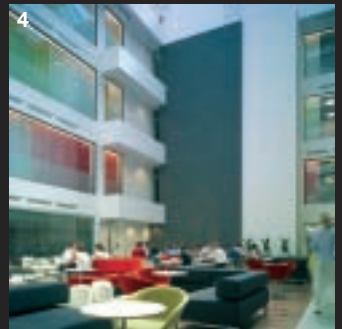
The Gun Wharf urban redevelopment project in Plymouth has won several National Housebuilder and a gold CABE award in 2006.

7 Renewable Energy

Windfarm infrastructure at Coldham carried out for Scottish Energy/Cooperative Group.

8 Water

The Assynt Water Treatment Works for Scottish Water— one of seven major water clients across the UK.



CHAIRMAN'S STATEMENT



We have had an excellent year with record financial results and transformed the business with two key acquisitions.

Profit before tax increased 26% to £34.5 million (2005: £27.4 million). Revenue increased 19% to £851 million. The results include four and a half months trading from Chartdale Homes, acquired on deferred payment terms for £67 million in February, and three months' results from the Morrison Construction businesses, acquired on a debt and cash free basis for £42 million at the end of March. Profit from operations excluding acquisitions rose 14% to £35.6 million, with £2.6 million from acquired businesses resulting in a total of £38.2 million. The acquisitions delivered their projected profits to the year end, their integration into Galliford Try is on track and their prospects for the future are encouraging. Total Group revenue is therefore anticipated to significantly exceed £1 billion in the first full financial year following the acquisitions.

The return on average shareholders funds in the year of £71.6 million was 48%. Shareholders funds at 30 June 2006 were £120.1 million (2005: £53.7 million).

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 1.8p per share, an increase of 20% on 2005, resulting in a total dividend up 19% to 2.5p. The directors remain committed to a progressive dividend policy which takes into account earnings growth as well as the need for continued investment in the business.

People

It is our people that make our business and I continue to be impressed by the expertise and commitment that our teams possess. I am particularly pleased that those who have joined the Group through the acquisitions we have made this year show a degree of dedication to the business which bodes well for the future.

I became Chairman of the Company at the annual general meeting in October 2005, following on from Tony Palmer, who retired after six years. He led the board through a period of considerable change, and I would like to pay tribute to his significant role in creating the strong business we have today.

We welcome Ken Gillespie, Managing Director of Morrison Construction, who joined the board at the end of March on our acquisition of the business. He now has responsibility under our new structure for the infrastructure division.

Outlook

We enter our new financial year in a strong position. Our building and infrastructure divisions have a well balanced workload across their specific sectors of expertise, and the structure is in place to deliver continued growth.

The expansion of our housebuilding division is progressing well. We are encouraged by the way the business has performed in the markets we have faced and by the opportunities we have to grow both our traditional development and urban regeneration activities. Our objective is to continue our expansion.

Our finances are very strong. Acquiring Morrison and Chartdale has demonstrated our ability to supplement organic growth with carefully positioned acquisitions that fit our strategy. We have proved the success of our business model in delivering profitable growth and we look forward to reporting further progress in the coming year.

David Calverley

Chairman

£120m
shareholders' funds

19%
rise in dividend

OPERATING AND FINANCIAL REVIEW

Operating Review

Construction profit from operations rose 45% to £13.2 million on revenue, including joint ventures, up 16% to £629 million, representing a margin of 2.1%. Housebuilding has performed well in a market that returned to satisfactory levels in the second half of the year and profit from operations increased by 15% to a record £32.0 million on revenue including joint ventures, of £224 million. The costs of our PPP Investments business exceeded income in the year as we continue to build up our portfolio resulting in a net loss from operations of £1.6 million. Group profit before tax is stated after a net exceptional gain of £2.0 million which includes £3.9 million profit on the sale and leaseback of two of the Group's office premises net of £1.9 million restructuring costs following the Morrison acquisition.

Our rigorous approach to cash management continues. Construction generated strong positive cash flows throughout the period and we have closely managed the capital employed in housebuilding. Net interest reported of £5 million includes bank interest of £1.9 million (£2005: £1.6 million) and at 30 June 2006 we had net cash of £16 million compared to net debt of £12.4 million last year. Notable cash movements in the year were the payment of the first £25 million of the Chartdale Homes purchase price, £40 million on the acquisition of Morrison Construction, sale and leaseback receipts of £11.2 million and receipt of the proceeds of the placing and open offer in March amounting to a net £48.6 million. The tax charge for the year was 26%, reflecting the availability of capital losses to offset the sale and leaseback profit.

The results for 2006 are being reported for the first time on an IFRS basis. The return on average shareholders funds in the year of £71.6 million was 48%. Shareholders funds at 30 June 2006 were £120.1 million (2005: £53.7 million). At 30 June 2006 the final salary pension scheme deficit was £33 million net of deferred tax. In light of the continuing uncertainties of running final salary pension schemes, the Company has commenced the process of consulting with members to close the scheme to future service accrual and provide defined contribution arrangements. The Company also increased its regular cash contribution towards the deficit from £3.2 million per annum to £6.2 million in the year, and is in discussions with the Trustees over funding the remainder of the deficit.

Strategy

Galliford Try's strategy is to deliver sustainable growth in shareholder value through the profitable expansion of businesses in 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, having a total dedication to project delivery. Reflecting the growth in the business following the Morrison Construction acquisition, from July 2006 we are operating as building and infrastructure divisions, supported by PPP investments for generating and investing in selected private/public partnership projects.

In our housebuilding division our objective is to develop our regional businesses, 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 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 revenue, operating profit, margin cash flow and return on capital employed.

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

In housebuilding we measure each stage of the purchasing process from reservation through exchange of contracts to legal completions. Build progress measures enable us to monitor the construction process. We measure our progress in acquiring land and obtaining planning consent. Involving 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 performance on health and safety, environmental and human resources issues is covered in the relevant sections of corporate social responsibility.

Construction

Construction profit from operations reached a record level of £13.2 million on revenue, including joint ventures, of £629 million during the year. The results include three months trading from Morrison Construction, which delivered its planned profits for the period and exceeded our targets for securing new work.

£2.3bn

construction order book

£16m

net year end cash

The integration of Morrison is proceeding well. We have rationalised the structure and office network across the country and are confident of exceeding the anticipated savings to our cost base. Since the start of our new financial year our construction activities have been operating as two divisions, Building and Infrastructure, targeting clearly defined market sectors with the objective of building on our significant presence in each of them. Our overall construction order book totals £2.3 billion of which 90% is in the public and regulated sector and over 90% has been secured on criteria other than on a purely price competitive basis.

Building — Our building division has a good spread of work across its markets in both private and public sectors. The acquisition of Morrison has given us a significant presence in the Scottish market, particularly north of the central belt. The integration of Morrison's English and Welsh operations into the well established Galliford Try business enables us to offer clients a comprehensive service across the country in our selected sectors.

Education is a key market for the business. The securing of the 41 school £192 million Northamptonshire Schools PFI project and the 11 school £134 million Highland Schools PFI project during the year provides work over a three year period to add to our existing portfolio for universities, schools and colleges. Since the year end we have also been awarded £51 million of work for two new academies in London.

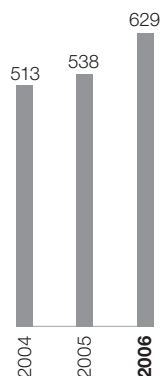
Other major public sector markets are in healthcare and prisons. We already participate in four LIFT frameworks for primary care health authorities and are now securing projects in subsequent tranches to the initial workload. We are also at preferred bidder stage for a further LIFT for the South East Essex Primary Care Trust. We carry out a range of projects for the Home Office under framework agreements for its prison programme, an area where expenditure is likely to increase.

We are putting additional investment into our affordable housing business to generate more development led opportunities with our well established housing association partners.

The commercial market is more buoyant and we have a number of encouraging opportunities, particularly in London, where we have recently commenced a £28 million urban regeneration project for the Igloo regeneration fund, at Bermondsey. We continue to carry out a significant amount of work for the Ministry of Defence in upgrading living accommodation across the country and are carrying out a substantial redevelopment for Defence Housing Estates in Portsmouth.

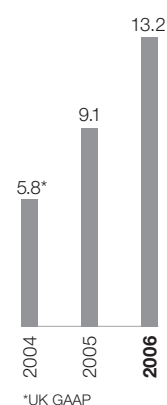
Construction Revenue

£m



Construction Profit from Operations

£m



At the end of August the building division's forward order book stood at £1.14 billion of which 90% has been secured on criteria other than on pure price competition and over 80% is in the public and regulated sectors.

Infrastructure — The infrastructure division focuses on water, highways, rail, remediation and ground engineering, renewable energy and telecommunications. Over 90% of its workload is in frameworks and it has long established relationships with clients such as the Highways Agency, Scottish Power and National Grid.

Following the Morrison acquisition, Galliford Try is one of the leading contractors to the water industry, operating through framework agreements which provide visibility to future workload, resulting in more predictable profits and controlled construction risk. We work for most of the UK's water companies; Southern, Thames, Anglian, United Utilities, Welsh and Yorkshire as well as Scottish, for whom we have been awarded additional framework projects that will take our revenue in water to £180 million per annum over the next three years.

Our highways business carries out road projects for the Scottish Executive and Highways Agency as well as maintenance services, primarily provided to local authorities. We are shortly to start a £20 million project on the A595 under the early contractor involvement form of contract that suits our collaborative approach to major construction projects and

90%

public and regulated sectors

£180m

annual water revenue

OPERATING AND FINANCIAL REVIEW continued

have a further £100 million of ECI work in our order book including a £45 million project for remodelling the intersection at junction 15 of the M40.

Galliford Try is also a leading provider of civil engineering and building services for the rail sector. We carry out the reconstruction of rail infrastructure, including bridgeworks, tunnels and viaducts as well as the refurbishment and new build of stations and rail depots let under a mixture of framework and individual projects.

We have a well established track record on ground remediation with over 180 sites completed including a series of projects under a long term framework for the National Grid. The award of the major land remediation contract for the northern section of Olympic Park in east London, let in a framework agreement under which we expect to provide work until 2010, demonstrates our success in developing our presence in a growth market.

We are an established service provider to the renewable energy sector and our portfolio of windfarm developments for clients such as Scottish Power and Fred Olsen Renewables is enabling us to take advantage of the good opportunities we have in this expanding market. Our telecommunications infrastructure business expanded the range of its activities during the year by acquiring Pentland to offer a fully integrated service that includes site acquisition.

The forward order book for the infrastructure division currently stands at £1.15 billion of which 90% has been secured on criteria other than on pure price competition and over 90% is in the public and regulated sectors.

PPP Investments

PPP Investments role is to develop and take equity participation in public/private partnership arrangements for public sector work, with the objective of providing negotiated work for our construction activities.

During the year financial close was achieved on two of the largest education PFI projects in the UK for Northamptonshire County Council and for the Highland Council, securing £326 million of construction work. We have recently been appointed preferred bidder on a further LIFT for the South East Essex Primary Care Trust which has an initial value of £11 million with the potential for a total of £100 million of work over a number of future tranches.

The integration of the Morrison PFI team into Galliford Try Investments has been completed, and the Company has now acquired the PFI equity interests from AWG Group in Highland Schools and Defence Housing Estates Portsmouth following receipt of the necessary consents. Our strategy is to build up our PFI portfolio for the future and there were no sales of equity during the year. The division incurred a net loss from operations of £1.6 million compared to a £1.2 million loss from operations last year.

Housebuilding

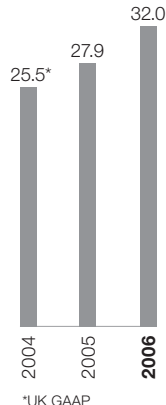
Galliford Try's regional housebuilding businesses in the south west, eastern counties and the south east of England had a record year for units sold, revenue and profit.

During the year we completed 1,054 homes compared to 853 in 2005. Our average selling price rose slightly from £208,000 to £212,000, maintaining our presence in the mainstream market. Our record profit from operations of £32 million, representing a margin of 14.3% on revenue, including joint ventures, of £224 million, was achieved in a market that was challenging during the first half of our financial year, picking up to an acceptable level during the second half. Our progress was helped by the differentiation that our business model gives us, with its focus on individually designed developments with a particular strength in conversions and brownfield developments. We continue to avoid high rise apartment developments and do not depend on major consortium sites, giving us a competitive advantage in the market place.

Housebuilding Revenue
£m



Housebuilding Profit from Operations
£m



£326m

PFI workload secured

1,054

homes completed

Our business in the eastern counties was significantly boosted during February with the acquisition of Chartdale Homes. Acquired for a total consideration of £67 million spread over a two year period, the acquisition added 1,350 plots to our landbank and extended our geographical coverage throughout the whole of Lincolnshire. Sales since acquisition have met our expectations, we have secured the planning consents that were outstanding at the time of acquisition and are encouraged by the new opportunities that our critical mass in the eastern counties is now bringing us.

Our track record in brownfield land development, and our relationships with housing associations and regeneration bodies is increasing the number and size of schemes we can undertake. 75% of homes sold were on brownfield developments, with all in the south east on brownfield land. We have started selling on the 108 home conversion of the former Queen Elizabeth II hospital at Banstead and are making progress in securing the necessary planning consents to develop the 8 acre brownfield site in Osterley, west London that we acquired last year. In the south west, we are following our redevelopment of Truro hospital into 190 units with our joint development with English Partnerships of a 17 acre site in Camborne, Cornwall, expected to provide a total of 390 homes, both affordable and for sale, on which we exchanged contracts since the year end.

We continue to achieve one of the highest scores in independent customer care research, with over 90% of our purchasers stating they would recommend us to their best friend. This helps minimise our after sales costs and supports our reputation among homebuyers generally in the market. We received a number of sustainable development and design awards during the year, two gold and two silver awards at the annual Daily Telegraph / What House awards and a CABA (Commission for Architecture and the Built Environment) gold award for our mixed development at Gun Wharf, Plymouth.

Our landbank, currently standing at 4,115 units after the Chartdale acquisition, compares to 2,605 last year. We have limited our exposure to apartments, which represent 22% of our landbank. In the last year we have secured consents for 81 plots from our strategic land, which currently stands at 625 acres.

Since the start of the new financial year sales, supported by the limited use of incentives, have exceeded targets and at the end of August the value of total sales in hand stood at £122 million, up 22% on a year ago.

Financial Review

International Financial Reporting Standards (IFRS)

This annual report is the first presented by the Group under International Financial Reporting Standards (IFRS). All consolidated 2005 comparative figures have been restated appropriately and a full reconciliation of the Group's profit and balance sheet for the year ended 30 June 2005 showing the effect of the adoption of IFRS can be found in the notes to the accounts and on our website at www.gallifordtry.co.uk.

Results

The group revenue for the year was 19% up on last year at £851 million (2004: £718 million).

Profit before finance costs, amortisation and exceptional items increased from £31 million to £38 million. The Group has recorded a net exceptional gain of £2 million (2005: £Nil). A gain of £3.9 million arose on the sale and leaseback of two of the Group's properties. This has been offset by one-off costs of £1.9 million relating to restructuring the Group following the acquisition of Morrison Construction.

The construction division made a profit from operations for the year of £13.2 million (2005: £9.1 million) on a revenue including joint ventures of £628.8 million (2005: £537.7 million) and the housebuilding division made a profit from operations of £32 million (2005: £27.9 million), with a margin of 14.3%. Investments incurred net losses of £1.6 million (2005: £1.2 million).

Acquisitions and Goodwill

During the year the Group made two significant acquisitions. On 15 February 2006, the Group acquired Chartdale for £67 million. This acquisition gave rise to no goodwill. On 31 March 2006, the Group acquired Morrison Construction for £42 million giving rise to goodwill of £56.6 million. Details of both transactions are given in detail in note 31 on page 56. The Group also made the smaller acquisition of Pentland for £1.5 million. This supplemented our communications business and gave rise to goodwill of £0.6 million.

In addition the acquisition of Morrison resulted in the recognition of intangible assets of £2.75 million. This represents customer relationships, brand and customer contracts. The customer contracts are being amortised in line with the expected profits generated. The customer relationships and brand are being amortised on a straight-line basis over three years and this will give rise to a profit and loss charge of circa £0.7 million per annum.

4,115
plots in landbank

625
acres strategic land

OPERATING AND FINANCIAL REVIEW continued

Exceptional items

The Group has recorded a net exceptional gain of £2 million. A gain of £3.9 million before tax arose in respect of the sale and lease back of two properties occupied and owned by the Group, taking advantage of a buoyant property investment market. These gains were partly offset by £1.9 million of costs arising from reorganisation of our construction activities following the purchase of Morrison.

Taxation

The total tax charge of £9.1 million on the profit before taxation of £34.5 million represents an effective rate of 26.4% compared to the standard rate of corporation tax of 30%. This reduced rate resulted mainly from the utilisation of capital tax losses which offset a significant proportion of the profit from the gain on the sale and lease back arrangements which we entered into during the year.

Cash

Having raised £48.6 million from the issue of shares to fund the acquisition of Morrison, the Group was in a strong cash position at the year end holding net cash of £16 million compared to net debt at the previous year end of £12.4 million.

Financing

Net group interest payable was £5 million (2005: £3.7 million), reflecting average net borrowings of approximately £26 million (2005: £30 million). The net interest payable was covered eight times (2005: eight 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 £211 million of which £159 million was undrawn at the year end (2005: £84 million). Of the undrawn amounts £16 million expire within one year and £143 million expire in more than two years. These amounts are at floating rates of interest, subject to the interest rate swap referred to below.

Treasury Management

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

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

Group generally generate cash and the planned growth of contracting activities is budgeted to be cash generative.

The housebuilding operations, however, are cash consumptive and the planned growth in housebuilding will require additional borrowings in addition to retained earnings to finance growth in the land bank and associated work in progress. On a daily basis throughout the year, the bank balances or borrowings in all the Group's operating companies are aggregated into a total cash or borrowing figure in order that the Group can obtain the most advantageous interest rate.

All material activities of the Group take place within the United Kingdom and consequently there is little direct exchange risk other than payments to overseas suppliers who require settlement in their currency. If there is any material foreign exchange exposure, the Group's policy is to enter into forward foreign currency contracts. The Group has no material currency exposure at 30 June 2006.

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 24.

Pension Costs

The next three year valuation of the Group's main pension scheme is due in 2006 on the data as at 1 July and is currently being carried out by the scheme actuary. As a result of the deficits shown by the most recent available valuations, and based on advice from an actuary, over the past two years the Group has been making regular deficit funding contributions of £3.2 million per annum. In the year this was increased to £6.2 million by a single additional payment into the Galliford Try Final Salary Pension Scheme. Total contributions to the defined benefit schemes amounted to £8.7 million (2005: £6.5 million). The cost of pensions charged to the profit and loss account in the financial year amounted to £6.3 million (2005: £4.9 million).

As a result of adopting IAS 19 Employee Benefits, the gross deficit recognised on the balance sheet was £47.1 million, which has an overall impact, net of deferred tax, of £33 million. Further detail on pensions is given in note 32 on page 58 of the annual report.

£13.2m

construction profit
from operations

£32m

housebuilding profit
from operations

BUILDING

The Building Division provides a construction service to public and private sector clients across the UK. Operating from regional centres in Scotland, the north, central and southern England, the business carries out building projects generally in the range of £1 million to £50 million with a significant proportion of work being carried out in multi project frameworks totalling up to £200 million.

The division's objective is to be a leader in specific market sectors where it can provide clients with a total construction service across a range of size and complexity of project.

Galliford Try is one of the leading providers to the education market. The business has a long track record in delivering school, college and university buildings nationwide and during the past year financially closed on two of the largest PFI projects in education — a £192 million project for construction work on 41 schools for Northamptonshire County Council and a £134 million PFI project to provide 11 new schools for the Highlands Council in Scotland. Construction will take place over three years. With the Government's focus now switching to the Building Schools for the Future programme and investment in the new academies, Galliford Try has recently secured two academy projects totalling £55 million.

Health projects are carried out either individually or as part of LIFT (Local Investment Finance Trust) frameworks put in place by health authorities to deliver primary care facilities. With new projects being added to Galliford Try's three existing LIFT frameworks and being recently appointed preferred bidder for the south east Essex LIFT, Galliford Try's expertise is in line with the Government's objective to provide more local facilities in preference to major regional hospitals.

Affordable housing is a growth sector in which Galliford Try has frameworks with 21 leading housing associations, carrying out contract works and participating in land acquisition to promote new schemes.

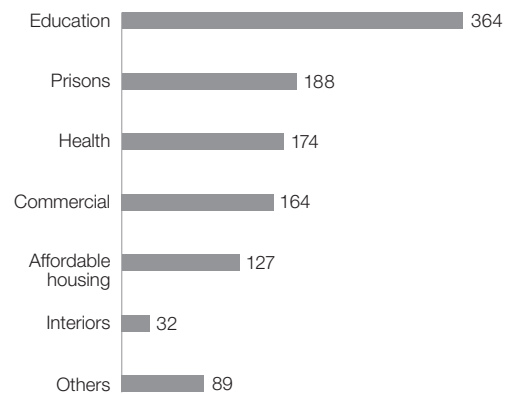
The opportunities for commercial work have recently improved with the London market in particular showing some growth and projects for industrial, property and commercial clients as well as for interiors work coming on stream. Examples of our work are a £28 million urban regeneration project for Igloo Regeneration at Bermondsey in London and the BMW training facility for Initial Style Conferences.

Galliford Try has a long track record in the leisure sector. We encompass all forms of entertainment centres, museums and sporting facilities. During the year the Cold War and Aviation Museum was completed at RAF Cosford and we are into the second year of our latest project for the All England Lawn Tennis Club at Wimbledon, the reconstruction of the centre court building to incorporate a retractable roof which is due for completion in 2009.

PPP Investments

Galliford Try Investments' role is to take an active equity participation in public/private partnership arrangement for public sector work, with the objective of providing negotiated work for the Group. Having achieved financial close on the Northampton and Highland Schools PFI projects in the year, the business is currently preferred bidder on the south east Essex LIFT and is pursuing other health sector LIFT and Building Schools for the Future opportunities. Equity stakes in the Highland Schools and Defence Housing Estates PFIs have also been acquired as part of the Morrison acquisition.

Sector Order Book £m



£1.1bn
building order book

90%
non price competitive

INFRASTRUCTURE

Galliford Try is a major service provider to the infrastructure market. With much of the work carried out through long term frameworks we have an expertise in working with clients, consultants and other service providers to deliver whole life cycle solutions for effective design, project implementation and subsequent operation.

Highway construction and maintenance forms a significant part of the business. Morrison Construction undertakes both capital works such as a £38 million contract for the M77 for Highways Scotland and its highway maintenance teams work for local authorities. Morrison is also working on a number of early contractor involvement schemes in England, including a £45 million project on the M40.

Galliford Try is one of the leading contractors to the water industry, working both in frameworks and on one off projects. Our understanding of the regulatory and environmental imperatives ensures that we can meet clients requirements from developing pre engineered designs through to managing an entire business plan including conceptual design, regulatory liaison, construction, commissioning and handover. We work with virtually all of the major water companies in the UK, procuring new work for Anglian, Yorkshire, Southern and Scottish Water during the year. We also provide infrastructure services to the British Waterways Board's network of canals and waterways.

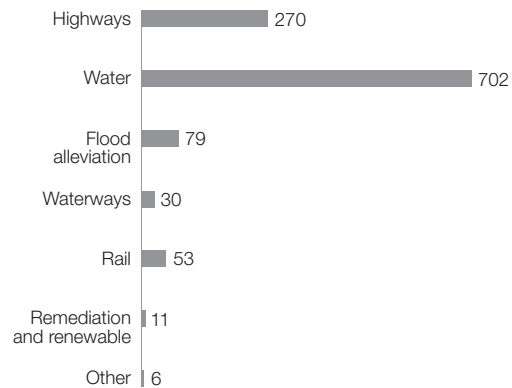
Building and bridge work agreements form the core work in rail. Under building frameworks we carry out station improvements, reroofing, footbridge and lift replacements together with signal box and depot improvement schemes.

We are an established service provider to the ground remediation sector dealing with contaminated land remediation. Working for the National Grid land remediation programme or for local authorities and utilities we undertake small scale regeneration schemes and large framework contracts. Morrison Construction has recently been awarded a major framework contract for demolition, remediation and associated service work at Olympic Park in east London under a framework programmed to run until 2010. Through Rock & Alluvium, we provide ground engineering services to housebuilding and commercial clients.

Galliford Try has a growing track record in the design and construction of windfarm infrastructure. Working for clients such as Fred Olsen Renewables and Scottish Power, the business is well placed to take advantage of the Government's increased focus on alternative energy solutions.

The acquisition of Pentland early in the financial year is enabling Galliford Try Communications to offer an integrated service commencing with site identification and acquisition, through to design, construction and rigging of the operator's equipment.

Sector Order Book £m



£1.2bn

infrastructure order book

90%

infrastructure order book in frameworks

HOUSEBUILDING

Galliford Try is a regional housebuilder specialising in individually designed developments, focusing on conversions and brownfield development. The business operates as Midas and Gerald Wood Homes in the south west, Try Homes in the south east, and in the eastern counties of England as Stamford and Chartdale Homes.

South West

Midas Homes is a leading housebuilder in the south west of England. As well as a long established provider of new homes for sale, it has developed a growing business in urban regeneration, providing mixed schemes of residential development with other social and commercial facilities.

We are part way through an urban regeneration project in St Austell, comprising a total of 148 dwellings being carried out in partnership with Restormel Borough Council and Westco, part of the Devon and Cornwall Housing Association. Again in partnership with housing associations, we are working on the site of the former city hospital in Truro, a development in Bude and, since the year end, have exchanged contracts with English Partnerships and CPR Regeneration, Cornwall's urban regeneration company, to develop a 17 acre former industrial site in the Dolcoath area of Camborne to provide 390 new homes of which 25% will be affordable.

Eastern Counties

Stamford Homes, based in Peterborough, continues to grow its business based on core development sites with new build homes as well as an increasing proportion of mixed tenure developments with affordable housing providers.

The acquisition of Chartdale Homes in February 2006 extended the company's area of operation throughout Lincolnshire, with Chartdale's main office based in Grimsby. With a mix of developments in both urban and village locations, Chartdale Homes have sold well since the acquisition, and with the combined business now a leading developer in the region, the prospects for future expansion are encouraging.

South East

Try Homes' policy of providing individually designed developments, all on brownfield sites during the year, helped to mitigate the effect of a more challenging market in the year.

Having acquired the site last year, Try Homes Southern secured an enhanced planning consent for the redevelopment of the

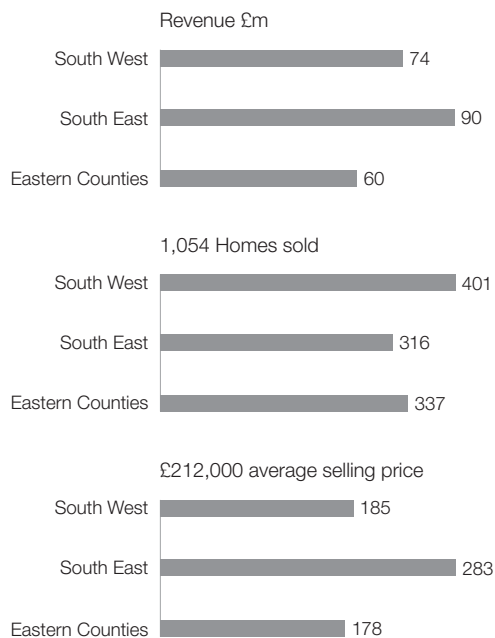
redundant Queen Elizabeth hospital in Banstead for conversion into 108 homes. With planning consents taking even longer to achieve, our experience in designing mixed developments, such as Try Homes Thames Valley's 20 home scheme in Hatch End that includes a Tesco store, are forming an increasing proportion of our workload.

Customer Care

Galliford Try aims for consistent top quartile performance in customer satisfaction. Having implemented more stringent hand over procedures at completion of the sale of a new home last year, each of our businesses continues to enhance our service to meet increasing levels of customer expectation. We employ external independent consultants to survey and benchmark our levels of customer care with our peer group in the industry, which consistently show our leading position, with over 90% of our purchasers stating they would recommend us to their best friend, a rating we have maintained for two years.

We were also given a four star rating in the most recent annual Home Builders Federation survey, in which only one specialist retirement builder received a higher rate.

Housebuilding Analysis



75%
brownfield
development

90%
customer satisfaction
rating

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 continuing 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 across our Group operations extends to each of our business units, all our work places, our employees, our contractors and all other stakeholders affected by our operations.

The Group Board executive director responsible for health, safety and welfare throughout the financial year was Andy Sturgess. From 1 July 2006, this responsibility has been taken on by Ken Gillespie, managing director of the Infrastructure division.

We have maintained a structured risk-based approach to health and safety and management to ensure a positive culture throughout the organisation. The Group Board and the board of each business unit accept their responsibility for health and safety and are fully committed and focused on continual improvement of all aspects of health, safety and environmental performance on our sites, ensuring that such resources, facilities, finances, information, instruction, training and supervision are provided as necessary.

Our overall performance continues to improve, with our accident rates falling for the third consecutive year. The Group's current Accident Incident Rate for each 1,000 persons at risk of 7.11 compared with 9.78 reported in the previous year and we remain significantly lower than the Health & Safety Executive's (HSE) reported industry average, as well as the average rates reported by both the Major Contractors Group (MCG) and the Home Builders Federation (HBF). Reportable accidents dropped by 25% to 52 and there was a reduction from 5 to 2 reportable dangerous occurrences to 30 June 2006, all of which were investigated fully by the professional health and safety teams and necessary amendments were made to our management systems. Once again there were no health and safety related prosecutions during the year. Over 50 HSE visits to a variety of our sites occurred during the year and our health and safety systems were commended during these visits, although one prohibition notice relating to working at height was issued. This issue was immediately rectified to the HSE's satisfaction on the same day.

We have successfully maintained our Group-wide independent accreditation and certification to the internationally recognised health and safety standard, OHSAS 18001, after a thorough review by our internal team and external assessors of over 10 project and head office audits. The review identified only one non-conformance, which was subsequently rectified to the external assessors' satisfaction. Also the Group's commitment to high standards of health and safety was once again recognised at the RoSPA Annual Health and Safety Awards when our performance and management systems received three Gold Awards.

We have met all the objectives set out in our health and safety business plan relating to objectives setting and reporting and all business units now have an established set of statistical and operational objectives which have been approved and are reviewed on an ongoing basis by the director of health, safety and the environment. The Group also have a comprehensive internal reporting system that allows for in-depth analysis of incidents and subsequent development of effective improvement plans.

3 year
safety record improvement

Other key health activities which have taken place during the year have included:

- ¥ Greater involvement in both the MCG and HBF, particularly in respect of strategy development in occupational health.
- ¥ Increased professional crisis management support for project teams in the event of a major incidents.
- ¥ Legal incident investigation training for all Group health and safety professionals.
- ¥ Extensive involvement with the Government's occupational health pilot scheme Constructing Better Health .
- ¥ Hosting tower crane emergency rescue demonstrations for construction industry representatives using the most up to date and innovative equipment available.

Our objectives for the coming year will focus on consistent delivery of our vision of industry leading health and safety performance. This will reach across all of our business units as a result of the recent growth of the Group and its acquisitions together with the reinforcement of the health and safety business plan's six key principles of leadership, planning, teamwork, communication, control and behaviour.

People

The value and importance we place on the loyalty, commitment and flexibility of our employees in the achievement of our objectives is central to our corporate culture. 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 (IIP) accreditation remains the cornerstone of our corporate training and development strategy and during the year we maintained our record of 100% IIP 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 within Galliford Try with the knowledge, skills and capabilities to satisfy their own developmental needs and those of the business.

This year we have continued to successfully run two in-house programmes accredited by the Institute of Leadership and Management (ILM) and fund advanced management study

for a group of senior employees at Warwick University's Business School with a number of individuals on the original intake obtaining their Team Leaders or Managers certificates during the year. 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 that lead in many cases to membership of professional bodies appropriate to our business. Our standardised salary scales for trainees and graduates provide both consistency across the Group operations and are commensurate with attracting and retaining good quality trainees. We also keen to fund undergraduate sponsorship in areas which we regard as key to our business success.

We undertake annual non-attributable employee surveys to gauge how our employees feel about the Group and their work and we also measure the ratio of employees leaving of their own accord, which showed an acceptable level of 16%. Our Annual Performance and Development Review (ADP) was performed successfully across the Group with 98% of eligible staff appraised within the appraisal timeframe set. Employees who joined the Group as result of our acquisitions will take part in the ADP process during the coming year. The specific focus of the ADP is on individual roles utilising a behavioural competency framework which is 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 lays particular emphasis on health and safety, management development and IT.

Our Employee Resourcing Policy which centralises the recruitment and selection process of new employees continues to result 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.

100%
investors in people

CORPORATE SOCIAL RESPONSIBILITY continued

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.

In order to deliver on this policy commitment we are continually improving our environmental management systems and during the year seven business units successfully achieved third party certification to ISO 14001 standard. The Group has also for the first time appointed a dedicated group environmental manager whose brief is to further drive environmental performance improvement across all of our business units and their activities.

Furthermore, we have undertaken a number of actions during the year to enhance our management and performance of environmental issues, including:

- ¥ Investing in a new electronic system designed to ensure that all relevant environmental legislation is identified and tracked so as to allow appropriate management controls to be developed and implemented.
- ¥ Becoming a signatory to the Government's National Action Plan drawn up by the Sustainable Procurement Task Force to help deliver real social and environmental benefits through improved sustainable procurement practices across the public sector and so helping the Government achieve the objectives set out in the UK Plan for Sustainable Development.
- ¥ Commencing the development of an integrated health, safety and environmental management system designed to more effectively manage the risks associated with our construction activities.

Our action plan for the following year is to:

- ¥ Continue with the harmonisation, development and implementation of environmental management standards across all Group activities.
- ¥ Develop a range of representative and meaningful environmental performance indices for inclusion in reporting arrangements of the Group's environmental performance to the Group Board for assessment.
- ¥ Identify further cost saving opportunities related to environmental management.

To 30 June 2006 we had no instances of an environmentally related prosecution brought against the Company, which compares with a total of 21 served on the construction and demolition industry sector in England and Wales within the same period.

During the year 75% of our homes were built on brownfield sites, demonstrating our continuing significant contribution in assisting the Government achieve its target of 60% of all new developments being on brownfield land. We continue to play our part in the creation of sustainable communities with a significant contracting and development role in urban regeneration and the affordable housing sector.

As a result of the acquisitions we have invested significant resources to the harmonisation of our environmental management practices as well as environmental management systems. This process shall continue through next year so as

ISO 14001
environmental
certification

to ensure that throughout the Group we operate compatible environmental practices that maintain the high performance standards expected from all of our business activities.

We recently won the West Midlands Institution of Civil Engineers 2006 sustainability award for our Stratford Park and Ride scheme. Morrison Construction also won two national Green Apple awards, the first for its use of sustainable materials and systems at a student residences project at the University of St Andrews and the second for the extensive remediation works as well as the construction of ramps and viewing reserve platforms for visitors at The Sanctuary Bird and Wildlife Reserve near Derby. The Group also won three sustainability awards for its housebuilding development at South Molton in Devon.

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 support staff fund raising efforts, among others during the year were staff completing the Three Peaks Challenge for DebRA UK a research charity working for people with the genetic skin blistering condition, competing in an annual Golf Day for the Starlight Children's charity and carrying out various activities for Children in Need.

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. One of the Morrison Construction's community programmes is the give me five employee volunteering programme. This allows employees to use up to 30 work based hours which they can use to contribute to a community activity of their choice, as long as they agree to match the work time taken with their own personal time.

The Group's external giving in the year totalled £53,000. Of this amount, £8,000 went to construction industry charities and the remainder was distributed by our businesses supporting their adopted charities and local community initiatives.

180

ground remediation
sites completed

BOARD OF DIRECTORS

1 David Calverley FCA *

Chairman.
David Calverley became Chairman on 28 October 2005. He was Chief Executive of Galliford Try from 2000 to 2005 and of Try Group from 1995. He is also Non Executive Chairman of Millward Designer Homes Limited. He was formerly a director of Trafalgar House, Chairman of Ideal Homes and Managing Director of Trafalgar House Property. (Appointed 15 September 2000) (Age 64).

2 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 42).

3 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 55).

4 Chris Bucknall * † °

Deputy Chairman 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 56).

5 Jonathan Dawson * † °

Non Executive Director.
Jonathan Dawson is the Senior Independent Non Executive Director of Next plc and a Non Executive Director of National Australia Group Europe Limited. He is a senior advisor to Apax and a partner in Penfida Partners LLP. He was previously an investment banker at Lazard. (Appointed 1 January 2004) (Age 54).

6 Andy Sturgess MCIOB

Managing Director, Building.
Andy Sturgess was previously a director of Skanska and managing director of Kvaerner Construction UK. (Appointed 2 January 2003) (Age 56).

7 Amanda Burton * † °

Non Executive Director.
Amanda Burton is Director of Global Business Services at Clifford Chance LLP and a Non Executive Director of Fresca Group Limited. She was previously a director of Meyer International PLC and Chairman of its timber group. (Appointed 1 July 2005) (Age 47).

8 Ken Gillespie

Managing Director, Infrastructure.
Ken Gillespie was appointed to the Board in March 2006. He was managing director of Morrison Construction since 2005, which he had initially joined in 1996 as Regional Director, Central Scotland. He was formerly a Commercial Director for Wimpey Scotland. (Age 41) (Appointed 31 March 2006).

* 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 2006.

Business Review

Accompanying this Directors Report are a Chairman's Statement, Operating and Financial Review (OFR), Corporate Governance Report and Directors Remuneration Report. The OFR has been prepared in accordance with Reporting Statement: Operating and Financial Review issued by the UK Accounting Standards Board and the Directors therefore consider that this will fulfill the requirement for a Business Review. Information on the Group's employment practices, including its policies on equal opportunities for disabled employees and employee involvement is set out in the Corporate Responsibility Review on pages 18 to 21.

Principal Activities

Galliford Try is a construction and housebuilding group. Since 1 July 2006 it has organised its operations into four divisions: Building, Infrastructure, PPP Investments and Housebuilding. The principal subsidiary companies operating within the Group are shown on page 73.

Further details of the Group's activities during the year under review and of its prospects are contained in pages 9 to 21.

Dividend

The profit for the year after tax of £25.4 million is shown in the consolidated income statement on page 33. The directors recommend a final dividend of 1.8p per share be paid, which together with the interim dividend of 0.7p results in a total dividend for the year of 2.5p, amounting to £6.47 million. The final dividend will be payable on 3 November 2006, to shareholders on the register at 6 October 2006.

Share Capital

During the year, the Company raised £50.1 million (before expenses of £1.5 million) in order, inter alia, to finance the purchase of Morrison Construction by way of a Placing and Open Offer of 46,834,753 New Ordinary Shares at 107 pence per share.

37,383,177 of the New Ordinary Shares were placed with institutional investors and 9,451,576 New Ordinary Shares at the Offer Price of 107 pence per share were offered to qualifying Shareholders on the basis of 1 Open Offer Share for every 24 existing Ordinary Shares held. 46,834,753 New Ordinary Shares were admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange on 31 March 2006.

Resolutions to be proposed at the 2006 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 2006.

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

Directors

The Board of Directors at the date of this report is shown on page 22. On 1 July 2005 Greg Fitzgerald was appointed Chief Executive and Amanda Burton was appointed to the Board as a Non Executive Director. David Calverley was appointed Chairman upon the retirement of Tony Palmer on 28 October 2005 and Ken Gillespie was appointed to the Board as an Executive Director on 31 March 2006, upon completion of the acquisition of Morrison Construction. He will retire at the forthcoming Annual General Meeting and offer himself for election. Andy Sturgess and Chris Bucknall will also retire by rotation at the forthcoming Annual General Meeting and each will offer themselves for re-election.

The biographies of all of the Company's directors are on page 22.

The interests of the directors in the share capital of the Company and details of their service contracts are set out in the Directors Remuneration Report on pages 28 to 31.

Directors' Interests in Contracts

During the year Greg Fitzgerald and his wife entered into a contract for the purchase of a residential property from Gerald Wood Homes, a wholly owned subsidiary of the Company, at Ideford, South Devon for the purchase price of £1,415,000, which was approved by shareholders at an Extraordinary General Meeting of the Company held on 15 February 2006.

Substantial Shareholdings

As at 7 September 2006, the following beneficial interests in 3% or more of the Company's ordinary share capital had been notified to the Company.

| | No of Shares | % |
|---|--------------|------|
| Schroders plc and its subsidiaries | 26,551,161 | 9.7 |
| The AEGON UK plc Group of Companies | 14,364,220 | 5.25 |
| Barclays plc and its subsidiaries | 13,794,666 | 4.99 |
| Prudential plc | 7,083,333 | 3.12 |
| Lloyds TSB Group plc and its subsidiaries | 6,981,289 | 3.08 |

DIRECTORS' REPORT continued

Charitable and Political Contributions

Contributions for charitable purposes during the year amounted to £53,000 (2005: £61,000). 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 2006, trade creditors represented 43 days (2005: 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, Hertfordshire WD3 4TG on Friday 27 October 2006 at 12 noon.

Auditors

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

Audit Information

So far as the Directors in office at the date of the signing of the report are aware, there is no relevant audit information of which the auditors are unaware and each such Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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;
- ¥ 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

7 September 2006

CORPORATE GOVERNANCE REPORT

The Board is firmly committed to attaining high standards of corporate governance and throughout the year the Company complied with the provisions set out in section 1 of the Combined Code on Corporate Governance (the Code), as maintained by the Financial Reporting Council.

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

The Board and its Directors

The Company is led by a Board which currently consists of a Non Executive Chairman, four Executive Directors and three other Non Executive Directors (including the Deputy Chairman and senior independent director). The biographical details for each of the Directors, together with details of Board Committee memberships are set out on page 22. Greg Fitzgerald was appointed Chief Executive on 1 July 2005. Also on 1 July 2005, Amanda Burton was appointed a Non Executive Director following a recommendation by the Nominations Committee. Tony Palmer retired as Chairman on 28 October 2005 on the appointment of David Calverley. Chris Bucknall also became Deputy Chairman on the same day. Ken Gillespie was appointed an Executive Director on 31 March 2006 following a recommendation by the Nominations Committee and upon the completion of the Morrison Construction acquisition.

Each of the Non Executive Directors is considered by the Board to be independent, with the exception of the Chairman, David Calverley, who does not meet the independence criteria set out in the Code, having previously been the Chief Executive of the Company. Chris Bucknall is the Deputy Chairman and senior independent director who is an available point of contact for 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. Each director is subject to re-election at intervals of not more than three years.

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 the Chief Executive is responsible to the Board for the executive management of the Group. The Chairman and the Chief Executive meet regularly to discuss the business and issues for the Board.

The Board meets regularly during the year. 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. 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 in furtherance of their duties. The Company has a Directors and Officers liability insurance policy in place.

Each member of the Board brings different experience and skills to the operation of the Board and its committees. The Board composition is kept under review and when a new appointment is to be made, appropriate consideration is given to the specific skills and experience which a potential new member could add. Newly appointed directors receive formal induction and appropriate training as soon as practicable after appointment. The induction for Non Executive Directors includes meetings with senior management of the business and visits to the Company's operations.

Every director participated in an evaluation of their individual performance during the year using a self-assessment questionnaire with rating scales followed by an appraisal interview. The process also enables appropriate training and development to be planned. The senior independent director chaired the meeting in the absence of the Chairman at which his annual performance was evaluated and on other such occasions as were deemed appropriate.

The Board and its Committees

A process of monitoring and evaluating the performance of the Board and its Committees has been undertaken during the course of the year. Members of the Board completed a confidential questionnaire covering business and strategy, board effectiveness and management together with governance. The Company Secretary collated the results from the questionnaires and prepared a report on the findings for an initial discussion with the Chairman. The findings were then discussed by the Board, and a number of actions including specific training needs were agreed.

The Board delegates various matters to its Committees, all of which have defined terms of reference, procedures, responsibilities and powers. Other directors may attend some of the committee meetings by invitation. The Committees and their members are given below.

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.

CORPORATE GOVERNANCE REPORT continued

Audit Committee — Members are Chris Bucknall, Amanda Burton and Jonathan Dawson, who has a background in investment banking and significant recent and relevant financial experience and chairs the Committee. Each of these Non Executive Directors are considered independent. They served throughout the year except Chris Bucknall, who was appointed upon the retirement of Tony Palmer on 28 October 2005.

The Audit Committee is responsible for reviewing the interim and final accounts of the Company and the Group, accounting policies, the scope and effectiveness of the external audit, the work of the internal audit function, the financial management and control systems, and compliance by the Company and its subsidiaries with statutory and other regulatory requirements. The Audit Committee also advises the Board on the appointment of the external auditors, reviews their fees and the audit plan. It approves the external auditors terms of engagement, 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 PricewaterhouseCoopers LLP corporate finance (PwC) was appointed by the Company to provide financial advice on the acquisition of Chartdale Limited. Before agreeing to the appointment, the Committee took into account the scope of services required for a class 1 circular and decided the proposal from PwC corporate finance would provide the Company and its shareholders with best value. The need for a further financial advisor and sponsor appointment for the class 1 transaction and placing and open offer in connection with the Morrison acquisition closely followed the Chartdale acquisition. The Committee considered alternative options but concluded that based on the services required, the need for consistency in approach in light of the recently issued circular, their knowledge base and their performance on the earlier transaction, PwC corporate finance justified their retention as advisors for the Morrison transaction. KBC Peel Hunt were appointed brokers to the placing and open offer.

In each case the Committee agreed a number of safeguards with PricewaterhouseCoopers to ensure that the independence of the auditors was maintained.

The Audit Committee discusses the results of the audit with the external auditors and monitors their objectivity, independence and cost effectiveness and fixes their remuneration. The auditors have an opportunity for discussion between the Audit Committee members and the auditors in the absence of executive directors. The Audit Committee may engage external advisers if deemed appropriate. During the year key issues which the Audit Committee have addressed included overseeing the transition of the Group's financial statements preparation in accordance with International Financial Reporting Standards and reviewing the scope of the internal audit team's work in the light of the acquisitions made in the year.

Remuneration Committee — Members are Jonathan Dawson, Amanda Burton and Chris Bucknall who chairs the Committee. Each of these Non Executive Directors are considered independent. They served throughout the year. Chris Bucknall, was appointed Chairman of the Committee upon the retirement of Tony Palmer on 28 October 2005. 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 28.

Nomination Committee — members are Jonathan Dawson, Amanda Burton and Chris Bucknall who chairs the Committee. Each of these Non Executive Directors are considered independent and served throughout the year. Chris Bucknall was appointed Chairman of the Committee upon the retirement of Tony Palmer on 28 October 2005. 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, as part of the Morrison Construction acquisition, conducted an in depth review of the proposal to appoint Ken Gillespie as an Executive Director prior to recommending his appointment to the Board. It also satisfies itself that, in terms of succession planning, the necessary processes are in place in respect of Board and senior management appointments. During the year it revised and updated its succession planning processes which included a review of its potential internal candidates and contingencies for external recruitment.

The terms of reference for the above Committees, which are closely modelled on the provisions of the Code can be found on the Group website. The Company Secretary is secretary to the Board's Committees.

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

| | Board | Audit Committee | Remuneration Committee | Nomination Committee |
|-------------------------------------|-------|-----------------|------------------------|----------------------|
| Number of meetings held in the year | 11 | 3 | 6 | 2 |
| David Calverley | 11 | — | — | — |
| Greg Fitzgerald | 11 | — | — | — |
| Frank Nelson | 11 | — | — | — |
| Chris Bucknall | 11 | 2 | 6 | 2 |
| Andy Sturgess | 11 | — | — | — |
| Jonathan Dawson | 11 | 3 | 6 | 2 |
| Amanda Burton | 11 | 3 | 6 | 2 |
| Ken Gillespie ¹ | 3 | — | — | — |
| Tony Palmer ² | 3 | 2 | 2 | — |

¹ Ken Gillespie joined the Board on 31 March 2006

² Tony Palmer retired from the Board on 28 October 2005.

Shareholder Communications

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

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

Accountability and Audit

The Board seeks to present a balanced and understandable assessment of the Company's position and prospects which is covered in the statement and reviews on pages 9 to 21.

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 24 and the going concern statement on page 27.

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 2006. 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, who chairs the Committee, Jonathan Dawson and Amanda Burton who all served throughout the year. 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. The Committee members 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;
- ¥ an annual bonus linked to the achievement of specific corporate objectives for profit, cash and a personal goal for the financial year together with a long term bonus geared to achievement of the Group's three year business plan;
- ¥ taxable benefits, in line with current market practice;
- ¥ a long-term share based incentive

It is the Committee's policy that a significant proportion of total remuneration, as detailed below, is represented by performance related 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 and participation in the long term bonus plan
- ¥ restricted shares conditionally awarded under the Company'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).

The Committee carried out the annual review of the directors' remuneration packages following the acquisition of Morrison Construction in light of the additional responsibilities of the directors and, to maintain competitiveness, comparable data from a selected peer group comprised of companies with a similar market capitalisation and size to the enlarged Group. The review was carried out with the Committee's independent consultants, MM & K Limited, and with externally published data on directors' remuneration. The review resulted in higher increases in basic salary than would be expected for this year, taking into account inflation. The Committee would not anticipate increases at this level at normal reviews in the future.

Bonus

At the 2005 annual general meeting shareholders approved the introduction of a long term bonus plan to complement the annual bonus. For the year ended 30 June 2006 therefore, Executive Directors and other senior executives with Group responsibilities were entitled to earn an annual bonus under a scheme which is capped at a maximum of 50% of basic salary, based on targets split 90% on profit and cash with 10% on a personal objective. Maximum bonus was earned in the year as the Group exceeded its financial targets by the required

amount. They also were included in the Group's long term bonus plan for the 3 year performance period to 30 June 2008 which could have a total value at the end of the 3 year period of £225,000 (equivalent to £75,000 annually) if the three year profit target is met. Two thirds will be payable in cash with the remainder in shares. No payment is made if the target is not met. Following the placing and open offer carried out by the Company in March 2006, the Committee increased the profit target under the plan to ensure it remains stretching in light of the additional capital available to the Group and to maintain the alignment of the plan to the interests of shareholders.

Long Term Share 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 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 933,000 shares were made. The current scheme expires in 2007. The Committee's view is that the scheme has succeeded in aligning Executive Directors long term incentives with shareholders interests over the longer term. A proposal to replace it with a similar scheme, drawn up in accordance with current market practice and investor protection guidelines, will be submitted for shareholders approval at the forthcoming annual general meeting.

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.

Under a share retention policy introduced during the year executive directors are required to build up a holding of shares in the Company over a 5 year period equivalent in value to 1 x basic salary with 1.5 x for the Chief Executive. With the exception of Ken Gillespie, who was appointed on 31 March 2006, the other Executive Directors met this requirement as at 30 June 2006.

Pensions

Greg Fitzgerald and Frank Nelson are members of the Galliford Try Final Salary Pension Scheme (the Scheme). Greg Fitzgerald's benefits are subject to the Scheme earnings cap and Frank Nelson's benefits are subject to an earnings

cap based on his basic salary as at 1 July 2005. They receive salary supplements of 20% of basic salary over the capped amount. Andy Sturgess and Ken Gillespie receive a pension contribution on a money purchase basis equivalent to 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 six months notice for early termination.

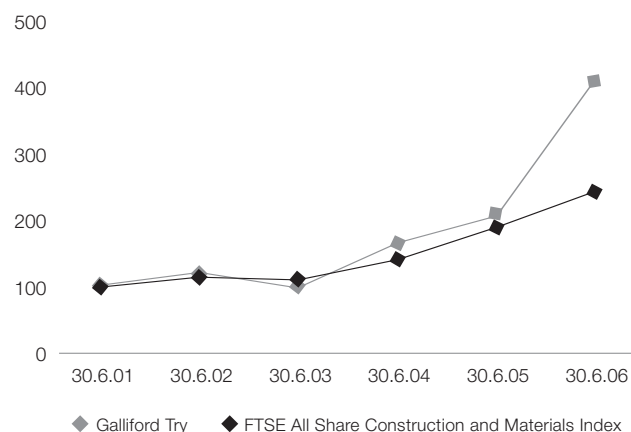
Their remuneration is determined by the Board, after taking independent advice from the Committee's external consultants, who review the fee payments for Non Executive Directors in similar companies.

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

The Group's total shareholder return performance (ie share price movements plus dividends reinvested) over the last five financial years relative to the FTSE All Share Construction and Materials 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 have been drawn.



REMUNERATION REPORT continued

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 2006 held the following beneficial interests in the ordinary shares of the Company:

| | at 1.7.05 | at 30.06.06 |
|-----------------|-----------|------------------|
| David Calverley | 961,692 | 1,467,381 |
| Greg Fitzgerald | 1,792,338 | 1,975,165 |
| Frank Nelson | 250,415 | 608,604 |
| Chris Bucknall | 150,000 | 150,000 |
| Andy Sturgess | — | 358,189 |
| Jonathan Dawson | 30,000 | 30,000 |
| Amanda Burton | — | 20,000 |
| Ken Gillespie | —* | 15,500 |
| Tony Palmer | 84,700 | 84,700 |

* At date of appointment.
At date of retirement.

1 There were no changes in the directors' interests from 30 June 2006 to 7 September 2006, except in respect of exercising the following SAYE options on 6 July 2006: David Calverley (acquired 55,393 shares) and Frank Nelson (acquired and disposed of 55,393 shares on the same day).

Table 2: Directors' Service Contracts

| Name | Contract date | Notice — months |
|--------------------------------|-------------------|-----------------|
| Non Executive Directors | | |
| David Calverley | 1 July 2005 | 6 |
| Chris Bucknall | 15 September 2000 | 6 |
| Jonathan Dawson | 1 January 2004 | 6 |
| Amanda Burton | 1 July 2005 | 6 |
| Executive Directors | | |
| Greg Fitzgerald | 1 July 2003 | 12 |
| Frank Nelson | 15 September 2000 | 12 |
| Andy Sturgess | 1 January 2003 | 12 |
| Ken Gillespie | 31 March 2006 | 12 |

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

2 There are no provisions for compensation payments on termination in any 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 2006 £000 | Total 2005 £000 |
|--------------------------------|-------------------------|-----------------|------------------|--------------------------|-----------------------|-----------------------|
| Executive Directors | | | | | | |
| Greg Fitzgerald | 300 | 150 | 21 | 39 | 510 | 350 |
| Frank Nelson | 230 | 115 | 23 | 2 | 370 | 322 |
| Andy Sturgess | 230 | 114 | 16 | 47 | 407 | 339 |
| Ken Gillespie | 55 | 28 | 3 | 5 | 91 | — |
| Non Executive Directors | | | | | | |
| David Calverley | 360 | — | 12 | — | 372 | 530 |
| Chris Bucknall | 30 | — | — | — | 30 | 25 |
| Jonathan Dawson | 30 | — | — | — | 30 | 25 |
| Amanda Burton | 25 | — | — | — | 25 | — |
| Former Directors | | | | | | |
| Tony Palmer | 39 | — | — | — | 39 | 60 |
| Mike Jackson | — | — | — | — | — | 10 |
| Total | 1,299 | 407 | 75 | 93 | 1,874 | 1,661 |

1 Benefits include the provision of a company car (or equivalent car allowance), fuel and health insurance for every Executive Director.

2 Pension payments noted above include amounts paid to defined contribution schemes and amounts as set out on page 29.

3 David Calverley received salary, benefits and a supplement in lieu of bonus until February 2006 under his former contractual entitlements as Chief Executive. From 1 March 2006 he received fees as Non Executive Chairman at the rate of £85,000 per annum.

Table 4: Directors' Interests in SAYE Share Option Scheme

| Name | Date of grant | At 01.07.05 | Granted in year | Exercised in year | Lapsed in year | At 30.06.06 | Exercisable from | Exercisable to | Exercise price |
|-----------------|---------------|---------------|-----------------|-------------------|----------------|---------------|------------------|----------------|----------------|
| David Calverley | 01.06.01 | 47,393 | — | — | — | 47,393 | 01.07.06 | 31.12.06 | 23.5p |
| | 01.06.03 | 8,000 | — | — | — | 8,000 | 01.06.06 | 30.11.06 | 18.0p |
| Total | | 55,393 | — | — | — | 55,393 | | | |
| Greg Fitzgerald | 20.12.05 | — | 12,284 | — | — | 12,284 | 01.02.09 | 31.07.09 | 68.5p |
| Total | | — | 12,284 | — | — | 12,284 | | | |
| Frank Nelson | 01.06.01 | 47,393 | — | — | — | 47,393 | 01.07.06 | 31.12.06 | 23.5p |
| | 01.06.03 | 8,000 | — | — | — | 8,000 | 01.06.06 | 30.11.06 | 18.0p |
| | 20.12.05 | — | 3,760 | — | — | 3,760 | 01.02.11 | 31.07.11 | 68.5p |
| Total | | 55,393 | 3,760 | — | — | 59,153 | | | |

Table 5: Directors' Interests in Restricted Share Scheme

| | Award date | Number of shares at 01.07.05 | Shares awarded | Shares vested | Shares lapsed | Number of shares at 30.06.06 | Value vested £ | Vesting date |
|-----------------|------------|------------------------------|----------------|----------------|---------------|------------------------------|----------------|--------------|
| David Calverley | 26.02.03 | 857,100 | — | 857,100 | — | — | 957,809 | 02.03.06 |
| | 22.03.04 | 352,000 | — | — | — | 352,000 | — | 22.03.07 |
| Total | | 1,209,100 | — | 857,100 | — | 352,000 | 957,809 | |
| Greg Fitzgerald | 26.02.03 | 183,300 | — | 183,300 | — | — | 204,838 | 02.03.06 |
| | 22.03.04 | 239,000 | — | — | — | 239,000 | — | 22.03.07 |
| | 22.03.05 | 234,000 | — | — | — | 234,000 | — | 22.03.08 |
| | 13.09.05 | — | 290,000 | — | — | 290,000 | — | 13.09.08 |
| Total | | 656,300 | 290,000 | 183,300 | — | 763,000 | 204,838 | |
| Frank Nelson | 26.02.03 | 607,100 | — | 607,100 | — | — | 678,434 | 02.03.06 |
| | 22.03.04 | 253,000 | — | — | — | 253,000 | — | 22.03.07 |
| | 22.03.05 | 246,000 | — | — | — | 246,000 | — | 22.03.08 |
| | 13.09.05 | — | 232,000 | — | — | 232,000 | — | 13.09.08 |
| Total | | 1,106,100 | 232,000 | 607,100 | — | 731,000 | 678,434 | |
| Andy Sturgess | 26.02.03 | 607,100 | — | 607,100 | — | — | 678,434 | 02.03.06 |
| | 22.03.04 | 253,000 | — | — | — | 253,000 | — | 22.03.07 |
| | 22.03.05 | 234,000 | — | — | — | 234,000 | — | 22.03.08 |
| | 13.09.05 | — | 232,000 | — | — | 232,000 | — | 13.09.08 |
| Total | | 1,940,100 | 232,000 | 607,100 | — | 719,000 | 678,434 | |

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

26.02.03 21.0p 22.03.05 60.75p
22.03.04 53.25p 13.09.05 71.00p

2 The market price on the date of vesting on 02.03.06 was 111.75p.

3 The market price of the Company's shares at 30 June 2006 was 115p and the range of market prices during the year was between 58.75p and 133.25p.

4 Performance criteria for the Restricted Share Scheme are set out on page 29.

Table 6: Pension arrangements

The following directors were members of defined benefit schemes provided by the company during the year. Pension entitlements and corresponding transfer values increased as follows during the year.

| Members contributions for the year ended 30 June 2006 | Accumulated total accrued pension as at 30 June 2006 | Gross increase in accrued pension for the year ended 30 June 2006 | Increase in accrued pension (excluding inflation) for the year ended 30 June 2006 | GN11 Transfer Value of net increase in accrued pension | GN11 Transfer Value of accrued pension as at 30 June 2006 | GN11 Transfer Value of accrued pension as at 30 June 2005 | Increase in GN11 Transfer Value less member contributions paid since 30 June 2005 |
|---|--|---|---|--|---|---|---|
| £ | £ | £ | £ | £ | £ | £ | £ |
| Frank Nelson | 15,400 | 159,818 | 11,135 | 6,261 | 88,750 | 2,658,405 | 238,655 |
| Greg Fitzgerald | 7,445 | 22,027 | 2,368 | 1,724 | 3,698 | 142,369 | 11,738 |

Notes to pension benefits

1 The total accrued pension is that which would be paid per annum on retirement based on service to, and Final Pensionable Salary as at 1 July 2006.

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 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 stock market movements. It is calculated after deducting the director's contribution.

5 Members of the Pension Scheme 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.

7 Transferred in service of 7 years is included for Greg Fitzgerald.

Chris Bucknall

Chairman of the Remuneration Committee

7 September 2006

INDEPENDENT AUDITORS REPORT to the members of Galliford Try plc

We have audited the group financial statements of Galliford Try plc for the year ended 30 June 2006 which comprise the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated balance sheet, the consolidated cash flow statement and the related notes. These group financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether in our opinion the information given in the Directors Report is consistent with the group financial statements. The information given in the Directors Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors Report. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement 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 form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Directors Report, the Chairman's Statement, the Operating and Financial Review, the Corporate Social Responsibility Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- ¥ the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2006 and of its profit and cash flows for the year then ended;
- ¥ the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- ¥ the information given in the Directors Report is consistent with the group financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London
7 September 2006

CONSOLIDATED INCOME STATEMENT for the year ended 30 June 2006

| | Notes | 2006 £000 | 2005 £000 |
|--|-------|---------------|--------------|
| Continuing operations | | | |
| Revenue | 1 | 851,499 | 718,494 |
| Cost of sales | | (763,456) | (651,675) |
| Gross profit | | 88,043 | 66,819 |
| Administrative expenses | | (48,861) | (35,596) |
| Share of post tax profits/(losses) from joint ventures | | 315 | (219) |
| Profit before finance costs | 1 | 39,497 | 31,004 |
| Profit before finance costs amortisation, and exceptional items | | | |
| Amortisation of intangibles | 8 | (447) | – |
| Exceptional items: | | | |
| Profit on sale and leaseback of property | 4 | 3,908 | – |
| Restructuring costs | 4 | (1,935) | – |
| Profit before finance costs | | 39,497 | 31,004 |
| Finance costs | | | |
| Interest receivable | 3 | 657 | 664 |
| Interest payable | 3 | (5,695) | (4,411) |
| Income from investments | | – | 100 |
| Profit before tax | 4 | 34,459 | 27,357 |
| Taxation | 5 | (9,085) | (8,312) |
| Profit for the year from continuing operations | | 25,374 | 19,045 |
| Profit for the year from continuing operations attributable to: | | | |
| Equity shareholders | | 25,352 | 19,045 |
| Minority interest | 29 | 22 | – |
| | | 25,374 | 19,045 |
| Earnings per share from continuing operations | | | |
| Basic | 7 | 10.8p | 8.6p |
| Diluted | 7 | 10.6p | 8.5p |

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE for the year ended 30 June 2006

| | Notes | 2006 £000 | 2005 £000 |
|---|-------|----------------|--------------|
| Profit for the year | | 25,374 | 19,045 |
| Actuarial losses recognised in the pension scheme | 32 | (5,135) | (15,175) |
| Deferred tax on items charged to equity | 5 | 2,278 | 4,552 |
| Current tax on items charged to equity | 5 | 1,390 | – |
| Net losses not recognised in income statement | | (1,467) | (10,623) |
| Total recognised income for the year | | 23,907 | 8,422 |
| Total recognised income for the year attributable to: | | | |
| Equity shareholders | | 23,885 | 8,422 |
| Minority interest | 29 | 22 | – |
| | | 23,907 | 8,422 |

CONSOLIDATED BALANCE SHEET at 30 June 2006

| | Notes | 2006 £000 | 2005 £000 |
|--|-------|----------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 8 | 2,305 | – |
| Goodwill | 9 | 57,242 | – |
| Property, plant and equipment | 10 | 7,968 | 11,630 |
| Investments in joint ventures and associates | 11 | 3,314 | 2,111 |
| Financial assets: | | | |
| Available for sale investments | 12 | 1,167 | 468 |
| Trade and other receivables | | 251 | 245 |
| Deferred tax assets | 23 | 15,676 | 15,187 |
| Total non-current assets | | 87,923 | 29,641 |
| Current assets | | | |
| Inventories | 13 | 886 | 613 |
| Developments | 14 | 283,825 | 206,171 |
| Trade and other receivables | 16 | 184,065 | 100,204 |
| Financial assets: | | | |
| Available for sale investments | | – | 3,412 |
| Derivative financial assets | 24 | 49 | 139 |
| Cash and cash equivalents | 17 | 21,738 | 2,007 |
| Total current assets | | 490,563 | 312,546 |
| Total assets | | 578,486 | 342,187 |
| Liabilities | | | |
| Current liabilities | | | |
| Financial liabilities – borrowings | 21 | (3,864) | (16,769) |
| Trade and other payables | 18 | (344,429) | (215,108) |
| Current tax liabilities | 19 | (3,101) | (3,549) |
| Provisions | 20 | (1,939) | (99) |
| Total current liabilities | | (353,333) | (235,525) |
| Net current assets | | 137,230 | 77,021 |
| Non-current liabilities | | | |
| Financial liabilities – borrowings | 21 | (1,919) | (1,013) |
| Retirement benefit obligations | 32 | (47,088) | (46,168) |
| Deferred tax liabilities | 23 | (13,489) | (2,837) |
| Other non-current liabilities | 22 | (42,100) | (2,598) |
| Provisions | 20 | (428) | (342) |
| Total non-current liabilities | | (105,024) | (52,958) |
| Total liabilities | | (458,357) | (288,483) |
| Net assets | | 120,129 | 53,704 |
| Shareholders equity | | | |
| Ordinary shares | 25 | 13,740 | 11,340 |
| Share premium | 27 | 48,698 | 2,295 |
| Other reserves | 27 | 4,687 | 4,687 |
| Retained earnings | 28 | 52,982 | 35,382 |
| Total shareholders' equity | | 120,107 | 53,704 |
| Minority interest in equity | 29 | 22 | – |
| Total equity | | 120,129 | 53,704 |

The financial statements on pages 33 to 64 were approved by the Board on 7 September 2006 and signed on its behalf by:

Greg Fitzgerald
Chief Executive

Frank Nelson
Finance Director

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 June 2006

| | Notes | 2006 £000 | 2005 £000 |
|---|-------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Net cash from operations | 30 | 18,234 | 15,608 |
| Interest received | | 674 | 660 |
| Interest paid | | (5,297) | (3,959) |
| Tax paid | | (10,291) | (8,472) |
| Cash generated from operations | | 3,320 | 3,837 |
| Cash flows from investing activities | | | |
| Acquisition of subsidiaries (net of cash acquired) | | (24,863) | – |
| Acquisition of investments in joint ventures and associates | | (1,003) | (75) |
| Income from investments in joint ventures and associates | | 115 | 35 |
| Acquisition of available for sale investments | | (699) | (69) |
| Proceeds from sale of available for sale investments | | – | 1,771 |
| Purchase of property, plant and equipment | | (1,609) | (1,598) |
| Proceeds from sale of property, plant and equipment | | 11,123 | 29 |
| Net cash used in investing activities | | (16,936) | 93 |
| Cash flows from financing activities | | | |
| Net proceeds from issue of ordinary share capital | | 48,803 | 200 |
| Purchase of treasury shares | | (1,866) | (450) |
| Repayment of borrowings | | (82) | (144) |
| Borrowings acquired with a subsidiary | | (48) | – |
| Dividends paid to Group shareholders | | (4,902) | (3,875) |
| Available for sale financial assets | | 3,412 | (3,412) |
| Net cash used in financing activities | | 45,317 | (7,681) |
| Net increase/(decrease) in cash and cash equivalents | | 31,701 | (3,751) |
| Cash and cash equivalents at 1 July | | (13,733) | (9,982) |
| Cash and cash equivalents at 30 June | 17 | 17,968 | (13,733) |

ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared in accordance with International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), IFRIC interpretations and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, available for sale investments, financial assets and liabilities held for trading. The principal accounting policies are set out below. The disclosures required by IFRS1 concerning the transition from UK GAAP to IFRS are given in note 37.

IFRS 1 "First time adoption of IFRS" sets out the procedures that companies should follow on adopting IFRS for the first time. There are a number of optional exemptions to the retrospective application of these accounting policies offered by IFRS 1. The Group has taken advantage of the following key exemptions:

- IFRS 3 "Business Combinations". The Group has elected not to apply IFRS 3 retrospectively to business combinations that took place before 1 July 2004.
- IAS 16 "Property, plant and equipment". The Group has elected not to revalue property, plant and equipment to fair value on transition and therefore adopted the exemption to use a value that is not depreciated cost as deemed cost on transition to IFRS.
- IFRS 2 "Share Based Payments" IFRS 2 has been adopted from the transition date and is only being applied to equity instruments granted on or after 7 November 2002 which had not been vested on the effective date of the standard. The Group has elected not to take up the option of full retrospective application of the standard.

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

Material estimates and assumptions are made in particular with regards to establishing uniform depreciation and amortisation periods for the Group, impairment testing, parameters for measuring pension provisions and the likelihood that tax assets can be realised.

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.

Joint ventures and associates

The Group's interest in joint ventures and associates are accounted for using the equity method. Under this method the Group's share of profits less losses of joint ventures and associates is included in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet.

Jointly controlled operations and assets

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

Available for sale investments

The Group's interest in joint ventures are carried at the lower of cost and net book value.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the assets acquired.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is charged immediately to the income statement and is not subsequently reversed.

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

Revenue and profit

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

ACCOUNTING POLICIES continued

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.

Exceptional items

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

Tangible fixed assets and depreciation

The Group has adopted the transitional provisions of IFRS1 to retain the book value of freehold land and buildings as deemed cost. 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 historical or deemed cost of each asset to estimated residual value over its expected useful life. Freehold land is not depreciated. The annual rates of depreciation are as follows:

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

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

Intangible assets

Intangible assets are recognised as appropriate on the acquisition of subsidiary undertakings. Amortisation is charged in line with the expected profit generated by these intangible assets. In addition to systematic amortisation the book value of intangible assets would be written down to the estimated recoverable amount should any impairment of the carrying values be identified.

Leases

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

Assets held under finance leases and hire purchase contracts are included in tangible fixed assets and depreciated over their anticipated useful lives or the length of the lease whichever is shorter. The capital element of outstanding obligations is included in creditors. The finance element of lease payments is charged to the profit and loss account as interest payable.

Inventories and developments

Inventories and Developments are valued at the lower of cost and net realisable value. Work in progress is valued at the lower of cost, including attributable overheads, and net realisable value. Land is included within development at its fair value at the point of recognition.

Financial instruments

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

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

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

Bank and other borrowings

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

Such borrowings are subsequently stated at amortised cost with the difference between initial fair value and redemption value recognised in the income statement over the period to redemption.

Trade payables

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

Derivative financial instruments

Derivatives financial instruments are initially accounted and measured at fair value at the point the derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement.

Foreign currency

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

Taxation

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

Deferred 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.

Deferred tax is charged or credited through the income statement, except when it relates to items charged or credited through the Statement of Recognised Income and Expense when it is charged or credited there.

Retirement benefit obligations

For defined contribution schemes operated by the Group, amounts payable are charged to the income statement as they accrue.

For defined benefit schemes, the cost of providing benefits is calculated annually by independent actuaries using the project unit method. The retirement benefit obligation recognised in the balance sheet represents the excess of the present value of scheme liabilities over the fair value of the schemes assets. Actuarial gains and losses are recognised in full in the period in which they occur in the Statement of Recognised Income and Expense.

In accordance with the transitional provisions of IFRS1 cumulative actuarial gains and losses at 30 June 2004 are presented within the opening retained earnings reserve at that date.

Share based payments

In accordance with the transitional arrangements of IFRS1, IFRS2 has been applied to all grants of equity instruments issued after 7 November 2002 which had not vested as at 1 January 2005.

The Group issues equity-settled share-based payments to certain employees. In addition, employees are able to participate in Inland Revenue approved Save As You Earn ("SAYE") schemes. The equity settled share-based payments and SAYE schemes are measured at fair value at the date of grant. The fair value is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received net of directly attributable incremental issues costs.

Consideration paid for shares in the Group held by the Galliford Try Employee Share Trust are deducted from total shareholders equity. Where such shares subsequently vest in the employees under the terms of the Group's share option schemes or are sold, any consideration received is included in shareholders equity.

New IFRS standards and interpretations not applied

During the year the IASB and IFRIC issued additional standards and interpretations which are effective for period starting after the date of these financial statements. The following standards and interpretations have yet to be adopted by the Group:

- Amendment to IAS 1, "Presentation of financial statements".
- Amendment to IAS 39, "Cash flow hedge accounting of forecast intra-group transactions".
- Amendment to IAS 39, "Financial instruments: recognition and measurement of the fair value of options".
- Amendment to IAS 39, "Financial instruments: recognition and measurement and IFRS 4, "Insurance contracts".
- IFRS 7, "Financial instruments: disclosure".
- IFRIC 4, "Determining whether an arrangement contains a lease".
- IFRIC 5, "Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds".
- IFRIC 6, "Liabilities arising from participating in a specific market – waste electrical and electronic equipment".
- IFRIC 7, "Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies".
- IFRIC 8, "Scope of IFRS 2" (not yet endorsed by the EU).
- IFRIC 9, "Reassessment of embedded derivatives" (not yet endorsed by the EU).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Segmental reporting

During the year ended 30 June 2006, for management purposes the Group was organised into three operating divisions, Construction, PPP Investments and Housebuilding. The divisions are the basis on which the Group reports its primary segmental information. With effect from 1 July 2006, Construction activities have been operating as two divisions, Building and Infrastructure. As the Group has no material activities outside the UK, segmental reporting is not required by geographical area.

| | Construction £000 | PPP Investments £000 | Housebuilding £000 | Group £000 | Total £000 |
|---|----------------------|-------------------------|-----------------------|---------------|---------------|
| Year ended 30 June 2006 | | | | | |
| Group revenue and share of joint venture revenue | 628,847 | 914 | 223,787 | 557 | 854,105 |
| Share of joint ventures' revenue | (2,481) | – | (125) | – | (2,606) |
| Revenue | 626,366 | 914 | 223,662 | 557 | 851,499 |
| Segment result | | | | | |
| Profit before joint ventures | 13,211 | (1,523) | 31,369 | (5,401) | 37,656 |
| Share of joint ventures' profit | (4) | (58) | 650 | – | 588 |
| Profit from operations* | 13,207 | (1,581) | 32,019 | (5,401) | 38,244 |
| Share of joint ventures' interest and tax | (64) | 289 | (498) | – | (273) |
| Profit before finance costs, amortisation and exceptional items | 13,143 | (1,292) | 31,521 | (5,401) | 37,971 |
| Amortisation and non-recurring items | (113) | – | 1,388 | 251 | 1,526 |
| Profit before finance costs | 13,030 | (1,292) | 32,909 | (5,150) | 39,497 |
| Interest receivable | | | | | 657 |
| Interest payable | | | | | (5,695) |
| Income from Investments | | | | | – |
| Profit before tax | | | | | 34,459 |
| Income taxes | | | | | (9,085) |
| Profit for the year from continuing operations | | | | | 25,374 |
| Year ended 30 June 2005 | | | | | |
| Group revenue and share of joint venture revenue | 537,733 | – | 187,991 | 514 | 726,238 |
| Share of joint ventures' revenue | (1,714) | – | (6,030) | – | (7,744) |
| Revenue | 536,019 | – | 181,961 | 514 | 718,494 |
| Segment result: | | | | | |
| Profit before joint ventures | 8,901 | (1,240) | 28,002 | (4,440) | 31,223 |
| Share of joint ventures profit | 188 | (28) | (134) | – | 26 |
| Profit from operations* | 9,089 | (1,268) | 27,868 | (4,440) | 31,249 |
| Share of joint ventures' interest and tax | (54) | – | (191) | – | (245) |
| Profit before finance costs, amortisation and exceptional items | 9,035 | (1,268) | 27,677 | (4,440) | 31,004 |
| Amortisation and non-recurring items | – | – | – | – | – |
| Profit before finance costs | 9,035 | (1,268) | 27,677 | (4,440) | 31,004 |
| Interest receivable | | | | | 664 |
| Interest payable | | | | | (4,411) |
| Income from investments | | | | | 100 |
| Profit before tax | | | | | 27,357 |
| Income taxes | | | | | (8,312) |
| Profit for the year from continuing operations | | | | | 19,045 |

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

1 Segmental reporting continued

| Year ended 30 June 2006 | Construction £000 | PPP Investments £000 | Housebuilding £000 | Group £000 | Total £000 |
|--|----------------------|-------------------------|-----------------------|---------------|---------------|
| Assets | | | | | |
| Goodwill | 55,284 | 1,958 | - | - | 57,242 |
| Intangibles | 2,305 | - | - | - | 2,305 |
| Investment in joint ventures and associates | 285 | 1,204 | 1,825 | - | 3,314 |
| Segment assets | 179,600 | 1,511 | 291,078 | 21,698 | 493,887 |
| | 237,474 | 4,673 | 292,903 | 21,698 | 556,748 |
| Cash and cash equivalents | | | | | 21,738 |
| Consolidated total assets | | | | | 578,486 |
| Liabilities | | | | | |
| Segment liabilities | 256,767 | 2,047 | 149,411 | 44,349 | 452,574 |
| Gross debt | | | | | 5,783 |
| Consolidated total liabilities | | | | | 458,357 |
| Net assets/(liabilities) excluding net debt and goodwill and intangibles | (76,882) | 668 | 143,492 | (22,651) | 44,627 |
| Goodwill and intangibles | 57,589 | 1,958 | - | - | 59,547 |
| Net assets/(liabilities) excluding net debt | (19,293) | 2,626 | 143,492 | (22,651) | 104,174 |
| Net cash/(debt) | | | | | 15,955 |
| Net assets | | | | | 120,129 |
| Year ended 30 June 2005 | | | | | |
| Assets | | | | | |
| Goodwill | - | - | - | - | - |
| Intangibles | - | - | - | - | - |
| Investment in joint ventures and associates | 447 | (28) | 1,692 | - | 2,111 |
| Other assets | 91,990 | 1,484 | 212,812 | 28,371 | 334,657 |
| | 92,437 | 1,456 | 214,504 | 28,371 | 336,768 |
| Current asset investment | | | | | 3,412 |
| Cash and cash equivalents | | | | | 2,007 |
| Consolidated total assets | | | | | 342,187 |
| Liabilities | | | | | |
| Segment liabilities | 139,919 | 1,113 | 76,371 | 53,298 | 270,701 |
| Gross debt | | | | | 17,782 |
| Consolidated total liabilities | | | | | 288,483 |
| Net assets/(liabilities) excluding net debt and goodwill and intangibles | (47,482) | 343 | 138,133 | (24,927) | 66,067 |
| Goodwill and intangibles | - | - | - | - | - |
| Net assets/(liabilities) excluding net debt | (47,482) | 343 | 138,133 | (24,927) | 66,067 |
| Net cash/(debt) | | | | | (12,363) |
| Net assets | | | | | 53,704 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1 Segmental reporting continued

| | Note | Construction £000 | PPP Investments £000 | Housebuilding £000 | Group £000 | Total £000 |
|---|------|----------------------|-------------------------|-----------------------|---------------|---------------|
| Other segment items | | | | | | |
| Year ended 30 June 2006 | | | | | | |
| Capital expenditure (including acquisitions): | | | | | | |
| Property, plant and equipment | 10 | 1,675 | 41 | 1,120 | 610 | 3,446 |
| Intangible assets | 8 | 2,572 | – | – | – | 2,752 |
| Goodwill | 9 | 55,284 | 1,958 | – | – | 57,242 |
| Depreciation | 10 | 676 | 3 | 446 | 409 | 1,534 |
| Impairment of receivables | | 134 | – | (1) | – | 133 |
| Amortisation of intangible assets | | 447 | – | – | – | 447 |

Year ended 30 June 2005

| | | | | | | |
|---|----|-------|---|-----|-----|-------|
| Capital expenditure (including acquisitions): | | | | | | |
| Property, plant and equipment | 10 | 1,250 | – | 105 | 243 | 1,598 |
| Intangible assets | 8 | – | – | – | – | – |
| Goodwill | 9 | – | – | – | – | – |
| Depreciation | 10 | 999 | – | 312 | 510 | 1,821 |
| Impairment of receivables | | 63 | – | 7 | – | 70 |
| Amortisation of intangible assets | | – | – | – | – | – |

2 Employees and Directors

| | 2006 £000 | 2005 £000 |
|--|----------------|---------------|
| Employee benefit expenses for the Group during the year | | |
| Wages and salaries | 87,525 | 66,484 |
| Social security costs | 9,850 | 6,947 |
| Other pension costs (see note 32) | 6,322 | 4,878 |
| | 103,697 | 78,309 |

| | 2006 Number | 2005 Number |
|--|----------------|----------------|
| Average monthly number of people (including executive Directors) employed | | |
| By business group | | |
| Construction | 1,867 | 1,414 |
| PPP Investments | 29 | 12 |
| Housebuilding | 433 | 416 |
| Group | 107 | 114 |
| | 2,436 | 1,956 |

Remuneration of key management personnel

The remuneration of the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures". Further information about the remuneration of individual Directors is provided in the audited part of the Directors' remuneration report on pages 28 to 31.

| | 2006 £000 | 2005 £000 |
|------------------------------|--------------|--------------|
| Short term employee benefits | 2,073 | 1,794 |
| Post employment benefits | 129 | 170 |
| Share based payments | 359 | 210 |
| | 2,561 | 2,174 |

3 Finance costs

| | 2006 | 2005 |
|--|-------|-------|
| | £000 | £000 |
| Interest payable: | | |
| On bank borrowings | 2,304 | 2,175 |
| On unwinding of discounted creditors | 2,402 | 1,320 |
| Net finance cost on retirement benefit obligations | 746 | 823 |
| Other | 243 | 93 |
| Interest payable | 5,695 | 4,411 |
| Interest receivable | (657) | (664) |
| Interest payable – net | 5,038 | 3,747 |

4 Profit before tax

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

| | 2006 | 2005 |
|--|---------|---------|
| | £000 | £000 |
| Employee benefit expense (note 2) | 103,697 | 78,309 |
| Depreciation of property, plant and equipment: | | |
| Owned assets | 1,892 | 1821 |
| Assets held under finance leases | 2 | – |
| Loss on disposal of fixed assets | 338 | 54 |
| Other operating lease rentals payable: | | |
| Plant and machinery | 4,540 | 4,338 |
| Property | 1,490 | 1,163 |
| Inventories recognised as an expense | 8,746 | 8,947 |
| Developments recognised as an expense | 181,324 | 148,462 |
| Repairs and maintenance expenditure on property, plant and equipment | 663 | 602 |
| Impairment of receivables | 133 | 70 |
| Amortisation of intangible assets | 447 | – |
| Profit on sale and leaseback of property | (3,908) | – |
| Restructuring costs | 1,935 | – |

Exceptional items

The profit on the sale and leaseback of two of the Group's properties and the restructuring costs have been treated as exceptional items in accordance with the Group's accounting policy. The restructuring costs are primarily held in provisions as set out in note 20.

Services provided by the Group's auditors and network firms

During the year the Group obtained the following services from the Group's auditors at costs as detailed below:

| | 2006 | 2005 |
|----------------------------|-------|------|
| | £000 | £000 |
| Audit services | | |
| Statutory audit | 363 | 228 |
| Further assurance services | 28 | – |
| Tax services | | |
| Compliance services | – | – |
| Advisory services | 55 | – |
| Other services | | |
| Reporting accountant | 454 | – |
| Corporate finance | 600 | – |
| Other | 23 | 29 |
| | 1,523 | 257 |

Of the above, £1,109,000 has been included in the cost of investment of Chartdale and Morrison. See note 31.

A description of the work of the audit committee is set out in the corporate governance statement on page 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

5 Taxation

| | 2006 | 2005 |
|--|----------------|----------------|
| | £000 | £000 |
| Analysis of charge in year | | |
| Current years' tax: | | |
| Current tax | 9,658 | 8,003 |
| Deferred tax | 255 | 214 |
| Previous years' tax: | | |
| Current tax | (828) | (19) |
| Deferred tax | – | 114 |
| Taxation | 9,085 | 8,312 |
| | 2006 | 2005 |
| | £000 | £000 |
| Tax on items charged to equity | | |
| Current tax (credit) on stock options | (1,390) | – |
| Deferred tax (credit)/charge for stock options | (247) | 36 |
| Deferred tax on pensions | (1,541) | (4,588) |
| Deferred tax on revaluations | (490) | – |
| | (3,668) | (4,552) |
| Total taxation | 5,417 | 3,760 |

The tax charge for the year of £9,085,000 is lower (2005: same as) than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

| | 2006 | 2005 |
|--|--------------|--------------|
| | £000 | £000 |
| Profit on ordinary activities before tax | 34,459 | 27,357 |
| Profit on ordinary activities multiplied by the standard rate in the UK of 30% (2005: 30%) | 10,338 | 8,207 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 855 | 136 |
| Utilisation of capital gains tax losses | (1,112) | – |
| Adjustments in respect of previous years | (828) | 95 |
| Other | (168) | (126) |
| Total taxation (continuing operations) | 9,085 | 8,312 |

6 Dividends

| | 2006 | 2005 |
|---|--------------|--------------|
| | £000 | £000 |
| Final dividend paid: 2005 1.5p per share (2004: 1.15p per share) | 3,342 | 2,545 |
| Interim dividend paid 2006: 0.7p per share (2005: 0.6p per share) | 1,560 | 1,330 |
| | 4,902 | 3,875 |

The Directors are proposing a final dividend in respect of the financial year ending 30 June 2006 of 1.8p per share bringing the total dividend in respect of 2006 to 2.5p (2005: 2.1p). The final dividend will absorb an estimated £4,911,000 of shareholders' funds. Subject to shareholder approval at the Annual General Meeting to be held on Friday 27 October 2006, the dividend will be paid on 3 November 2006 to shareholders who are on the register of members on 6 October 2006.

7 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held by the Employee Share Trust (note 28), which are treated as cancelled.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The Group has two classes of potentially dilutive ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and the contingently issuable shares under the Group's long term incentive plan.

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

| | 2006 | | | 2005 | | |
|--|------------------|---|------------------------------|------------------|---|------------------------------|
| | Earnings £000 | Weighted average number of shares | Per share amount pence | Earnings £000 | Weighted average number of shares | Per share amount pence |
| Basic EPS | | | | | | |
| Earnings attributable to ordinary shareholders | 25,374 | 235,209,936 | 10.8 | 19,045 | 221,821,456 | 8.6 |
| Effect of dilutive securities | | | | | | |
| Options | | 3,076,310 | | | 2,783,273 | |
| Long term incentive plan | | – | | | – | |
| Diluted EPS | 25,374 | 238,286,246 | 10.6 | 19,045 | 224,604,729 | 8.5 |

Earnings adjusted for post tax exceptional items of £2,475,000 amount to £22,899,000. The basic earnings per share calculated on this adjusted basis is 9.7p (diluted: 9.6p).

8 Intangible assets

| | £000 |
|--|--------------|
| Cost | |
| At 1 July 2004 and 2005 | – |
| Recognised on acquisition (note 31) | 2,752 |
| Amortisation in year | (447) |
| Net book amount at 30 June 2006 | 2,305 |

The intangible assets were acquired as a result of the Morrison acquisition, as set out in note 31. All amortisation charges in the year have been included in administrative expenses.

The customer contracts have been amortised in line with the expected profit generated. The relationships and brand have been amortised on a straight line basis over three years.

9 Goodwill

| | £000 |
|--|---------------|
| Cost | |
| At 1 July 2004 | 735 |
| Amortisation at 1 July 2004 | (735) |
| At 1 July 2005 | – |
| Recognised on acquisition (note 31) | 57,242 |
| Net book amount at 30 June 2006 | 57,242 |

The goodwill is attributable to the following business segments:

| | £000 |
|-----------------|--------|
| Construction | 55,284 |
| PPP Investments | 1,958 |
| | 57,242 |

With effect from 1 July 2006, as described in the operating review the construction segment is to be reorganised to report as Building and Infrastructure divisions. The goodwill above will be reallocated accordingly and this exercise is currently underway.

No goodwill has been written off in the period. The recoverable amounts were measured based on value in use. The calculations were based on the approved budget and forecasts for each business unit for the next three years. These forecasts take into account synergy savings that are expected to arise as a result of the acquisitions along with best estimates of the combined revenue over the three year period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10 Property, plant and equipment

| | Land and buildings £000 | Plant and machinery £000 | Fixtures and fittings £000 | Total £000 |
|---|-------------------------------|--------------------------------|----------------------------------|---------------|
| Cost | | | | |
| At 1 July 2004 | 10,397 | 4,501 | 7,332 | 22,230 |
| Additions | 46 | 448 | 1,104 | 1,598 |
| Disposals | (40) | (371) | (389) | (800) |
| At 1 July 2005 | 10,403 | 4,578 | 8,047 | 23,028 |
| Acquired on acquisition of subsidiaries | 814 | 630 | 393 | 1,837 |
| Additions | 7 | 328 | 1,274 | 1,609 |
| Disposals | (6,591) | (1,783) | (159) | (8,533) |
| At 30 June 2006 | 4,633 | 3,753 | 9,555 | 17,941 |
| 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) |
| At 1 July 2005 | 2,509 | 3,386 | 5,503 | 11,398 |
| Charge for the year | 245 | 74 | 1,215 | 1,534 |
| Disposals | (1,404) | (1,404) | (151) | (2,959) |
| At 30 June 2006 | 1,350 | 2,056 | 6,567 | 9,973 |
| Net book amount | | | | |
| At 30 June 2006 | 3,283 | 1,697 | 2,988 | 7,968 |
| At 30 June 2005 | 7,894 | 1,192 | 2,544 | 11,630 |

Included above are assets held under finance leases and plant and machinery with a net book value of £51,000 (2005: £Nil).

Certain of the Group's freehold land and buildings have been charged as security for bank borrowings. More information is given in note 21.

11 Investments in joint ventures and associates

| | 2006 | | | 2005 | | |
|---------------------------------------|------------------------|--------------------|---------------|------------------------|--------------------|---------------|
| | Joint ventures £000 | Associates £000 | Total £000 | Joint ventures £000 | Associates £000 | Total £000 |
| At 1 July: | | | | | | |
| Net assets excluding goodwill | 2,043 | 31 | 2,074 | 2,259 | 31 | 2,290 |
| Goodwill | 37 | - | 37 | - | - | - |
| | 2,080 | 31 | 2,111 | 2,259 | 31 | 2,290 |
| Additions: | | | | | | |
| Net assets | 442 | - | 442 | 38 | - | 38 |
| Goodwill | 561 | - | 561 | 37 | - | 37 |
| Repayment of loan | (35) | - | (35) | (35) | - | (35) |
| Dividends received from joint venture | (80) | - | (80) | - | - | - |
| Share of profits retained | 315 | - | 315 | (219) | - | (219) |
| At 30 June | | | | | | |
| Net assets excluding goodwill | 2,685 | 31 | 2,716 | 2,043 | 31 | 2,074 |
| Goodwill | 598 | - | 598 | 37 | - | 37 |
| | 3,283 | 31 | 3,314 | 2,080 | 31 | 2,111 |

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. During the year Oak Fire Protection Limited repaid a loan of £35,000 and the Group received a dividend of £80,000. Under the terms of the shareholders' agreement the investment has been treated as a joint venture.

11 Investments in joint ventures and associates continued

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). During the year the Group subscribed for loan stock of £177,000 and provided other loans of £64,000. Under the terms of the shareholders' agreement the investment has been treated as a joint venture.

During the year, the Group acquired a 50% interest in the share capital of Tricomm Housing (Portsmouth) Limited for £761,000. The company's principal activity is the construction and management of housing for the Ministry of Defence in Portsmouth. The company is incorporated in England and Wales and has a 30 September year end.

During the year, the Group acquired 50% of the share capital of Integrated Network Solutions (Holdings) Limited for £2,000. The company's principal activity is as a holding company for a telecommunications infrastructure business in Ukraine. The company is incorporated in England and Wales and has a 30 June year end.

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

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

| | 2006 £000 | 2005 £000 |
|--|--------------|--------------|
| Current assets | 7,950 | 11,789 |
| Long-term assets | 16,045 | 42 |
| Current liabilities | (6,838) | (9,701) |
| Long-term liabilities | (13,874) | (50) |
| | 3,283 | 2,080 |
| Amounts due from joint ventures | 4,051 | 2,727 |
| Amounts due to joint ventures | 11 | 28 |
| Income | 2,613 | 7,744 |
| Expenses | (2,025) | (7,718) |
| | 588 | 26 |
| Interest | (125) | (622) |
| Tax | (148) | 377 |
| Share of post tax results for joint ventures | 315 | (219) |

The joint ventures have no significant contingent liabilities to which the Group is exposed and nor has the Group any significant contingent liabilities in relation to its interest in the joint ventures other than bank guarantees set out in note 34.

12 Available for sale investments

| | 2006 £000 | 2005 £000 |
|-------------------|--------------|--------------|
| At 1 July | 468 | 608 |
| Additions | 699 | 69 |
| Disposals | - | (209) |
| At 30 June | 1,167 | 468 |

The Group has an investment in gbconsortium 1 Limited comprising 1,050 ordinary shares of £1 each issued at par (representing 10% of the ordinary share capital). During the year the Group invested a further £47,000 of loan stock and £75,000 of other loans. 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 available for sale.

The Group has an investment in Bedford Education Partnerships Holdings Limited comprising 2,000 shares of £1 each issued at par (representing 20% of the ordinary share capital). During the year the Group subscribed for a further £577,200 of loan stock. Under the terms of the shareholders' agreement the investment has been treated as available for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

12 Available for sale investments continued

The Group has 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 available for sale. The Group has committed to subscribe for loan stock of £604,800 in August 2009.

The Group has an investment in Coventry Education Partnerships 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 available for sale. The Group has committed to subscribe for loan stock of £496,613 in September 2007.

13 Inventories

| | 2006 | 2005 |
|---------------------------|------|------|
| | £000 | £000 |
| Materials and consumables | 886 | 613 |

14 Developments

| | 2006 | 2005 |
|-------------------|----------------|----------------|
| | £000 | £000 |
| Land | 208,466 | 140,818 |
| Work in progress | 74,109 | 64,103 |
| Other development | 1,250 | 1,250 |
| | 283,825 | 206,171 |

The other development relates to the serviced offices at High Wycombe, Buckinghamshire which is held for sale.

15 Construction contracts

| | 2006 | 2005 |
|---|---------------|---------------|
| | £000 | £000 |
| Contracts in progress at balance sheet date: | | |
| Amounts recoverable on construction contracts included in trade and other receivables | 96,019 | 33,556 |
| Payments received on account on construction contracts included in trade and other payables | (31,184) | (3,852) |
| | 64,835 | 29,704 |

The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £709,180,000 (2005: £556,106,000).

At 30 June 2006 retentions held by customers for contract work amounted to £34,841,000 (2005: £13,565,000).

At 30 June 2006 amounts of £7,918,000 (2005: £3,542,000) included in trade and other receivables and arising from construction contracts are due for settlement after more than 12 months.

The effective interest rate used for fair valuing non-current receivables is 4.455% (2005: 4.264%) being the UK Government gilt rate at 30 June 2006.

16 Trade and other receivables

| | 2006 | 2005 |
|---|----------------|----------------|
| | £000 | £000 |
| Amounts falling due within one year: | | |
| Trade debtors | 72,181 | 62,314 |
| Less: Provision for impairment of receivables | (574) | (500) |
| Trade debtors – net | 71,607 | 61,814 |
| Amounts recoverable on construction contracts | 96,019 | 33,556 |
| Other debtors | 12,932 | 2,917 |
| Prepayments and accrued income | 3,507 | 1,917 |
| | 184,065 | 100,204 |

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

17 Cash and cash equivalents

| | 2006 £000 | 2005 £000 |
|---------------------------|---------------|--------------|
| Cash at bank and in hand | 6,965 | 2,007 |
| Short term bank deposit | 14,773 | – |
| | 21,738 | 2,007 |
| Bank overdrafts (note 21) | (3,770) | (15,740) |
| | 17,968 | (13,733) |

The short term bank deposits above include £5,602,000 which is held in escrow. The funds will become available on completion of the associated contract. In the previous year £3,412,000 held in escrow was held as an available for sale investment.

| Net cash/(debt) | 2006 £000 | 2005 £000 |
|--|---------------|--------------|
| Current asset investment | – | 3,412 |
| Cash and cash equivalents (as above) | 17,968 | (13,733) |
| Current borrowings | | |
| Bank loan | (67) | (1,017) |
| Other loan | (12) | (12) |
| Finance lease obligations | (15) | – |
| Non-current borrowings | | |
| Bank loans | (884) | – |
| Unsecured loan notes – repayable between 2007 and 2011 | (1,026) | (1,013) |
| Finance lease obligations | (9) | – |
| | 15,955 | (12,363) |

18 Trade and other payables

| | 2006 £000 | 2005 £000 |
|--|----------------|--------------|
| Payments received on account on construction contracts | 31,184 | 3,852 |
| Trade payables | 133,419 | 71,920 |
| Development land creditors | 45,898 | 44,974 |
| Other taxation and social security payable | 5,453 | 3,727 |
| Other creditors | 19,635 | 7,236 |
| Accruals and deferred income | 108,840 | 83,399 |
| | 344,429 | 215,108 |

19 Current tax liabilities

| | 2006 £000 | 2005 £000 |
|-------------------------|--------------|--------------|
| Current tax liabilities | 3,101 | 3,549 |

20 Provisions

| | Restructuring £000 | Onerous leases £000 | Total £000 |
|------------------------------------|-----------------------|---------------------------|---------------|
| Current | | | |
| At 1 July 2005 | – | 99 | 99 |
| Charged to profit and loss account | 1,935 | 101 | 2,036 |
| Utilised in year | (97) | (99) | (196) |
| At 30 June 2006 | 1,838 | 101 | 1,939 |
| Non-current | | | |
| At 1 July 2005 | – | 342 | 342 |
| Charged to profit and loss account | – | 86 | 86 |
| Utilised in year | – | – | – |
| At 30 June 2006 | – | 428 | 428 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20 Provisions continued**Restructuring**

The restructuring provision relates to the cost of reorganising the Construction Division following the Group's acquisition of Morrison Construction. The provision is expected to be fully utilised within one year.

Onerous leases

The onerous lease provision relates to two Group properties which are no longer used. The provision reflects the estimated costs which will be incurred to the termination of the leases.

21 Financial liabilities – borrowings

| | 2006 | 2005 |
|--|--------------|---------------|
| | £000 | £000 |
| Current | | |
| Bank loans and overdrafts – secured (a) | 3,770 | 15,740 |
| Bank loan – secured (a) | 67 | 1,017 |
| Other loan (b) | 12 | 12 |
| Finance lease obligations | 15 | – |
| | 3,864 | 16,769 |
| Non-current | | |
| Bank loans | 884 | – |
| Unsecured loan notes – repayable between 2007 and 2011 (c) | 1,026 | 1,013 |
| Finance lease obligations | 9 | – |
| | 1,919 | 1,013 |

(a) The bank loans and overdrafts are secured by a fixed charge over some of the Group's freehold properties and a floating charge over certain of its developments. They incur interest at between 0.9% and 1.2% over bank base rate or LIBOR. The Group has an interest rate swap of £20 million with a fixed rate at 5.2% (see note 24).

(b) The other loan incurs interest at 3% above base rate.

(c) The loan notes incur interest at floating rates linked to LIBOR. The loan notes are carried at fair value based on LIBOR.

22 Other non-current liabilities

| | 2006 | 2005 |
|--|---------------|--------------|
| | £000 | £000 |
| Development land creditors | 10,656 | 2,598 |
| Deferred consideration for acquisition | 29,335 | – |
| Other creditors | 306 | – |
| Accruals and deferred income | 1,803 | – |
| | 42,100 | 2,598 |

The effective interest rate used for fair valuing non-current liabilities is 4.455% (2005: 4.264%) being the UK Government gilt rate at 30 June 2006.

23 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 30% (2005: 30%).

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

The net deferred tax position at 30 June 2006 was:

| | 2006 | 2005 |
|--------------------------|--------------|---------------|
| | £000 | £000 |
| Deferred tax assets | 15,676 | 15,187 |
| Deferred tax liabilities | (13,489) | (2,837) |
| | 2,187 | 12,350 |

23 Deferred tax continued

The movements on the deferred tax account is as shown below:

| | 2006 £000 | 2005 £000 |
|--------------------------------|--------------|---------------|
| At 1 July | 12,350 | 8,125 |
| Charged to income | (255) | (327) |
| Credited to equity | 2,278 | 4,552 |
| On acquisition of subsidiaries | (12,186) | – |
| At 30 June | 2,187 | 12,350 |

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

Deferred tax assets and liabilities during the period are shown below.

| | Retirement benefit obligations £000 | Share based payments £000 | Other £000 | Total £000 |
|------------------------------|---|---------------------------------|---------------|---------------|
| Deferred tax assets | | | | |
| At 1 July 2004 | 10,009 | 745 | 557 | 11,311 |
| (Charged)/credited to income | (747) | – | 71 | (676) |
| Credited to equity | 4,588 | (36) | – | 4,552 |
| At 1 July 2005 | 13,850 | 709 | 628 | 15,187 |
| Charged to income | (1,265) | – | (34) | (1,299) |
| Credited to equity | 1,541 | 247 | – | 1,788 |
| At 30 June 2006 | 14,126 | 956 | 594 | 15,676 |

| | Fair value adjustments £000 | Accelerated tax depreciation £000 | Other £000 | Total £000 |
|---------------------------------|-----------------------------------|---|----------------|-----------------|
| Deferred tax liabilities | | | | |
| At 1 July 2004 | – | 164 | (3,350) | (3,186) |
| (Charged)/credited to income | – | (14) | 363 | 349 |
| At 1 July 2005 | – | 150 | (2,987) | (2,837) |
| (Charged)/credited to income | (58) | (38) | 1,140 | 1,044 |
| On acquisition of subsidiary | (12,186) | – | – | (12,186) |
| Credited to equity | – | – | 490 | 490 |
| At 30 June 2006 | (12,244) | 112 | (1,357) | (13,489) |

24 Financial Instruments

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

The Group finances its operations through a mixture of retained profits and bank borrowings. The contracting operations of the Group generally generate cash and the planned growth of contracting activities is budgeted to be cash generative. The housebuilding operations, however, are cash consumptive and the planned growth in housebuilding will require additional borrowings in addition to retained earnings to finance growth in the land bank and associated work in progress. On a daily basis throughout the year, the bank balances or borrowings in all the Group's operating companies are aggregated into a total cash or borrowing figure in order that the Group can obtain the most advantageous interest rate.

All material activities of the Group take place within the United Kingdom and consequently there is little direct exchange risk other than payments to overseas suppliers who require settlement in their currency. If there is any material foreign exchange exposure, the Group's policy is to enter into forward foreign currency contracts. The Group has no material currency exposure at 30 June 2006.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

24 Financial Instruments continued

Numerical financial instruments disclosures are set out below.

| | Assets £000 | Liabilities £000 |
|------------------------|----------------|---------------------|
| At 30 June 2006 | | |
| Interest rate swap | 49 | – |
| At 30 June 2005 | | |
| Interest rate swap | 139 | – |

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

Interest rate swap

The notional principal amount of the outstanding interest rate swap contract at 30 June 2006 was £20 million (2005: £20 million). The fixed interest rate is 5.2% which is applicable to the end of the interest swap on 15 November 2006.

Fair values of non-derivative financial assets and financial liabilities

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

| | Note | 2006 | | 2005 | |
|--|------|--------------------|--------------------|--------------------|--------------------|
| | | Book value £000 | Fair value £000 | Book value £000 | Fair value £000 |
| Fair value of non-current borrowings: | | | | | |
| Long term borrowings | 21 | 1,919 | 1,851 | 1,013 | 1,020 |
| Fair value of other financial assets and financial liabilities | | | | | |

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

| | | | | | |
|-------------------------------|----|---------|---------|---------|---------|
| Short term borrowings | 21 | 3,864 | 3,864 | 16,769 | 16,769 |
| Trade and other payables | 18 | 344,429 | 344,429 | 215,108 | 215,108 |
| Trade and other receivables | 16 | 184,065 | 184,065 | 100,204 | 100,204 |
| Cash at bank and in hand | 17 | 21,738 | 21,738 | 2,007 | 2,007 |
| Other non-current liabilities | 22 | 42,100 | 42,104 | 2,598 | 2,598 |

The effective interest rate used for fair valuing non-current assets and liabilities is 4.455% (2005: 4.264%) being the UK Government gilt rate at 30 June 2006.

Maturity of financial liabilities

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

| | 2006 | | | 2005 | | |
|---|--------------|--|---------------|--------------|--|---------------|
| | Debt £000 | Other financial liabilities £000 | Total £000 | Debt £000 | Other financial liabilities £000 | Total £000 |
| In more than one year but not more than two years | 920 | 36,248 | 37,168 | – | 2,598 | 2,598 |
| In more than two years but not more than five years | 999 | 4,709 | 5,708 | 825 | – | 825 |
| In more than five years | – | 1,143 | 1,143 | 188 | – | 188 |
| | 1,919 | 42,100 | 44,019 | 1,013 | 2,598 | 3,611 |

24 Financial Instruments continued

Borrowing facilities

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

| | Floating rate £'000 | Fixed rate £'000 | 2006 Total £'000 | 2005 Total £'000 |
|--------------------------------|------------------------|---------------------|------------------------|------------------------|
| Expiring within one year | 16,163 | – | 16,163 | 3,243 |
| Expiring between 1 and 2 years | – | – | – | – |
| Expiring in more than 2 years | 143,086 | – | 143,086 | 81,235 |
| | 159,249 | – | 159,249 | 84,478 |

The facilities expiring within one year are annual facilities subject to review at various dates during 2006. The other facilities have been arranged to finance the on-going business. All these facilities incur commitment fees at market rates.

25 Called up share capital

| Authorised | 2006 £000 | 2005 £000 |
|---|---------------|--------------|
| 360,000,000 ordinary shares of 5 pence each | 18,000 | 18,000 |

| Issued and fully paid | 2006 | | 2005 | |
|--|--------------------|---------------|-------------|--------|
| | Shares | £000 | Shares | £000 |
| Ordinary shares of 5 pence each | | | | |
| At 1 July | 226,784,829 | 11,340 | 224,773,509 | 11,239 |
| Allotted on 31 March 2006 | 46,834,753 | 2,341 | – | – |
| Allotted under share option scheme | 1,178,599 | 59 | 2,011,320 | 101 |
| At 30 June | 274,798,181 | 13,740 | 226,784,829 | 11,340 |

On 31 March 2006 the Group completed a placing and open offer of 46,834,753 shares at 107 pence per share for a total cash consideration of £50,113,185.

At 30 June 2006 the total number of shares outstanding under the SAYE share option scheme was 5,802,984 and under the restricted share schemes was 3,119,000, as detailed below:

| SAYE shares under option | Year of grant | Exercise price per share | Exercise period ending | Restricted shares awarded | Year of grant | Award price | Vesting date |
|--------------------------|---------------|--------------------------|------------------------|---------------------------|---------------|-------------|--------------|
| 1,370,928 | 2001 | 23.5p | 31.12.06 | 1,287,000 | 2004 | 53.25p | 22.03.07 |
| 114,200 | 2003 | 18p | 30.11.06 | 899,000 | 2005 | 60.75p | 22.03.08 |
| 1,419,985 | 2003 | 18p | 30.11.08 | 933,000 | 2005 | 71.00p | 13.09.08 |
| 1,724,913 | 2006 | 68.5p | 31.07.09 | | | | |
| 1,172,958 | 2006 | 68.5p | 31.07.11 | | | | |
| 5,802,984 | | | | 3,119,000 | | | |

26 Share based payments

The Company operates a performance related share incentive scheme for executives, the Galliford Try Restricted Share Plan, details of which are set out in the Directors' remuneration report. The Company also operates a savings related share option scheme ("SAYE"). The total charge for the year relating to employee share based payment plans was £483,000 (2005: £274,000), all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £730,000 (2005: £238,000).

Savings related share options

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26 Share based payments continued

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

| Grant date | Share price at grant date (pence) | Exercise price (pence) | Expected volatility | Option life (years) | Risk free rate | Dividend yield | Employee turnover before vesting | Fair value per option |
|------------|---|---------------------------|------------------------|------------------------|-------------------|-------------------|--|--------------------------|
| 1 Jun 03 | 26.25p | 18p | 40% | 3 | 4.0% | 5.7% | 50% | 9.1p |
| 1 Jun 03 | 26.25p | 18p | 40% | 5 | 4.0% | 5.7% | 50% | 9.0p |
| 1 Feb 06 | 90p | 68.5p | 31% | 3 | 4.3% | 2.3% | 50% | 31.2p |
| 1 Feb 06 | 90p | 68.5p | 37% | 5 | 4.2% | 2.3% | 50% | 37.3p |

| | 2006 Weighted average exercise price | | 2005 Weighted average exercise price | |
|-----------------------------|---|---------|---|---------|
| | Number | (pence) | Number | (pence) |
| Outstanding at 1 July 2005 | 4,272,166 | 19.8 | 4,775,748 | 19.8 |
| Granted | 2,928,333 | 68.5 | – | – |
| Forfeited | (171,915) | 27.8 | (408,522) | 19.2 |
| Exercised | (1,225,600) | 18.0 | (95,060) | 20.3 |
| Outstanding at 30 June 2006 | 5,802,984 | 44.5 | 4,272,166 | 19.8 |
| Exercisable at 30 June 2006 | 114,200 | 18.0 | 40,000 | 18.0 |

Performance related long term incentive plan

The Company operates a performance related share incentive scheme for executives, the Galliford Try Restricted Share Plan, details of which are set out in the Remuneration Report. The awards that vest are satisfied by the transfer of shares for no consideration.

| Grant date | Share price at grant date (pence) | Vesting period (years) | Risk free rate | Dividend yield | Fair value per option |
|------------|---|---------------------------|-------------------|-------------------|--------------------------|
| 25 Feb 03 | 21p | 3 | 4.0% | 7.1% | 4.4p |
| 22 Mar 04 | 53.25p | 3 | 4.0% | 2.8% | 34.6p |
| 22 Mar 05 | 60.75p | 3 | 4.0% | 2.9% | 26.8p |
| 13 Sep 05 | 71p | 3 | 4.0% | 2.5% | 41.4p |

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of restricted share awards over the year to 30 June 2006 is shown below:

| | 2006 Number | 2005 Number |
|-----------------------------|----------------|----------------|
| Outstanding at 1 July 2005 | 5,984,200 | 6,266,000 |
| Granted | 933,000 | 899,000 |
| Forfeited | (116,600) | (1,180,800) |
| Exercised | (3,681,600) | – |
| Outstanding at 30 June 2006 | 3,119,000 | 5,984,200 |
| Exercisable at 30 June 2006 | – | – |

27 Share premium and other reserve

| | Share premium account £000 | Merger reserve £000 |
|--|----------------------------------|---------------------------|
| At 1 July 2004 | 2,196 | 4,687 |
| Premium on shares issued during the year under the share option scheme | 99 | – |
| At 1 July 2005 | 2,295 | 4,687 |
| Premium on shares allotted on 31 March 2006 | 47,771 | – |
| Fees on issue of shares | (1,533) | – |
| Premium on shares issued during the year under the share option scheme | 165 | – |
| At 30 June 2006 | 48,698 | 4,687 |

28 Retained earnings

| | Total £000 |
|---|---------------|
| At 1 July 2004 | 31,011 |
| Profit for the year | 19,045 |
| Dividends paid | (3,875) |
| Share based payments | 274 |
| Purchase of own shares | (450) |
| Actuarial losses recognised in the pension scheme | (15,175) |
| Tax on items charged to equity | 4,552 |
| At 1 July 2005 | 35,382 |
| Profit for the year | 25,374 |
| Minority interest | (22) |
| Dividends paid | (4,902) |
| Share based payments | 483 |
| Purchase of own shares | (1,866) |
| Actuarial losses recognised in the pension scheme | (5,135) |
| Tax on items charged to equity | 3,668 |
| At 30 June 2006 | 52,982 |

The cumulative amount of goodwill arising on acquisitions prior to 30 June 1998 and written off directly against reserves is £9,527,000 (2005: £9,527,000).

Interests in the Company's own ordinary shares held by the Galliford Try Employee Share Trust at a cost of £1,169,000 (2005: £1,293,000) have been deducted from retained earnings. At 30 June 2006, the Trust held 1,999,311 (2005: 4,004,598) shares. The nominal value of the shares held is £99,966 (2005: £200,230). Shares were acquired in the period at a cost of £1,866,000 (2005: £450,000). These shares were acquired by the Trust in the open market using funds provided by Galliford Try plc. The cost of funding and administering the scheme is charged to the profit and loss account of the Company in the period to which they relate. The market value of the shares at 30 June 2006 was £2,299,208 (2005: £2,352,701). No shareholders (2005: None) have waived their rights to dividends.

29 Statement of changes in shareholders' equity

| | Share capital £000 | Share premium £000 | Merger reserve £000 | Retained earnings £000 | Total £000 | Minority interest £000 | Total equity £000 |
|-------------------------------------|--------------------------|--------------------------|---------------------------|------------------------------|----------------|------------------------------|-------------------------|
| Shareholders' funds | | | | | | | |
| At 1 July 2004 | 11,239 | 2,196 | 4,687 | 31,011 | 49,133 | – | 49,133 |
| Net profit | – | – | – | 19,045 | 19,045 | – | 19,045 |
| Dividends | – | – | – | (3,875) | (3,875) | – | (3,875) |
| Proceeds from shares issued | 101 | 99 | – | – | 200 | – | 200 |
| Purchase of own shares | – | – | – | (450) | (450) | – | (450) |
| Share based payments | – | – | – | 274 | 274 | – | 274 |
| Actuarial losses in pension scheme | – | – | – | (15,175) | (15,175) | – | (15,175) |
| Deferred tax on movements in equity | – | – | – | 4,552 | 4,552 | – | 4,552 |
| At 1 July 2005 | 11,340 | 2,295 | 4,687 | 35,382 | 53,704 | – | 53,704 |
| Net profit | – | – | – | 25,352 | 25,352 | 22 | 25,374 |
| Dividends | – | – | – | (4,902) | (4,902) | – | (4,902) |
| Proceeds from shares issued | 2,400 | 46,403 | – | – | 48,803 | – | 48,803 |
| Purchase of own shares | – | – | – | (1,866) | (1,866) | – | (1,866) |
| Share based payments | – | – | – | 483 | 483 | – | 483 |
| Actuarial losses in pension scheme | – | – | – | (5,135) | (5,135) | – | (5,135) |
| Deferred tax on movements in equity | – | – | – | 2,278 | 2,278 | – | 2,278 |
| Current tax on movements in equity | – | – | – | 1,390 | 1,390 | – | 1,390 |
| At 30 June 2006 | 13,740 | 48,698 | 4,687 | 52,982 | 120,107 | 22 | 120,129 |

| | 2006 £000 | 2005 £000 |
|-----------------------------------|--------------|--------------|
| Minority interest | | |
| At 1 July | – | – |
| Share of net profit of subsidiary | 22 | – |
| Dividend paid | – | – |
| At 30 June | 22 | – |

The minority interest arises as a result of the Group's ownership of 90% of Vldar Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

30 Cash flow from operating activities

Reconciliation of profit before taxation to net cash inflow from operating activities:

| | 2006 | 2005 |
|--|----------|----------|
| | £000 | £000 |
| Cash generated from operations | | |
| Continuing operations | | |
| Net profit | 25,374 | 19,045 |
| Adjustments for: | | |
| Tax | 9,085 | 8,312 |
| Depreciation | 1,534 | 1,821 |
| Amortisation of intangible | 447 | – |
| Share based payments | 483 | 274 |
| Profit on sale and leaseback of property | (3,908) | – |
| Loss on disposal of property, plant and equipment | 338 | 54 |
| Profit on sale of fixed asset investments | – | (1,562) |
| Interest income | (657) | (664) |
| Interest expense | 5,695 | 4,411 |
| Share of results of joint ventures before taxation | (315) | 219 |
| Non-cash pension credit | (4,215) | (2,371) |
| Changes in working capital (excluding the effects of acquisition of subsidiaries): | | |
| Decrease in inventories | 510 | 182 |
| Increase in developments | (1,237) | (32,102) |
| (Increase)/decrease in trade and other receivables | (161) | 6,083 |
| (Decrease)/increase in payables | (16,665) | 11,906 |
| Increase in provisions | 1,926 | – |
| Cash generated from continuing operations | 18,234 | 15,608 |

31 Acquisitions

On 30 September 2006, the Group acquired the entire share capital of Pentland Limited. On 15 February 2006 the Group acquired the entire share capital of Chartdale Limited and Chartdale Homes Limited. On 31 March 2006, the Group acquired the entire share capital of AWG Shelf 9 Limited, the holding company of Morrison Construction Limited, Morrison Highway Maintenance Limited, Morrison IoM Limited, Morrison Falklands Limited and Morrison Construction Services Limited.

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

| | £000 |
|-----------------------|---------|
| Pentland | 1,484 |
| Chartdale | 60,920 |
| Morrison Construction | 39,655 |
| | 102,059 |

From the date of acquisition to 30 June 2006 the acquisitions contributed £102,738,000 of turnover, £2,567,000 to profit before interest and intangible amortisation and £1,300,000 to profit before tax as follows:

| | Revenue £000 | Profit before finance costs and intangible amortisation £000 | Profit before tax £000 | Cashflow* £000 | Capital expenditure £000 |
|-----------------------|-----------------|--|---------------------------|-------------------|--------------------------------|
| Pentland | 2,080 | 108 | 105 | (197) | 15 |
| Chartdale | 9,826 | 1,491 | 643 | (21,553) | 9 |
| Morrison Construction | 90,832 | 968 | 552 | (1,976) | 8 |
| | 102,738 | 2,567 | 1,300 | (23,726) | 32 |

* Stated including transactions within the Group.

31 Acquisitions continued

Details of the Chartdale and Morrison Construction acquisitions are given below. The Pentland net assets acquired amounted to £841,000, and there was no difference between the book value and fair value. The goodwill arising on that acquisition amounted to £642,000.

| | Carrying value pre acquisition £000 | Provisional fair value £000 |
|-----------------------------------|---|-----------------------------------|
| Chartdale | | |
| Property, plant and equipment | 304 | 876 |
| Developments | 26,419 | 76,417 |
| Trade and other receivables | 1,604 | 1,604 |
| Cash and cash equivalents | 8,676 | 8,676 |
| Trade and other payables | (4,738) | (12,239) |
| Current tax liabilities | – | (2,394) |
| Deferred taxation | – | (12,020) |
| Net assets acquired | 32,265 | 60,920 |
| Goodwill | | – |
| Consideration | | 60,920 |
| Purchase price | | 67,000 |
| Expenses | | 1,675 |
| Less: Cash received from vendor | | (4,148) |
| Discounting of deferred payments | | (3,607) |
| | | 60,920 |
| Consideration satisfied by | | |
| Cash | | 25,027 |
| Instalment due Feb 2007 | | 7,141 |
| Instalment due Feb 2008 | | 28,752 |
| | | 60,920 |

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

| | £000 |
|--------------------|---------------|
| Cash consideration | 25,027 |
| Cash acquired | (8,676) |
| | 16,351 |

| | Carrying value pre acquisition £000 | Provisional fair value £000 |
|-------------------------------|---|-----------------------------------|
| Morrison Construction | | |
| Intangibles | – | 2,752 |
| Property, plant and equipment | 1,212 | 850 |
| Trade and other receivables | 83,357 | 81,825 |
| Cash and cash equivalents | 30,240 | 30,240 |
| Trade and other payables | (130,536) | (132,457) |
| Deferred taxation | – | (155) |
| Net assets acquired | (15,727) | (16,945) |
| Goodwill | | 56,600 |
| Consideration | | 39,655 |
| Purchase price | | 37,932 |
| Expenses | | 1,723 |
| | | 39,655 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

31 Acquisitions continued

| | £000 |
|-----------------------------------|---------|
| Original acquisition price | 42,000 |
| Less: Investments to be acquired | (3,500) |
| | 38,500 |
| Adjustment to purchase price | (568) |
| Purchase price as above | 37,932 |
| Consideration satisfied by | |
| Cash paid | 37,655 |
| Deferred consideration | 2,000 |
| | 39,655 |

The deferred consideration is payable on settlement of monies due from third parties.

The intangible assets acquired as part of the acquisition of Morrison Construction can be analysed as follows:

| | £000 |
|--------------------|-------|
| Brand | 454 |
| Customer contracts | 1,865 |
| Relationships | 433 |
| | 2,752 |

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

| | £000 |
|--------------------|----------|
| Cash consideration | 37,655 |
| Cash acquired | (30,240) |
| | 7,415 |

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

| | Group £000 | Acquisitions* £000 | Total £000 |
|-----------------------------|---------------|-----------------------|---------------|
| Revenue | 851,499 | 278,965 | 1,130,464 |
| Profit before finance costs | 39,497 | 6,639 | 46,136 |

* Results for period from 1 July 2005 to date of acquisition.

32 Pension commitments

The Group's principal funded pension scheme is the Galliford Try Final Salary Pension Scheme which is of the defined benefit type (based on final pensionable salary) with assets held in separate trustee administered funds. This scheme was created by the merger of the Galliford Group Pension Scheme and the Try Group Pension and Life Assurance Plan on 1 November 2004. The scheme was closed to new members from 31 December 2001. 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.

Pension costs for the schemes were as follows:

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Defined benefit schemes | 4,511 | 4,165 |
| Defined contribution schemes | 1,811 | 713 |
| Total included within staff costs (note 2) | 6,322 | 4,878 |

Defined benefit schemes

The most recent valuations of the Galliford Group Pension Scheme and the Try Group Pension and Life Assurance Plan were as of 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 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 that plan's scheme 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.

32 Pension commitments continued

The next valuation of the Galliford Try Final Salary Pension Scheme is due in 2006 based on data as at 1 July. The valuation is currently being carried out by the Scheme actuary.

The Galliford Group Special Scheme is funded and provides benefits based on final pensionable salaries. The most recent actuarial valuation of the Scheme was prepared using the attained age method as at 1 April 2005. The assumptions used which had the most significant effect on the results of the valuation were the investment return which was assumed to be 5.6% per annum on pre-retirement assets and 4.6% for post-retirement assets and the rate of increase in pensionable salaries which was assumed to be 4.8% per annum. The valuation showed that the market value of the Scheme's assets was £3.1 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 valuation of the Group's pension schemes have been updated to 30 June 2006. The principal assumptions used by the actuary for pension accounting purposes were as follows:

| | 2006 | 2005 |
|--|-------|-------|
| Rate of increase in pensionable salaries | 4.50% | 4.25% |
| Rate of increase in pensions in payment | 2.95% | 2.70% |
| Discount rate | 5.30% | 5.00% |
| Inflation assumption | 3.00% | 2.75% |

The assumptions for mortality are based on actuarial table PXA92 short cohort with an increase in the probability of death of 10% (2005: PXA80 C2010/2020).

The fair value of the assets, long term rate of return expected and present value of the obligations at 30 June 2006 of the Group's defined benefit arrangements, are as follows:

| | 2006 | | | 2005 | | |
|---|--------|----------------|------|--------|----------------|------|
| | Return | Value £'000 | % | Return | Value £'000 | % |
| Equities | 7.65% | 74,325 | 69% | 7.25% | 68,790 | 77% |
| Property | 7.65% | 744 | 1% | 7.25% | 726 | 1% |
| Gilts | 4.65% | 15,153 | 14% | 4.25% | 9,807 | 11% |
| Bonds | 5.30% | 13,471 | 12% | 5.00% | 9,569 | 11% |
| Cash and other | 4.50% | 4,361 | 4% | 4.75% | 12 | 0% |
| | | 108,054 | 100% | | 88,904 | 100% |
| Present value of defined benefit obligations | | (155,142) | | | (135,072) | |
| Deficit in scheme recognised as non-current liability | | (47,088) | | | (46,168) | |

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

The amounts recognised in the income statement are as follows:

| | 2006 £000 | 2005 £000 |
|---|--------------|--------------|
| Current service cost | 3,765 | 3,342 |
| Net actuarial losses/(gains) recognised in the year | - | - |
| Past service cost | - | - |
| Charged to profit before finance costs | 3,765 | 3,342 |
| Interest cost | 6,797 | 6,131 |
| Expected return on plan assets | (6,051) | (5,308) |
| Finance costs | 746 | 823 |
| Total cost | 4,511 | 4,165 |

The actual return on plan assets was £12,462,000 (2005: £11,483,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

32 Pension commitments continued

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

| | 2006 £000 | 2005 £000 |
|----------------------------------|--------------|--------------|
| Total amount of actuarial losses | (5,135) | (15,175) |
| Cumulative actuarial losses | (20,310) | (15,175) |

| | 2006 £000 | 2005 £000 |
|---|--------------|--------------|
| Movement in present value of defined benefit obligations | | |
| At 1 July | 135,072 | 105,662 |
| Service cost | 3,765 | 3,342 |
| Interest cost | 6,797 | 6,131 |
| Experience (gains)/losses | (5,157) | 2,494 |
| Impact of change in assumptions | 16,691 | 18,857 |
| Employee contributions | 1,254 | 1,433 |
| Benefits paid out | (3,194) | (2,847) |
| Other | (86) | - |
| 30 June | 155,142 | 135,072 |

| | 2006 £000 | 2005 £000 |
|---|--------------|--------------|
| Movement in fair value of scheme assets | | |
| At 1 July | 88,904 | 72,298 |
| Expected return | 6,051 | 5,308 |
| Actual return less expected return on scheme assets | 6,399 | 6,175 |
| Assets distributed on settlements | - | - |
| Employer contributions | 8,726 | 6,537 |
| Employee contributions | 1,254 | 1,433 |
| Benefits paid out | (3,194) | (2,847) |
| Other | (86) | - |
| 30 June | 108,054 | 88,904 |

Of the total charge for all schemes £4,161,000 (2005: £2,923,000) and £2,161,000 (2005: £1,931,000) were included, respectively, within cost of sales and administrative expenses.

The contribution due to be paid to the defined benefit schemes during the year ending 30 June 2007 is £5.3 million. However the Company and the Trustees will be reviewing the amount payable following receipt of the result of the 2006 actuarial valuation.

| | 2006 | 2005 |
|--|---------|----------|
| Details of experience gains and losses in the year | | |
| Difference between the expected and actual return on assets: | | |
| Amount £000 | 6,399 | 6,175 |
| Percentage of assets | 6% | 7% |
| Experience gains and losses on liabilities: | | |
| Amount £000 | 5,157 | (2,494) |
| Percentage of present value of liabilities | 3% | (2%) |
| Total amount recognised in statement of total recognised gains and losses: | | |
| Amount £000 | (5,135) | (15,175) |
| Percentage of present value of liabilities | (3%) | (11%) |

33 Operating lease commitments – minimum lease payments

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

| | 2006 | | 2005 | |
|--|-------------------|---|-------------------|---|
| | Property £'000 | Vehicles, plant and equipment £'000 | Property £'000 | Vehicles, plant and equipment £'000 |
| Amounts due: | | | | |
| Within one year | 2,514 | 2,904 | 917 | 1,551 |
| Later than one year and less than five years | 6,979 | 4,515 | 2,172 | 2,697 |
| After five years | 13,693 | – | 6,610 | – |
| | 23,186 | 7,419 | 9,699 | 4,248 |

34 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 guarantees and counter indemnities in respect of bank and performance bonds issued on behalf of Group undertakings in the normal course of business amounting to £149,513,000 (2005: £43,375,000).

35 Capital and 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 Group companies. Fixed charges have been given to these banks over certain of the Group's freehold and development properties.

There was no capital expenditure contracted at 30 June 2006 (2005: £Nil).

36 Related party transactions

During the year Crownway Builders Limited carried out construction work valued at £Nil (2005: £646,928) for Gerald Wood Homes Limited, pursuant to agreements entered into on the acquisition of Gerald Wood Homes Limited in 2001. As at 30 June 2006, balances due by the Group amounted to £Nil (2005: £Nil). Greg Fitzgerald is Chief Executive of Galliford Try plc and 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. David Wood sold his shareholding in Crownway Builders Limited on 18 August 2005 and resigned as a Director of Crownway Builders Limited on 18 August 2006.

During the year, Greg Fitzgerald, the Chief Executive, and his wife, entered into a contract to purchase a property from Gerald Wood Homes Limited for £1,415,000. This purchase was approved at an Extraordinary General Meeting on 15 February 2006.

Midas Homes Limited has entered into jointly controlled operations with various third parties for the purpose of residential property developments at locations in the West Country. The Group's share of profits and assets and liabilities of these arrangements which are unincorporated, range from 12.5% to 50%. During the year ended 30 June 2006 costs totalling £48,835 (2005: £98,918) were invoiced to these arrangements and balances due to the Group at 30 June 2006 of £Nil (2005: £3,635). are included within other debtors. Balances due by the Group of £5,744 (2005: £28,956) are included within other creditors.

Galliford Try Construction Limited has entered into a jointly controlled operation with Costain Limited to carry out a contract for United Utilities. The Group's share of profits and assets and liabilities of this arrangement, which is unincorporated, is 50%. During the year costs totalling £1,141,000 (2005: £3,164,000) were charged to this arrangement and the balance due to the Group at 30 June 2006 was £16,000 (2005: £426,000).

Galliford Try Construction Limited has completed its work in connection with its jointly controlled operation with Christiani & Nielsen 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 £Nil (2005: £44,000) were charged to this arrangement and the balance due to the Group at 30 June 2006 was £Nil (2005: £38,000).

Galliford Try Construction Limited has entered into a jointly controlled operation with Morgan Est plc to carry out a contract for Scottish Water. The Group's share of profits and assets and liabilities of this arrangement, which is unincorporated, is 50%. During the year costs totalling £4,962,000 (2005: £3,778,000) were charged to this arrangement and the balance due to the Group at 30 June 2006 was £61,000 (2005: £2,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

36 Related party transactions continued

Try Construction Limited has entered into a jointly controlled operation with FB Ellmer Ltd to carry out refurbishment works at the Lakeside Shopping Centre in Thurrock and the Victoria Shopping Centre in Southend. The Group's share of profits and assets and liabilities of this arrangement, which is unincorporated, is 50%. During the year costs totalling £181,000 (2005: £Nil) were charged to this arrangement and the balance due from the Group at 30 June 2006 was £392,551 (2005: £343,000).

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 £2,731,000 (2005: £3,683,000) were charged to UUGM Limited. During the year UUGM Limited charged the Group costs of £14,000 (2005: £3,000). The balance due to the Group as at 30 June 2006 was £88,000 (2005: £358,000).

During the year, Galliford Try Construction Limited has entered into a jointly controlled operation with Costain Limited and WS Atkins Limited to carry out a contract for United Utilities. The Group's share of profits and assets and liabilities of this arrangement, which is unincorporated, is 42.5%. During the year costs totalling £2,282,000 (2005: £Nil) were charged to this arrangement and the balance due to the Group at 30 June 2006 was £622,000 (2005: £Nil).

During the year, Galliford Try Construction Limited has entered into a jointly controlled operation with Meica Process Limited to carry out a contract for Anglian Water Services Limited. The Group's share of profits and assets and liabilities of this arrangement, which is unincorporated, is 50%. During the year costs totalling £207,000 (2005: £Nil) were charged to this arrangement and the balance due to the Group at 30 June 2006 was £91,000 (2005: £Nil).

Morrison Construction Limited has a 50% share in an unincorporated jointly controlled operation, Morrison Earth Tech to carry out work for Yorkshire Water on the delivery of its asset management programme. During the period costs totalling £3,338,495 were charged to the arrangement. The balance due to the Group as at 30 June 2006 was £1,207,754.

Morrison Construction Limited has a 25% share in an unincorporated jointly controlled operation, Morrison Brown & Root to carry out work for Southern Water under a framework agreement. During the period cost totalling £158,000 were charged to the arrangement. The balance due to the Group at 30 June 2006 was £90,000.

Morrison Construction has a 70% share in an unincorporated jointly controlled operation involved in the construction of 3 wind farms in Scotland. The balance due to the Group as at 30 June 2006 was £643,000.

Morrison Construction Limited has a 50% share in an unincorporated jointly controlled operation involved in a road improvement scheme on the A78 in Central Scotland. The balance due to the Group as at 30 June 2006 was £1,063,000.

Details relating to the trading and assets and liabilities of the Group's joint ventures are set out in note 11.

37 Reconciliation of net assets and profit under UK GAAP to IFRS

Galliford Try plc reported under UK GAAP in its previously published financial statements for the year ended 30 June 2005. The analysis below shows a reconciliation of net assets and profit as reported under UK GAAP as at 30 June 2005 to the revised net assets and profit under IFRS as reported in these financial statements. In addition, there is a reconciliation of net assets under UK GAAP to IFRS at the transition date for the Group of 1 July 2004. The detailed reconciliations are available on the Group's website at www.gallifordtry.co.uk.

| | 2005 £'000 |
|---|---------------|
| Reconciliation of profit before interest | |
| Profit before interest as reported under UK GAAP | 28,455 |
| Joint venture presentation | (245) |
| Pensions | 1,717 |
| Share based payments | 5 |
| Discounting of land creditors | 1,072 |
| Profit before interest as reported under IFRS | 31,004 |

37 Reconciliation of net assets and profit under UK GAAP to IFRS continued

| | 2005 |
|---|---------------|
| | £'000 |
| Reconciliation of profit | |
| Profit as reported under UK GAAP | 18,592 |
| Pensions | 626 |
| Share based payments | (31) |
| Valuation of inventories | (65) |
| Discounting of land creditors | (77) |
| Profit as reported under IFRS | 19,045 |

| | 2004 | 2005 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Reconciliation of equity | | |
| Total equity as reported under UK GAAP | 72,287 | 86,236 |
| Dividends (IAS 10) | 2,545 | 3,342 |
| Share based payments (IFRS2) | 745 | 709 |
| Discounting of land creditors (IAS 2) | (1,312) | (1,377) |
| Employee benefits (IAS 19) | (24,712) | (34,709) |
| Deferred tax (IAS 12) | (573) | (537) |
| Derivative financial instruments (IAS 39) | 151 | 139 |
| Other | 2 | (99) |
| Total equity as reported under IFRS | 49,133 | 53,704 |

Employee benefits

Under UK GAAP the Group's defined benefit schemes were accounted for in accordance with SSAP 24 "Accounting for pension costs" and additional information was provided under the FRS 17 transitional disclosures. The cost of providing defined benefit pensions was charged in arriving at operating profit with surpluses and deficits arising in the funds, as calculated by qualified independent actuaries, being amortised over the remaining service lives of participating employees.

The Group has adopted IAS 19 "Employee benefits" in preparing the opening balance sheet, including the amendment to IAS 19 issued by the IASB on 16 December 2004 which allows all actuarial gains and losses to be charged or credited to equity through the statement of recognised income and expense. Since the Group has adopted this approach, all cumulative actuarial gains and losses in relation to employee benefit schemes have been recognised as at 30 June 2004. Under IAS 19 the cost of providing pension benefits (current service cost) for defined benefit pension schemes is recognised in the income statement, together with the interest cost arising on the projected obligations and the returns on scheme assets.

The impact on the opening balance sheet is to recognise a net deficit of £23.4 million, being a gross deficit of £33.4 million offset by a deferred tax asset of £10.0 million. In addition the prepayment of £1.1 million recognised under UK GAAP has been reversed. At 30 June 2005 a net deficit of £32.3 million is recognised comprising a gross deficit of £46.2 million and a deferred tax asset of £13.9 million. An actuarial loss of £10.6 million (net of the deferred tax asset) has been taken to reserves in the year ended 30 June 2005.

Additionally under IAS 19 holiday pay is specifically stated as being an employee benefit, for which a fair value liability is required to be recognised. The impact of recognising a liability for holiday pay is £0.6 million as at 30 June 2004 and £0.7 million as at 30 June 2005.

Share based payments

In accordance with IFRS 2 "Share based payments", the Group has elected to follow the transitional arrangements and hence it has not been applied to share options granted on or prior to 7 November 2002 that had not vested by 1 January 2005. IFRS 2 requires that share based payments should be valued at the fair value of the shares at the date of grant. The fair value is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. This affects the Group's save as you earn schemes and the long term incentive plans. The impact of the application of IFRS 2 has been to reduce operating profit by £0.1 million for the year ended 30 June 2005.

Deferred tax

IAS 12 "Accounting for income taxes" requires that full provision be made for all timing differences between the carrying value of assets and the tax bases of assets and liabilities. In addition deferred tax assets and liabilities must be disclosed separately on the balance sheet.

The opening balance sheet include additional deferred tax assets of £10.0 million in relation to the pension fund deficit, £0.6 million relating to deferred land payments, £0.7 million relating to share based payments, a £0.3 million reduction in deferred tax liability in relation to the reversal of the pension prepayment and an increase in deferred tax liabilities of £0.6 million relating to the revaluation of land and buildings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

37 Reconciliation of net assets and profit under UK GAAP to IFRS continued

Dividend recognition

IAS 10 "Events after the balance sheet date" requires that dividends approved after the balance sheet date should not be recognised as a liability at that balance sheet date since the liability did not represent a present obligation at that date. The final dividend of £2.5 million in respect of the year ended 30 June 2004 has been reversed in the opening balance sheet at 30 June 2004 and the final dividend of £3.3 million in respect of the year ended 30 June 2005 have been reversed from the 30 June 2005 balance sheet.

Inventories – deferred land payments

Under UK GAAP deferred land payments (land creditors) are included in Creditors at their gross value. Under IAS 2 "Inventories", deferred payments are held at discounted present value, thereby recognising notional imputed interest on such payments. As a result the land creditors are carried in the balance sheet at net present value and the value of land held on the balance sheet in inventories is reduced accordingly. The unwinding of the imputed interest on the land creditors is charged to finance costs and the reduction in land values in inventories results in a reduction in the cost of sales as the land is traded out. Over time this does not affect net profit or net assets but gives rise to a timing difference in the profit recognition and is likely to increase operating profit.

The effect on the opening balance sheet is to reduce the long term and current land creditor by £1.4 million, reduce the inventories balance by £3.3 million, recognise a deferred tax asset of £0.6 million and reduce opening reserves by £1.3 million. For the year ended 30 June 2005 the adoption of IAS 2 resulted in an increase in operating profit of £1.1 million and the inclusion of notional interest of £1.2 million together with a related tax credit of £0.1 million. As at 30 June 2005 the long term and current land creditor is reduced by £1.0 million, inventories by £3.1 million and recognise a deferred tax asset of £0.6 million.

Financial instruments – interest rate swap

The Group made use of an interest rate swap in order to reduce the risk of exposure to changes in interest rates. This has the effect of fixing interest on £20 million of borrowings at 5.2% for a period of 5 years from November 2001. Under IAS 39 "Financial instruments recognition and measurement" this interest rate swap is recognised and measured at fair value. Any change in fair value is accounted for in the income statement. The recognition of the interest rate swap has increased net assets at 30 June 2004 and 30 June 2005 by £0.2 million and £0.1 million respectively and marginally reduced profit for the year ended 30 June 2005.

Discounting

In accordance with IAS 39 "Financial Instruments: recognition and measurement", the Group has discounted its long term debtors and creditors. This has the effect of reducing net assets at 30 June 2004 and 30 June 2005 by £Nil and £0.1 million respectively and reducing profit by £0.1 million for the year ended 30 June 2005.

Reclassification of UK GAAP balances

When reclassifying the UK GAAP balance sheet in accordance with IFRS, long term trade debtors and creditors relating to retention balances have been classified as current assets on the basis that they are within the normal operating cycle of the business.

INDEPENDENT AUDITORS' REPORT to the members of Galliford Try plc

We have audited the parent company financial statements of Galliford Try plc for the year ended 30 June 2006 which comprise the Company balance sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Galliford Try plc for the year ended 30 June 2006.

Respective responsibilities of Directors and auditors

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

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Corporate and Social Responsibility Statement and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2006;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London
7 September 2006

COMPANY BALANCE SHEET at 30 June 2006

| | Notes | 2006 £000 | Restated (note 1) 2005 £000 |
|--|-------|--------------|--------------------------------------|
| Fixed assets | | | |
| Investments | 4 | 77,118 | 9,174 |
| Current assets | | | |
| Debtors | 5 | 29,144 | 6,303 |
| Cash at bank and in hand | | 66,820 | 54,125 |
| | | 95,964 | 60,428 |
| Creditors: amounts falling due within one year | 6 | (35,678) | (21,698) |
| Net current assets | | 60,286 | 38,730 |
| Total assets less current liabilities | | 137,404 | 47,904 |
| Creditors: amounts falling due after more than one year | 7 | (1,138) | (1,152) |
| Net assets | | 136,266 | 46,752 |
| Capital and reserves | | | |
| Called up share capital | 8 | 13,740 | 11,340 |
| Share premium account | 9 | 48,698 | 2,295 |
| Merger reserve | 9 | 2,969 | 2,969 |
| Profit and loss account | 9 | 70,859 | 30,148 |
| Total equity shareholders' funds | 10 | 136,266 | 46,752 |

The financial statements on pages 66 to 73 were approved by the Board on 7 September 2006 and signed on its behalf by:

Greg Fitzgerald
Chief Executive

Frank Nelson
Finance Director

ACCOUNTING POLICIES

Statement of accounting policies

Basis of accounting

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

Cash flow statement

Under Financial Reporting Standard 1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its consolidated financial statements which include the Company, and present a cash flow statement, are publicly available.

Changes in accounting policy

The Company has adopted FRS17 "Retirement benefits", FRS21, "Events after the balance sheet date", FRS25, "Financial instruments: disclosure and presentation", FRS26 "Financial instruments: measurement", FRS28 "Corresponding amounts" in these financial statements. The adoption of these standards represents a change in accounting policy and the comparative figures have been restated accordingly.

The impact of the adoption of these financial reporting standards on the Company's financial statements is set out in note 1 of the notes to the Company's financial statements on page 68.

Fixed assets – investments

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

Impairment review

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

Financial instruments

Interest rate swaps are used to manage the 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 revalued to fair value at the year end with the movement being recognised immediately in the profit and loss account.

Accounting for Employee Share Ownership Plan

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

Deferred tax

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

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

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

Pensions

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

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Prior year adjustments

Following the adoption of FRS 20 "Share based payments", a deferred tax asset relating to the future gains on share options has been recognised. Comparative figures for 2005 have been restated accordingly. The adoption of FRS 20 led to a decrease of £36,000 in retained profit for the year to 30 June 2005 and an increase of £745,000 in net assets at 30 June 2005.

Following the adoption of FRS 21 "Events after the balance sheet date", dividends declared after the balance sheet date are no longer recognised as a liability at the balance sheet date. Also dividends proposed by subsidiary companies after the balance sheet date cannot be recognised as income at the balance sheet date. Comparative figures for 2005 have been restated accordingly. The adoption of FRS 21 led to a decrease of £23,727,000 in retained profit for the year to 30 June 2005 and an decrease of £23,727,000 in net assets at 30 June 2005. The effect of the prior year adjustment on the current year has been an increase of £23,727,000 in retained profit.

Following the adoption of FRS 26 "Financial instruments: measurement", which requires the recognition at fair value of the interest rate swap entered into by the Company the interest rate swap valued at £139,000 at 30 June 2005 has been recognised on the balance sheet. Any movement in fair value is recognised immediately through the profit and loss account. The comparative figures for 2005 have been restated accordingly. The adoption of FRS 26 led to an decrease of £12,000 in retained profit for the year to 30 June 2005 and an increase of £139,000 in net assets at 30 June 2005. The effect of the prior year adjustment on the current year has been an increase of £12,000 in retained profit.

2 Employees

| | 2006 | 2005 |
|-----------|------|------|
| Directors | 8 | 7 |

The Directors received all of their remuneration, as disclosed in the Directors' remuneration report, from Galliford Try plc. The remuneration of the Directors is borne by other Group companies.

3 Auditors remuneration

| | 2006 | 2005 |
|-------------------------|------|------|
| | £000 | £000 |
| External audit services | 5 | 5 |
| Other services | - | - |

4 Investments

| | Shares in Group undertakings £000 |
|--|--------------------------------------|
| Cost: | |
| At 1 July 2005 | 10,751 |
| Additions | 67,944 |
| At 30 June 2006 | 78,695 |
| Amounts written off | |
| At 1 July 2005 and 30 June 2006 | 1,577 |
| Net book value | |
| At 30 June 2006 | 77,118 |
| At 30 June 2005 | 9,174 |

The principal subsidiary companies are set out in note 15 on page 73.

On 31 March 2006, the Company acquired the beneficial interest in the entire share capital of AWG Shelf 9 Limited the holding company of Morrison Construction Limited, Morrison Highway Maintenance Limited, Morrison IoM Limited, Morrison Falklands Limited and Morrison Construction Services Limited for £38,656,000. The purchase price was satisfied in cash. On 30 June 2006 the Company subscribed for a further 14,999,000 ordinary share of £1 each at par of Morrison Construction Limited in cash.

On 30 June 2006, the Company increased its investment in Galliford Try Construction Limited by subscribing for 14,289,000 ordinary shares of £1 each at par in cash.

5 Debtors

| | 2006 £000 | Restated 2005 £000 |
|---|---------------|--------------------------|
| Amounts falling due within one year | | |
| Amounts owed by subsidiary undertakings | 7,565 | 5,451 |
| Other debtors | 77 | 143 |
| Taxation recoverable | 2,136 | |
| Dividends due from Group undertakings | 18,410 | – |
| | 28,188 | 5,594 |
| Amounts falling due after more than one year | | |
| Deferred taxation | 956 | 709 |
| | 29,144 | 6,303 |

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

The deferred tax asset recognised in the accounts is calculated on the liability method at 30% (2005: 30%) and comprises:

| | 2006 £000 | 2005 £000 |
|--|--------------|--------------|
| Tax effect of timing differences due to: | | |
| Accelerated capital allowances | – | – |
| Other timing differences | 956 | 709 |
| | 956 | 709 |

The movement on the deferred tax asset is as follows:

| | £000 |
|------------------------|------------|
| At 1 July 2005 | 709 |
| Credited in the year | 247 |
| At 30 June 2006 | 956 |

6 Creditors: amounts falling due within one year

| | 2006 £000 | Restated 2005 £000 |
|---|---------------|--------------------------|
| Amounts owed to subsidiary undertakings | 32,845 | 21,070 |
| Amounts owed to related undertakings | 110 | 137 |
| Other creditors | 2,500 | – |
| Corporation tax | – | 257 |
| Accruals and deferred income | 223 | 234 |
| | 35,678 | 21,698 |

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

7 Creditors: amounts falling due after more than one year

| | 2006 £000 | 2005 £000 |
|------------|--------------|--------------|
| Loan notes | 1,138 | 1,152 |

The loan notes included above are redeemable at par between July 2007 and 2011. Further details are given in note 12.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

8 Called up share capital

| | 2006 | | 2005 | |
|---|--------------------|---------------|-------------|--------|
| Authorised | £000 | | £000 | |
| 360,000,000 ordinary shares of 5 pence each | 18,000 | | 18,000 | |
| | 2006 | | 2005 | |
| Issued and fully paid | Shares | £000 | Shares | £000 |
| Ordinary shares of 5 pence each | | | | |
| At 1 July | 226,784,829 | 11,340 | 224,773,509 | 11,239 |
| Allotted on 31 March 2006 | 46,834,753 | 2,341 | – | – |
| Allotted under share option schemes | 1,178,599 | 59 | 2,011,320 | 101 |
| At 30 June | 274,798,181 | 13,740 | 226,784,829 | 11,340 |

On 31 March 2006 the Company completed a placing and offer of 46,834,753 shares at 107 pence per share for a total cash consideration of £50,113,185.

At 30 June 2006 the total number of shares outstanding under the SAYE share option scheme was 5,802,984 and under the restricted share schemes was 3,119,000, as detailed below:

| SAYE shares under option | Year of grant | Exercise price per share | Exercise period ending | Restricted shares awarded | Year of grant | Award price | Vesting date |
|--------------------------|---------------|--------------------------|------------------------|---------------------------|---------------|-------------|--------------|
| 1,370,928 | 2001 | 23.5p | 31.12.06 | 1,287,000 | 2004 | 53.25p | 22.03.07 |
| 114,200 | 2003 | 18p | 30.11.06 | 899,000 | 2005 | 60.75p | 22.03.08 |
| 1,419,985 | 2003 | 18p | 30.11.08 | 933,000 | 2005 | 71.00p | 13.09.08 |
| 1,724,913 | 2006 | 68p | 31.07.09 | | | | |
| 1,172,958 | 2006 | 68p | 31.07.11 | | | | |
| 5,802,984 | | | | 3,119,000 | | | |

9 Share premium account and reserves

| | Note | Share premium account £000 | Merger reserve £000 | Profit and loss account £000 | Total £000 |
|--|------|-------------------------------|------------------------|---------------------------------|---------------|
| At 1 July 2005 as previously reported | | 2,295 | 2,969 | 53,027 | 58,291 |
| Prior year adjustment – FRS 21 | 1 | – | – | (23,727) | (23,727) |
| Prior year adjustment – FRS 28 | 1 | – | – | 139 | 139 |
| Prior year adjustment – FRS 20 | 1 | – | – | 709 | 709 |
| At 1 July 2005 as adjusted | | 2,295 | 2,969 | 30,148 | 35,412 |
| Premium on shares allotted on 31 March 2006 | | 47,771 | – | – | 47,771 |
| Shares | | (1,533) | – | – | (1,533) |
| Arising on the issue of shares under share option schemes | | 165 | – | – | 165 |
| Purchase of own shares by Galliford Try Employee Share Trust | | – | – | (1,866) | (1,866) |
| Share based payments | | – | – | 730 | 730 |
| Profit for the year | | – | – | 41,847 | 41,847 |
| At 30 June 2006 | | | | | |
| Non-distributable | | 48,698 | 2,969 | – | 51,667 |
| Distributable | | – | – | 70,859 | 70,859 |

Interests in the Company's own ordinary shares held by the Galliford Try Employee Share Trust at a cost of £1,169,000 (2005: £1,293,000) have been deducted from retained earnings. At 30 June 2006, the Trust held 1,999,311 (2005: 4,004,598) shares. The nominal value of the shares held is £99,966 (2005: £200,230). Shares were acquired in the period at a cost of £1,866,000 (2005: £450,000). These shares were acquired by the Trust in the open market using funds provided by Galliford Try plc. The cost of funding and administering the scheme is charged to the profit and loss account of the Company in the period to which they relate. The market value of the shares at 30 June 2006 was £2,299,208 (2005: £2,352,701). No shareholders (2005: None) have waived their rights to dividends.

10 Reconciliation of movement in equity shareholders' funds

| | 2006 £000 | 2005 £000 |
|--|----------------|---------------|
| Profit for the financial year | 46,749 | 14,568 |
| Dividend | (4,902) | (3,875) |
| Purchase of own shares by Galliford Try Employee Share Trust | (1,866) | (450) |
| Charge for employee share options | 730 | 279 |
| Increase in share capital | 2,400 | 101 |
| Increase in share premium | 46,403 | 99 |
| Net movement in equity shareholders' funds | 89,514 | 10,722 |
| Opening equity shareholders' funds as previously reported | 69,631 | 47,707 |
| Prior year adjustment - FRS 21 | (23,727) | (12,573) |
| Prior year adjustment - FRS 28 | 139 | 151 |
| Prior year adjustment - FRS 20 | 709 | 745 |
| Opening equity shareholders' funds as restated | 46,752 | 36,030 |
| Closing equity shareholders' funds | 136,266 | 46,752 |

11 Pension commitments

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

The most recent full actuarial valuations referred to in note 32 on page 58 were updated to 30 June 2006 and the following information is disclosed in these financial statements in accordance with FRS 17:

The assumptions used are specified below:

| | 2006 | 2005 | 2004 |
|---|-------|-------|------------|
| Rate of increase in salaries | 4.50% | 4.25% | 4.50% |
| Rate of increase in pensions in payment | 2.95% | 2.70% | 2.75/3.00% |
| Discount rate | 5.30% | 5.00% | 5.75% |
| Inflation assumption | 3.00% | 2.75% | 3.00% |

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

| | 2006 | | 2005 | | 2004 | |
|------------------------------|--------|---------------|--------|---------------|-----------|---------------|
| | Return | Value £000 | Return | Value £000 | Return | Value £000 |
| Equities | 7.65% | 74,474 | 7.25% | 68,939 | 7.50% | 57,656 |
| Gilts | 4.65% | 15,184 | 4.25% | 9,830 | 5.00% | 3,704 |
| Bonds | 5.30% | 13,498 | 5.00% | 9,591 | 5.0-5.75% | 9,563 |
| Property | 7.65% | 745 | 7.25% | 728 | 7.50% | 649 |
| Cash | 4.50% | 4,371 | 4.75% | 12 | 4.50% | 885 |
| | | 108,272 | | 89,100 | | 72,457 |
| Present value of liabilities | | (155,142) | | (135,072) | | (105,662) |
| Deficit in the scheme | | (46,870) | | (45,972) | | (33,205) |

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

11 Pension commitments continued

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Analysis of the amount charged to operating profit: | | |
| Service cost | 3,765 | 3,342 |
| Past service cost | - | - |
| Total operating charge | 3,765 | 3,342 |
| Analysis of the net return: | | |
| Expected return on the pension scheme assets | 6,077 | 5,319 |
| Interest on pension scheme liabilities | (6,797) | (6,131) |
| Net return | (720) | (812) |
| Analysis of amount recognised in the statement of total recognised gains and losses: | | |
| Actual return less expected return on assets | 6,395 | 6,201 |
| Experience gains and losses on liabilities | 5,156 | (2,494) |
| Changes in assumptions | (16,690) | (18,857) |
| Actuarial loss | (5,139) | (15,150) |
| Movement in surplus during the year: | | |
| Deficit at 1 July | (45,972) | (33,205) |
| Movement in the year: | | |
| Current service cost | (3,765) | (3,342) |
| Contributions | 8,726 | 6,537 |
| Net return | (720) | (812) |
| Actuarial loss | (5,139) | (15,150) |
| Deficit at 30 June | (46,870) | (45,972) |

| Details of experience gains and losses in the year | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|---------|----------|-------|----------|----------|
| Difference between the expected and actual return on assets: | | | | | |
| Amount £000 | 6,395 | 6,201 | 1,743 | (8,935) | (13,850) |
| Percentage of assets | 6% | 7% | 2% | (14%) | (21%) |
| Experience gains and losses on liabilities: | | | | | |
| Amount £000 | 5,156 | (2,494) | 1,817 | (738) | 1138 |
| Percentage of present value of liabilities | 3% | (2%) | 2% | (1%) | 1% |
| Total amount recognised in statement of total recognised gains and losses: | | | | | |
| Amount £000 | (5,139) | (15,150) | 5,703 | (17,062) | (18,367) |
| Percentage of present value of liabilities | (3%) | (11%) | 5 | (16%) | (21%) |

12 Financial instruments

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

Loan notes

Loan notes were issued in 1997 and 2002 as part of the acquisition of Midas Homes Limited and Gerald Wood Homes Limited respectively. Their interest rate is determined by reference to LIBOR and varies every three months. They are redeemable in whole or in part by the holders at any time provided that 30 days notice is given of their intention to redeem the loan notes. The fair value of the loan notes at 30 June 2006 amounted to £1,029,000 (2005: £1,021,000). The maturity profile of the loan notes is as follows:

| Maturity of financial liabilities at 30 June | 2006 | 2005 |
|---|--------------|-------|
| | £'000 | £'000 |
| In one year or less | – | – |
| Between one and two years | 912 | – |
| Between two and five years | 226 | 912 |
| In more than five years | – | 240 |
| | 1,138 | 1,152 |

Interest rate swap

The Company entered into an interest rate swap agreement which has the effect of fixing interest on £20m of borrowing at 5.2% for a period of five years from November 2001. Interest payments are made quarterly. The fair value of the interest rate swap as at 30 June 2006 amounts to £49,000 (2005: £139,000) which has been recognised on the balance sheet.

13 Contingent liabilities

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

The Company has entered into its guarantees and counter indemnities in respect of performance bonds issued on behalf of Group undertakings in the normal course of business amounting to £149,513,000 (2005: £43,375,000).

14 Other financial commitments

The Company, 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.

15 Subsidiaries

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

| Construction | PPP Investments | Housebuilding | Group |
|--------------------------------------|------------------------------------|------------------------------|-----------------------------------|
| Galliford Try Construction Limited* | Galliford Try Investments 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 | |
| Pentland Limited | | Chartdale Homes Limited | |
| Morrison Construction Limited | | | |
| Morrison Highway Maintenance Limited | | | |

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

FIVE YEAR RECORD

| | UK GAAP 2002 | UK GAAP 2003 Note 1 | UK GAAP 2004 | IFRS 2005 Note 2 | IFRS 2006 |
|--|-----------------|---------------------------|-----------------|------------------------|----------------|
| | £m | £m | £m | £m | £m |
| Turnover (including associates and joint ventures) | 649.8 | 640.4 | 695.4 | 718.5 | 851.5 |
| Profit before exceptional items | 18.0 | 17.2 | 22.7 | 27.4 | 32.5 |
| Exceptional items | – | (3.9) | – | – | 2.0 |
| Profit before tax | 18.0 | 13.3 | 22.7 | 27.4 | 34.5 |
| Tax | (5.7) | (3.9) | (7.1) | (8.3) | (9.1) |
| Profit after tax attributable to shareholders | 12.3 | 9.4 | 15.6 | 19.1 | 25.4 |
| Fixed assets and investments | 14.5 | 15.1 | 14.8 | 14.2 | 12.5 |
| Intangible assets | – | – | – | – | 59.5 |
| Net current assets | 54.9 | 56.6 | 62.8 | 77.0 | 137.2 |
| Long term debtors | 3.1 | 1.1 | 0.7 | 15.4 | 15.9 |
| Long term creditors and provisions | (18.8) | (13.1) | (6.0) | (52.9) | (105.0) |
| Net assets | 53.7 | 59.7 | 72.3 | 53.7 | 120.1 |
| Share capital | 11.0 | 11.0 | 11.2 | 11.3 | 13.7 |
| Reserves | 42.7 | 48.7 | 61.1 | 42.4 | 106.4 |
| Shareholders' funds | 53.7 | 59.7 | 72.3 | 53.7 | 120.1 |
| Dividends per share (pence) | 1.5 | 1.5 | 1.7 | 2.1 | 2.5 |
| Basic earnings per share (pence) | 5.8 | 4.4 | 7.2 | 8.6 | 10.8 |
| Diluted earnings per share (pence) | 5.6 | 4.2 | 6.9 | 8.5 | 10.6 |

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

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

CONTACTS

Galliford Try plc

Cowley Business Park
Cowley
Uxbridge
UB8 2AL

Tel: 01895 855001
Fax: 01895 855298
Email: plc@gallifordtry.co.uk
Website: www.gallifordtry.co.uk

Chief Executive: Greg Fitzgerald
Finance Director: Frank Nelson
Managing Director, Building: Andy Sturgess
Managing Director, Infrastructure: Ken Gillespie
Company Secretary: Richard Barraclough

Building

| | | | | |
|--|---|--|--|--|
| Galliford Try Construction North Crab Lane Fearnhead Warrington, Cheshire WA2 0XR Tel: 01925 822 821 Fax: 01925 827 924 MD: Chris Bond | Galliford Try Construction Central Wolvey Hinckley Leicestershire LE10 3JF Tel: 01455 222 777 Fax: 01455 222 749 MD: Chris Bond | Galliford Try Construction South Cowley Business Park Cowley Uxbridge Middlesex UB8 2AL Tel: 01895 855 000 Fax: 01895 855 099 MD: James Armitage | Galliford Try Partnerships Hodgson House 50 Rainsford Road Chelmsford Essex CM1 2XB Tel: 01245 494 849 Fax: 01245 493 494 MD: Stuart Gibbons | Morrison Construction Scotland Kirkton Avenue Pitmedden Road Industrial Estate Dyce, Aberdeen AB21 0BF Tel: 01224 725 244 Fax: 01224 770 817 MD: David Downie |
|--|---|--|--|--|

Infrastructure

| | | | | |
|--|--|--|---|--|
| Morrison Construction Infrastructure Wolvey Hinckley Leicestershire LE10 3JH Tel: 01455 222 753 Fax: 01455 222 717 MD: Steve Walsh | Galliford Try Water & Rail Crab Lane Fearnhead Warrington Cheshire WA2 0XR Tel: 01925 822 821 Fax: 01925 827 924 MD: Colin Crumlin | Galliford Try Communications Wolvey Hinckley Leicestershire LE10 3JH Tel: 01455 222 792 Fax: 01455 222 758 MD: Dean Ashton | Morrison Construction Water Wolvey Hinckley Leicestershire LE10 3JH Tel: 01455 222 753 Fax: 01455 222 717 MD: David Bevan | Rock & Alluvium SBC House Restmor Way Wallington Surrey SM6 7AH Tel: 020 8255 2088 Fax: 020 8241 6934 MD: Ken Cromwell |
|--|--|--|---|--|

PPP Investments

| | |
|---|--|
| Galliford Try Investments Wolvey Hinckley Leicestershire LE10 3JH Tel: 01455 222 777 Fax: 01455 882 346 MD: Alan Flood | Galliford Try Investments 51 Melville Street Edinburgh EH3 7HL Tel: 0131 200 4400 Fax: 0131 200 4498 Dep MD: Andrew Richards |
|---|--|

Housebuilding

| | | | |
|---|---|---|--|
| Midas Homes Homeside House Silverhills Road Newton Abbott Devon TQ12 5YZ Tel: 01626 356 666 Fax: 01626 331 093 MD: Bill Cawse | Stamford Homes Ashurst, Southgate Park Bakewell Road Orton Southgate Peterborough PE2 6YS Tel: 01733 396 600 Fax: 01733 396 669 MD: Ian Baker | Try Homes Thames Valley The Old Brewery Brewery Courtyard Draymans Lane Marlow, Buckinghamshire SL7 2FF Tel: 01628 477 725 Fax: 01628 477 724 MD: Tom Nicholson | Try Homes Southern Bridge House 27 Bridge Street Leatherhead Surrey KT22 8HL Tel: 01372 385 170 Fax: 01372 385 199 MD: Paul Cooper |
|---|---|---|--|

SHAREHOLDER INFORMATION

Financial calendar 2006

| | |
|-----------------------------|-------------|
| Half year results announced | 23 February |
| Interim dividend paid | 13 April |
| Full year results announced | 7 September |
| Final dividend record date | 6 October |
| Annual General Meeting | 27 October |
| Final dividend payment | 3 November |

Shareholder enquiries

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

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

Shareholder helpline

Telephone: 0870 600 3970

You can find a number of shareholder services online via their website at www.shareview.co.uk, including the portfolio service which gives you access to more information on your investments such as balance movements, indicative share prices and information on recent dividends. You can also register your e-mail address to receive shareholder information and 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 or telephone **0870 850 0852**. You should have your share certificate with you when you deal.

Company website

www.gallifordtry.co.uk

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

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

Company contact

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

Analysis of shareholdings

at 30 June 2006

| Size of shareholding | Number of holders | % of holders | Number of shares | % of shares |
|----------------------|-------------------|--------------|--------------------|--------------|
| 1-10,000 | 3,219 | 76.2 | 9,784,370 | 3.5 |
| 10,001- 50,000 | 693 | 16.4 | 13,912,514 | 5.1 |
| 50,001- 500,000 | 203 | 4.8 | 29,636,818 | 10.8 |
| 500,001-Highest | 111 | 2.6 | 221,464,479 | 80.6 |
| Totals | 4,226 | 100.0 | 274,798,181 | 100.0 |

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
RBS plc



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