



GallifordTry plc

INTERIM REPORT 2003



STRATEGY

TO DELIVER ADDED VALUE THROUGH A COMPLETE CONSTRUCTION SERVICE AND SPECIALIST REGIONAL HOUSEBUILDING

CONSTRUCTION

A market leader in the delivery of a complete construction service through a partnership approach with a strong sector focus

HOUSEBUILDING

A leading regional developer with strong local brands, specialising in individually designed developments with an expertise in brownfield and conversion

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HIGHLIGHTS

	Half year ended 31 Dec 2002	Half year ended 31 Dec 2001
Turnover	£298m	£312m
Profit before tax – before exceptional items	£5.6m	£6.6m
– after exceptional items	£3.6m	£6.6m
Earnings per share – before exceptional items	1.8p	2.2p
– after exceptional items	1.1p	2.2p
Interim dividend per share	0.5p	0.5p

- Action taken to restructure construction division
- Andy Sturgess appointed as construction Managing Director, formerly Skanska director responsible for UK building operations
- Selected in consortia with United Utilities as one of two partners to deliver Scottish Water's four year £1.8 billion Asset Delivery Project
- Housebuilding operating profit up 33% to £10.5m
- Housebuilding order book up 15%

"Our housebuilding division has consistently demonstrated that it can achieve good profits and growth. The Board has taken action to restructure the construction division to deliver the acceptable and sustainable profits which will enable the Group to return to generating overall growth and value for shareholders."

CHAIRMAN'S STATEMENT

I am pleased to report that our housebuilding business continues to deliver growth and increased profits, demonstrating the benefit of our geographic spread across the south east, south west and eastern counties of England. However, as we stated at the Annual General Meeting last November, our construction division was underperforming which has resulted in the Group posting lower overall profits for the half year. We also announced the resignation of Deputy Chief Executive, George Marsh. The Board has taken positive remedial action to restructure the construction division which it expects to return to profitability in the second half and produce pre-exceptional results for the full year broadly in line with last year.

Financial Review

Group profit before tax for the half year amounted to £5.6 million before exceptional items and £3.6 million after exceptional items compared to £6.6 million last year. Group turnover was £298 million compared to £312 million the previous year. £2.0 million of exceptional restructuring costs have been charged in the first six months and we are on course to complete the process in the second half within our overall estimate of £4 million.

The increased investment in housebuilding has resulted in higher interest charges and net borrowings, which at 31 December stood at £35.2 million compared to £12.9 million at 30 June 2002, representing gearing of 64%. We expect borrowings to have reduced by the financial year end in line with our programme of housebuilding completions. Shareholders funds have risen to £55.1 million from £53.7 million at 30 June 2002. Earnings per share for the period were 1.8p (pre exceptional) and 1.1p (post exceptional) compared to 2.2p last year.

Our financial planning is taking account of the increases in our cost base due to the higher insurance costs that have affected our industry, and the additional costs we expect to incur from the next financial year going forward to fund the deficits caused by current equity market levels in the Group's final salary pension schemes, which were closed to new entrants in 2001.

Dividend

The directors have declared an unchanged interim dividend of 0.5p per share which will be paid on 10 April 2003 to shareholders on the register at 21 March 2003.

Construction

The construction division incurred an operating loss of £2.0 million before exceptional items, and £3.5 million after exceptional restructuring costs, on a turnover of £226 million.

We have now completed the traditional building contracts that contributed to the disappointing performance in the first half. We have ceased those building operations that were over dependent on work secured by pure price competition and we are actively terminating unprofitable contracts within our maintenance business.

We were delighted to announce the appointment of Andy Sturgess who joined us in January as Managing Director of the construction division. Formerly Skanska's director responsible for UK building operations and managing director of Kvaerner Construction UK, he has the experience of managing one of the UK's leading building contractors and a track record of achieving profitable growth. Following a review of the business, his objective is to ensure that the restructured division is solely focused on the core markets where we can obtain acceptable margins,

with a cost effective structure and risk management process that will deliver sustainable profits.

The construction division has now achieved a leading position in the provision of construction services based on a partnership approach and framework agreements for major clients. We have succeeded in building on our already strong position in our core markets of water, rail, communications, major commercial and the public sector with 76% of the division's order book of £663 million secured on a value basis, rather than in pure price competition. 70% is for the public and regulated sectors where there is the greatest potential and in which we can obtain an increasing proportion of our work through the more widespread use by clients of framework agreements and preferred supplier policies to deliver best value.

We announced earlier this month that we have been selected, in consortia with United Utilities, to be part of the delivery team for Scottish Water's four year £1.8 billion Asset Delivery Project. We hope to conclude contractual negotiations by early April. Our current order book for water related industries is £203 million, the bulk of it in long term framework agreements with the regulated providers.

Our rail skills are focused on the buildings and network structures that form part of the railway infrastructure. We have a total of £120 million of work going forward including our framework agreements for Network Rail in their northwest and midlands regions.

We are a leading provider of communications infrastructure for the major network providers of mobile phones. Carrying out work on over 1,000 cell sites annually, we are expanding the range of services we offer to include programme planning

and design as well as temporary structures for short term call handling capacity.

Our business in major commercial buildings is primarily focused in the midlands and south of England, where we work for major property owners and developers, many of whom have long term building programmes. We have recently been awarded a £35 million contract for a study centre in Oxford, where we have a track record of high quality work.

In the public sector we have a growing workload in affordable housing and education where we shortly expect to be appointed preferred bidder for an £18 million PFI project for schools in Bedford and a £15 million health project in Ealing.

The contractual position at Daventry in respect of the cost of the remedial works on the high specification floor (for which we provided in 2001) is still being progressed and, as we are in a legal process, will inevitably take some time to reach a resolution.

Housebuilding

Housebuilding operating profits were up from £7.9 million to £10.5 million on turnover of £72 million (2002: £63 million) demonstrating the benefit of our geographic spread across the south west, the eastern counties and the south east of England. Our increased number of smaller sites, where our policy of providing individual designs for the more discerning purchaser has enabled us to meet current market demand successfully, has resulted in a higher average selling price, up 19% to £206,000, albeit on fewer homes sold, 318 compared to 359 last year. Our land bank of plots owned or controlled totalled 2,380, an increase of 9% on a year ago, with an average plot cost of £43,000.

CHAIRMAN'S STATEMENT

In the eastern counties, Stamford Homes continued to benefit from its move towards the more affluent areas to the south and urban centres of its region. Its joint venture to develop and project manage 44 acres at Fairfield Hospital near Letchworth recently secured the detailed consents which will enable the infrastructure works for the site to commence, in line with our programme to deliver serviced sites to the acquiring housebuilders in the autumn of this year and to enable the first homes to be completed in the summer of 2004.

Midas Homes in the south west has had an excellent first half. It has also been very successful with its programme of land purchases to replace the sites acquired through the acquisitions of Gerald Wood Homes and Knapp Group last year. In a partnership that includes the Prince of Wales' Foundation we are to deliver the St. Austell urban village, a 10 acre brownfield development which includes 148 homes for both affordable housing and private sale, for which detailed planning consent has now been granted.

Try Homes' reputation in the south east for sensitively developing brownfield sites and for conversions continues to generate excellent opportunities. We have recently started our latest conversion of an old hospital building in Wickham, Hampshire into 48 apartments. Planning guidance is increasingly bringing mixed schemes with homes for sale and affordable housing together, and we have recently secured a number of sites in partnership with housing associations.

The first weeks of 2003 have resulted in satisfactory visitor levels and sales, albeit there are clear signs of weakness for higher value homes in the south east where we have little exposure. With our homes increasingly focused on the

mainstream market, where we see the best opportunities in the near future, we are encouraged that the order book as we entered the New Year was up 15% compared to a year ago. The complexity of the planning process continues to act as a restraint on supply and in each of our three regions there is an underlying demand that, subject to short term economic factors, will support growth in the market over the medium term.

Prospects

With 70% of our construction order book in the public and regulated sectors we are already strong in the markets that are forecast to demonstrate the greatest potential in the immediate future. The actions we have taken to restore the division's profitability are already showing progress and will be completed by the financial year end.

While there is some degree of uncertainty in the housing market we expect to achieve our planned performance for the year end and will concentrate on maintaining our regional spread with individually designed developments for the mainstream market.

Our housebuilding division has consistently demonstrated that it can achieve good profits and growth. The Board has taken action to restructure the construction division to deliver the acceptable and sustainable profits which will enable the group to return to generating overall growth and value for shareholders.

Tony Palmer

25 February 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Half year ended 31 Dec 2001 £000	Year ended 30 June 2002 £000		Pre- exceptional £000	Exceptional items £000	Half year ended 31 December 2002 Total £000
Turnover					
312,580 (613)	649,783 (881)	Total continuing operations	299,890	–	299,890
		less share of joint ventures' turnover	(1,560)	–	(1,560)
311,967 (288,122)	648,902 (598,697)	Group turnover	298,330	–	298,330
		Cost of sales	(274,592)	(1,300)	(275,892)
23,845 (16,286)	50,205 (30,458)	Gross profit	23,738	(1,300)	22,438
		Net operating expenses	(16,691)	(698)	(17,389)
7,559 45 – –	19,747 (217) 483 155	Group operating profit	7,047	(1,998)	5,049
		Share of profits/(losses) in joint ventures	103	–	103
		Profit on sale of investment in joint venture	–	–	–
		Income from other fixed asset investments	–	–	–
7,604 (1,009) (41) (1,050)	20,168 (2,078) (75) (2,153)	Profit on ordinary activities before interest	7,150	(1,998)	5,152
		Net interest payable – Group	(1,381)	–	(1,381)
		– Joint ventures	(162)	–	(162)
			(1,543)	–	(1,543)
6,554 (1,969)	18,015 (5,728)	Profit on ordinary activities before tax	5,607	(1,998)	3,609
		Tax	(1,783)	600	(1,183)
4,585 (1,092)	12,287 (3,292)	Profit on ordinary activities after tax	3,824	(1,398)	2,426
		Dividends	(1,100)	–	(1,100)
3,493	8,995	Retained profit for the period	2,724	(1,398)	1,326
2.2 2.1	5.8 5.6	Basic earnings per ordinary share (pence)	1.8	–	1.1
		Diluted earnings per ordinary share (pence)	1.7	–	1.1

CONSOLIDATED BALANCE SHEET

	31 Dec 2002 £000	31 Dec 2001 £000	30 June 2002 £000
Fixed assets			
Intangible assets – goodwill	292	562	423
Tangible assets	12,186	12,069	12,087
Investments in joint ventures			
Share of gross assets	9,695	2,143	660
Share of gross liabilities	(7,272)	(1,780)	(442)
	2,423	363	218
Investments in associates	81	81	81
Other investments	1,968	1,363	1,737
	16,950	14,438	14,546
Current assets			
Stock	371	630	358
Developments	146,943	127,172	128,475
Debtors	107,537	99,399	111,316
Cash at bank and in hand	3,259	2,331	1,757
	258,110	229,532	241,906
Creditors: amounts falling due within one year			
Bank loans and overdrafts	(33,373)	(12,876)	(9,556)
Other amounts falling due within one year	(170,262)	(173,245)	(174,368)
Net current assets	54,475	43,411	57,982
Total assets less current liabilities	71,425	57,849	72,528
Creditors: amounts falling due after more than one year	(13,457)	(8,676)	(15,902)
Provisions for liabilities and charges	(2,905)	(1,586)	(2,905)
	55,063	47,587	53,721
Capital and reserves			
Called up share capital	11,003	10,871	10,999
Share premium account	1,590	1,074	1,578
Merger reserve	4,687	4,687	4,687
Revaluation reserve	1,913	1,917	1,915
Other reserves	–	35	–
Profit and loss account	35,870	29,003	34,542
Equity shareholders' funds	55,063	47,587	53,721

CONSOLIDATED CASH FLOW STATEMENT

	Half year ended 31 Dec 2002 £000	Half year ended 31 Dec 2001 £000	Year ended 30 June 2002 £000
Net cash (outflow)/inflow from operating activities	(13,469)	7,737	16,351
Returns on investments and servicing of finance	(1,339)	(813)	(1,809)
Taxation	(2,091)	(111)	(3,446)
Capital expenditure and financial investment	(863)	(652)	(1,492)
Acquisitions and disposals	(2,340)	(463)	(833)
Equity dividends paid	(2,200)	(1,952)	(3,044)
Net cash (outflow)/inflow before use of liquid resources and financing	(22,302)	3,746	5,727
Management of liquid resources			
Financing			
Issue of ordinary share capital	16	55	687
Capital element of finance lease rental payments	(29)	(16)	(1)
Increase/(decrease) in bank loans	22,933	(23,766)	(35,424)
Issue of loan notes	-	-	159
Repayment of loan notes	-	(59)	(100)
	22,920	(23,786)	(34,679)
Increase/(decrease) in cash in the period	618	(20,040)	(28,952)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period	618	(20,040)	(28,952)
(Increase)/decrease in debt and lease financing	(22,904)	20,164	35,366
Borrowings acquired with subsidiary	-	(1,431)	(1,431)
Loan notes issued in respect of acquisition	-	-	(3,820)
Change in net debt in the period	(22,286)	(1,307)	1,163
Net debt at start of period	(12,921)	(14,084)	(14,084)
Net debt at end of period	(35,207)	(15,391)	(12,921)

NOTES

1 Segmental analysis

	Half year ended 31 December					
	Group Turnover	Group Turnover	Profit/(loss) before exceptional items		Profit/(loss) after exceptional items	
			2002 £000	2001 £000	2002 £000	2001 £000
Construction	226,189	249,123	(1,994)	1,022	(3,467)	1,022
Housebuilding	71,650	62,556	10,525	7,864	10,525	7,864
Group	491	288	(1,381)	(1,282)	(1,906)	(1,282)
	298,330	311,967	7,150	7,604	5,152	7,604
Less net interest payable			(1,543)	(1,050)	(1,543)	(1,050)
			5,607	6,554	3,609	6,554

In addition to the above the turnover in joint ventures amounted to £Nil (2001: £613,000) in construction and £1,560,000 (2001: £Nil) in housebuilding. The profit /(loss) before and after exceptional items in respect of joint ventures amounted to £Nil (2001: £45,000) in construction and £103,000 (2001: £Nil) in housebuilding.

2 Basis of preparation

The interim financial information has been prepared on the basis of the accounting policies set out in Galliford Try plc's statutory financial statements for the year ended 30 June 2002 and in accordance with applicable UK accounting standards. All the figures are consolidated and for both the six months ended 31 December have been reviewed by the auditors.

The figures for the year ended 30 June 2002 have been extracted from the financial statements of Galliford Try plc, on which the auditors gave an unqualified audit report and which have been delivered to the Registrar of Companies. The foregoing financial information does not constitute statutory financial statements.

3 Exceptional items

The exceptional items relate to the costs of restructuring in the construction division during the period. These comprise termination costs of £698,000 together with the £1,300,000 estimated cost of withdrawing from certain of the Group's maintenance and smaller building contract activities.

4 Earnings per share

Basic earnings per share is calculated using the profit on ordinary activities after tax and the weighted average number of ordinary shares in issue during the period less the weighted average number of ordinary shares held by the Galliford Try Employee Share Trust. For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

5 Taxation

The tax charge for the period reflects the estimated effective rate for the full year to 30 June 2003.

6 Interim dividend

The directors have declared an interim dividend of 0.5p per share (2002: 0.5p) which will be paid on 10 April 2003 to shareholders on the register on 21 March 2003.

7 Reconciliation of operating profit to cash flows

	Half year ended 31 Dec 2002 £000	Half year ended 31 Dec 2001 £000	Year ended 30 June 2002 £000
Operating profit after exceptional items	5,049	7,559	19,747
Depreciation	764	750	1,552
Loss on disposal of tangible fixed assets	–	2	23
Amortisation of own shares held	(231)	63	125
Amounts written off investments	–	50	–
Amortisation of goodwill	131	136	275
Increase in stocks	(13)	(293)	(21)
Increase in developments	(18,468)	(6,885)	(8,188)
Decrease/(increase) in debtors	3,854	3,104	(8,305)
(Decrease)/increase in creditors	(4,555)	3,251	11,143
	(13,469)	7,737	16,351

8 Analysis of changes in net debt

	At 1 July 2002 £000	Cash flow £000	At 31 Dec 2002 £000
Cash at bank and in hand	1,757	1,502	3,259
Overdrafts	(8,338)	(884)	(9,222)
	(6,581)	618	(5,963)
Loan notes	(5,093)	–	(5,093)
Bank notes	(1,218)	(22,933)	(24,151)
	(12,892)	(22,315)	(35,207)
Finance lease obligations	(29)	29	–
	(12,921)	(22,286)	(35,207)

Introduction

We have been instructed by the company to review the financial information which comprises the consolidated profit and loss account, consolidated balance sheet, consolidated cash flow statement and the related notes numbered 1 to 8. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2002.

PricewaterhouseCoopers

Chartered Accountants

London

25 February 2003

SHAREHOLDER INFORMATION

Financial Calendar 2003

Half year results to 31 December 2002:

Announcement 25 February

Interim dividend:

Ex dividend date 19 March

Record date 21 March

Payment date 10 April

Results for the year ended 30 June 2003:

Announcement September

Annual General Meeting November

Final dividend payment 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

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.

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).

Registration

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