

expertise and imagination

construction

Long term framework and partnering agreements for the water, rail, health and education sectors together with major construction projects are delivered by Galliford Try Construction nationwide. Specialist affordable housing, telecommunications and ground engineering businesses complete our approach to offering sector specific expertise.

housebuilding

A leading regional developer with strong local brands, specialising in individually designed developments with an expertise in building conversions and brownfield sites, together with a strong focus on customer service.

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highlights

	Half year to 31 December	
	2003	2002
Turnover	£354m	£298m
Profit before tax and exceptionals	£9.6m	£5.5m
Profit before tax	£9.6m	£3.5m
Earnings per share before exceptionals	3.1p	1.7p
Earnings per share	3.1p	1.1p
Dividend per share	0.55p	0.5p

- ▶ Net debt of £11.6 million represents gearing of 18% (2002: £35.2 million, 65%)
- ▶ Construction margins increasing in line with plan
- ▶ Health sector “LIFT” awards in excess of £134 million
- ▶ 86% of £674 million construction order book secured on a value basis
- ▶ Housebuilding order book up 22% at £83.5 million
- ▶ Three year plan to expand housebuilding unit sales by 50%

chairman's statement

I am pleased to report material progress in the first half of the financial year. Housebuilding has again performed well and, as our construction division continues to gather momentum and meet its targets for predictable and sustainable growth, this has had a positive impact on overall profits.

In accordance with our statement last October the board has carried out a full review, with its advisers, of strategies to maximise shareholder value. The review concluded that the best overall value of the business, and therefore its optimum worth to shareholders, would be achieved by building on the current Group structure, delivering on the recent successes of the streamlined construction division and continuing the successful growth of housebuilding by increasing investment in both organic expansion and selective geographic acquisition. The board is working to a business plan which has the objective of increasing margins in construction over the medium term to the industry upper quartile of 2% and, as we move our emphasis further towards the mainstream market, to grow housebuilding profits based on expanding unit sales by 50% over a three year period. The results announced today demonstrate we are on track.

Financial Review

The profit before tax for the half year amounted to £9.6 million (2002: £5.5 million before exceptional items and £3.5 million after exceptional items). Group turnover grew strongly in the first half of the year, up 19% at £354 million compared to £298 million last year. With the increased selectivity of the construction division in its target market sectors going forward, we do not expect turnover to continue at this high level.

We continue to generate strong cash flow, with a particularly good performance from the construction division. Period end completions and deferred land payments in the housebuilding division also reduced net debt at 31 December to the half year low of £11.6 million, representing gearing of 18% (£17.8 million at 30 June 2003 and £35.2 million at 31 December 2002). The earnings per share for the period were 3.1p

compared to 1.7p (pre exceptional) and 1.1p (post exceptional) for the same period last year. Shareholders funds have risen to £65.5 million from £59.7 million at 30 June 2003.

Dividend

The directors have stated their commitment to a progressive dividend policy that takes into account earnings progression as well as the need for investment in the business. Accordingly, the directors have declared an interim dividend of 0.55p per share, 10% up on last year, which will be paid on 2 April 2004 to shareholders on the register at 26 March 2004.

Construction

The construction division achieved an operating profit of £2.03 million on a turnover of £268.7 million. This represents a margin of 0.8%, in line with our target for steady improvement following the restructuring in 2003, which reduced the cost base of the division and focused it on the market sectors where we can make predictable and sustainable profits.

We have had considerable success in securing work in our chosen markets and in particular winning long term framework agreements in the public and regulated sectors. During the half year, we announced our appointment as one of Scottish Water's partners, working on both the programme management and delivery of their four year £1.8 billion asset management project. Works have commenced and we expect to see the full financial benefit during the next financial year. The contract secured our position as one of the top five construction providers to the water industry, a market which will continue to receive significant capital investment in the foreseeable future.

At the end of the last financial year we expressed our intention to target growth in the health and education sectors. We are now seeing the benefit of our reorganised central PFI team taking advantage of the higher proportion of the increased public investment in education and health being carried out through public / private partnership arrangements.

In education, we recently announced financial close of the £58 million Bedford Schools PFI project and we were delighted to announce earlier this week our appointment as preferred bidder on a £45 million project for Caludon Castle School in Coventry. We are working towards preferred bidder stage on further multi-school opportunities.

In health, we have announced our appointment as preferred bidder for LIFT projects in Coventry, Liverpool and Barnet amounting to a current contract value of £134 million. Local Improvement Finance Trusts are the Government's vehicle for attracting private sector finance and expertise to develop primary care centres in the NHS and are being established as joint ventures between local health care trusts, the private sector and the Government backed Partnerships for Health. We expect further projects to be added in later phases.

Whilst overall rail investment is not currently growing at such a strong rate, good opportunities remain for our business in framework agreements for the buildings and infrastructure works let by Network Rail and the train operating companies.

In our specialist construction businesses, Galliford Try Communications is benefiting from a further release of work from the mobile phone operators as the investment in the infrastructure for 3G continues. We are seeking opportunities to expand our affordable housing business, concentrated around London and in the south west, as the demand for social and key worker accommodation rises. Our ground engineering business has performed well in a buoyant market.

Construction work, particularly in the public and regulated sectors, is increasingly being managed on a collaborative basis, which is well suited to our proven skills and track record in partnering. As construction partner, Galliford Try is involved at the earliest stages of project planning, working on a project's entire life cycle and using our design management skills, thereby ensuring buildability and delivery are effectively designed into the construction process. Clients benefit from the integrated approach we offer in achieving their objectives and the process best utilises our skills, thereby providing longer term financial returns and much improved construction risk management.

We are steadily reducing the number of contracts carried out for single project clients and with 86% of our current overall workload of £674 million secured on a value basis, and our concentration on profit potential and construction risk management, we are making good progress towards our medium term target of margins in the industry upper quartile.

Housebuilding

Operating profit of £11.2 million was achieved on a turnover of £87.6 million. Strong sales in the first half resulted in 367 units sold at an average sales price of £228,000. We anticipate our average sales price increasing further in the second half of the year, thereafter reducing as we make sales on the sites we are now developing with higher densities into the mainstream market.

Competition for quality sites remains intense and we remain selective in the sites we acquire. We have maintained the overall size of our landbank, with plots owned or controlled at 31 December of 2,282, and a strategic landbank from which we anticipate securing well in excess of 2,200 plots.

In the south east, the market started to recover from the general slow down experienced in 2003. Try Homes specialise in conversions and brownfield projects, with quality designs and high specifications, which command a premium price.

chairman's statement

It has carried out a number of successful hospital building conversions in Oxfordshire, Kent and Hampshire and has recently acquired the Horton Hospital buildings at Epsom to develop into 61 homes.

In the eastern counties, Stamford Homes continues to make progress in its joint venture to develop and project manage the 44 acre site at Fairfield. The site infrastructure is now in place and the first tranches of land have been sold to the developing housebuilders.

There is significant scope for Stamford, which has a substantial proportion of its business dependent on lower value greenfield development, to increase its profit margins. A new managing director, with a successful track record in our south west business, has been appointed and an action plan is underway to move its business model more in line with our other brands.

Midas Homes, based in the south west, again made excellent progress. With the existing business based in Devon and Cornwall, the Company's strategy is to grow turnover and profits by geographic expansion eastwards. The first sites have been acquired in Somerset.

The business has developed strategies to continue to grow profits in the context of a housing market that is not expected to show the price increases of recent years. There is both scope and resource for each of our regional companies to increase their market share. Measures are being implemented to improve the cost effectiveness of designs and construction techniques. We are already benefiting from our expertise in affordable housing which enables us to extract best value from the planning requirements for mixed developments. Strategic land holdings are now controlled centrally, thereby directing more resource into securing options and the conditional contracts where our planning skills can optimise the development value of a site and provide land owners with competitive offers. Opportunities to add to the business by acquisition will be pursued as

appropriate. The combination of these factors underpins the division's business plan which targets profit growth based on a 50% expansion in unit sales over the next three years.

Prospects

Since the New Year visitor levels and sales in housebuilding have been very encouraging, and the current order book is up 22% on a year ago at £83.5 million. We expect to achieve our growth targets for this financial year and are raising the sights of the division to deliver long term expansion.

Construction is making the progress that we planned. Our success in securing work in our target markets, and our focus on managing the construction risk, gives the business a significant opportunity to grow long term profits.

Our plans are underpinned by an experienced and ambitious management team, robust finances and a stringent programme of cost control. The board is confident that it will deliver increasing value to shareholders.

Tony Palmer
Chairman
26 February 2004

consolidated profit and loss account

		Half year ended 31 Dec 2003	Half year ended 31 Dec 2002 (restated)*	Year ended 30 Jun 2003 (restated)*
	Note	£000	£000	£000
Turnover				
Total continuing operations		356,431	299,890	640,380
Less share of joint ventures' turnover		(2,897)	(1,560)	(2,555)
Group turnover	1	353,534	298,330	637,825
Cost of sales				
Cost of sales		(325,456)	(274,592)	(587,040)
Exceptional cost of sales		–	(1,300)	(2,228)
Total cost of sales		(325,456)	(275,892)	(589,268)
Gross profit		28,078	22,438	48,557
Net operating expenses				
Net operating expenses		(17,050)	(16,845)	(31,553)
Exceptional operating expenses		–	(698)	(1,644)
Total operating expenses		(17,050)	(17,543)	(33,197)
Group operating profit		11,028	4,895	15,360
Share of profits in joint ventures		445	103	279
(Loss)/profit on sale of fixed asset investments		(22)	–	916
Profit on ordinary activities before interest	1	11,451	4,998	16,555
Net interest payable – Group				
Net interest payable – Group		(1,392)	(1,381)	(2,534)
– Joint ventures		(425)	(162)	(676)
		(1,817)	(1,543)	(3,210)
Profit on ordinary activities before tax		9,634	3,455	13,345
Tax	5	(2,987)	(1,183)	(3,898)
Profit on ordinary activities after tax		6,647	2,272	9,447
Dividends	6	(1,198)	(1,100)	(3,312)
Retained profit for the period		5,449	1,172	6,135
Earnings per ordinary share				
– before exceptional items		3.1p	1.7p	5.6p
– after exceptional items		3.1p	1.1p	4.4p
Diluted earnings per share				
– before exceptional items		2.9p	1.6p	5.4p
– after exceptional items		2.9p	1.0p	4.2p
Dividend		0.55p	0.50p	1.50p

*Restated for new accounting pronouncements – see note 3.

consolidated balance sheet

	31 Dec 2003 £000	31 Dec 2002 (restated) £000	30 June 2003 (restated) £000
Fixed assets			
Intangible assets – goodwill	84	292	167
Tangible assets	11,703	12,186	12,208
Investments in joint ventures:			
Share of gross assets	10,749	9,695	13,895
Share of gross liabilities	(8,652)	(7,272)	(11,730)
	2,097	2,423	2,165
Investments in associates	48	81	48
Other investments	607	1,170	507
	14,539	16,152	15,095
Current assets			
Stocks	415	371	448
Developments	154,652	146,943	148,552
Debtors	115,060	107,537	116,619
Cash at bank & in hand	5,572	3,259	11,377
	275,699	258,110	276,996
Creditors: amounts falling due within one year			
Bank loans and overdrafts	12,138	33,373	24,151
Other amounts falling due within one year	203,843	170,017	195,132
Net current assets	59,718	54,720	57,713
Total assets less current liabilities	74,257	70,872	72,808
Creditors: amounts falling due after more than one year	(5,438)	(13,457)	(9,719)
Provisions for liabilities and charges	(3,340)	(2,905)	(3,358)
	65,479	54,510	59,731
Capital and reserves			
Called up share capital	11,076	11,003	11,058
Share premium account	1,824	1,590	1,767
Merger reserve	4,687	4,687	4,687
Revaluation reserve	1,910	1,913	1,912
Profit and loss account	45,982	35,317	40,307
Equity shareholders' funds	65,479	54,510	59,731

consolidated cash flow statement

	Half year ended 31 Dec 2003	Half year ended 31 Dec 2002 (restated)	Year ended 30 June 2003 (restated)
	£000	£000	£000
Net cash inflow/(outflow) from operating activities	11,833	(13,469)	7,229
Dividends from joint ventures	–	–	75
Returns on investments and servicing of finance	(1,215)	(1,339)	(2,524)
Taxation	(2,064)	(2,091)	(4,174)
Capital expenditure and financial investment	(259)	(863)	(1,724)
Acquisitions and disposals	50	(2,340)	(734)
Equity dividends paid	(2,212)	(2,200)	(3,300)
Net cash inflow/(outflow) before use of liquid resources and financing	6,133	(22,302)	(5,152)
Financing			
Issue of ordinary share capital	75	16	248
Capital element of finance lease rental payments	–	(29)	(29)
(Decrease)/increase in bank loans	(15,000)	22,933	22,933
Repayment of loan notes	–	–	(42)
	(14,925)	22,920	23,110
(Decrease)/increase in cash in the period	(8,792)	618	17,958
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in period	(8,792)	618	17,958
Decrease/(increase) in debt and lease financing	15,000	(22,904)	(22,862)
Change in net debt in the period	6,208	(22,286)	(4,904)
Net debt at start of period	(17,825)	(12,921)	(12,921)
Net debt at end of period	(11,617)	(35,207)	(17,825)

statement of group total recognised gains and losses

	Half year ended 31 Dec 2003	Half year ended 31 Dec 2002 (restated)	Year ended 30 June 2003 (restated)
	£000	£000	£000
Profit for the financial period	6,647	2,272	9,447
Prior year adjustment (note 3)	(166)		
Total gains and losses recognised since last annual report	6,481		

notes

1 Segmental analysis

	Turnover half year ended 31 December					
	2003			2002		
	Including joint ventures £000	Joint ventures £000	Group £000	Including joint ventures £000	Joint ventures £000	Group £000
Construction	268,663	843	267,820	226,189	–	226,189
Housebuilding	87,578	2,054	85,524	73,210	1,560	71,650
Group	190	–	190	491	–	491
Total	356,431	2,897	353,534	299,890	1,560	298,330

	Profit/(loss) for half year ended 31 December			
	2003		2002	
	Before exceptional items £000	2002 (restated) £000	2003 After exceptional items £000	2002 (restated) £000
	£000	£000	£000	£000
Construction	2,032	(1,994)	2,032	(3,467)
Housebuilding	11,161	10,525	11,161	10,525
Group	(1,742)	(1,535)	(1,742)	(2,060)
	11,451	6,996	11,451	4,998
Less net interest payable	(1,817)	(1,543)	(1,817)	(1,543)
	9,634	5,453	9,634	3,455

The profit/(loss) before and after exceptional items in respect of joint ventures amounted to £72,000 (2002: £Nil) in construction and £373,000 (2002: £103,000) 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 2003, except as set out below in note 3, and in accordance with applicable UK accounting standards. The comparative figures for 31 December 2002 and 30 June 2003 have been restated to reflect the changes noted below. 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 2003 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 Prior year adjustment

As a result of the revisions of UITF Abstract 13, 'Accounting for ESOP trusts', (now UITF Abstract 38 of the same name) and UITF Abstract 17, 'Employee share schemes', a prior year adjustment has been made to reflect the changes required. The impact has been that own shares are no longer shown as the sponsoring company's assets but are instead presented as a deduction from reserves. In addition, the charge made to the profit and loss account for employee share awards and options is now based on the intrinsic value of the award spread over the performance period.

The adoption of UITF 38 has resulted in a decrease in other investments of £440,000 (31 December 2002: £798,000, 30 June 2003: £567,000).

The adoption of UITF 17 (revised) and UITF 38 has resulted in a decrease in administration costs of £138,000 (31 December 2002: increase £154,000, 30 June 2003: increase £166,000) and a reduction in opening profit and loss account reserves at 1 July 2003 of £539,000.

The prior year adjustment has been reflected in the effective tax rate applied for the period and had no material impact.

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 2004 of 31.0% (30 June 2003: 29.2%).

6 Interim dividend

The directors have declared an interim dividend of 0.55p per share (2003: 0.50p) which will be paid on 2 April 2004 to shareholders on the register on 26 March 2004.

7 Reconciliation of operating profit to cash flows

	Half year ended 31 Dec 2003	Half year ended 31 Dec 2002 (restated)	Year ended 30 June 2003 (restated)
	£000	£000	£000
Operating profit after exceptional items	11,028	4,895	15,360
Depreciation	808	764	1,588
(Profit)/loss on disposal of tangible fixed assets	(144)	–	15
Charge/(credit) for employee share options	224	(122)	(96)
Amortisation of goodwill	83	131	256
Decrease/(increase) in stocks	33	(13)	(90)
Increase in developments	(6,100)	(18,468)	(20,077)
Decrease/(increase) in debtors	1,672	3,854	(5,203)
Increase/(decrease) in creditors	4,229	(4,510)	15,476
Net cash inflow/(outflow) from operating activities	11,833	(13,469)	7,229

8 Analysis of changes in net debt

	At 1 July 2003 £000	Cash flow £000	At 31 Dec 2003 £000
Cash at bank and in hand	11,377	(5,805)	5,572
Overdrafts	–	(2,987)	(2,987)
	11,377	(8,792)	2,585
Loan notes	(5,051)	–	(5,051)
Bank loans	(24,151)	15,000	(9,151)
Net debt	(17,825)	6,208	(11,617)

independent review report to Galliford Try plc

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, statement of group total recognised gains and losses 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 2003.

PricewaterhouseCoopers LLP

Chartered Accountants

London

26 February 2004

shareholder information

Financial Calendar 2004

Half year results to 31 December 2003:
Announcement 26 February

Interim dividend:
Ex dividend date 24 March
Record date 26 March
Payment date 2 April

Results for the year ended 30 June 2004:
Announcement September
Annual General Meeting October
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

England 836539

