

INTERIM REPORT 2006



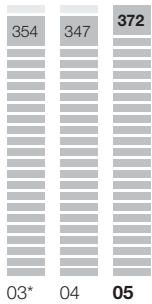
Galliford Try plc

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

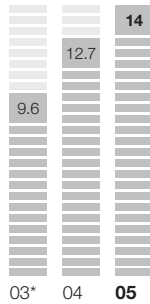
Housebuilding. A leading regional developer with strong local brands, specialising in individually designed developments with an expertise in brownfield, conversion and a strong focus on customer service.

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Highlights for the six months ended 31 December 2005



Group revenue
£m



Profit before tax
£m



Earnings per share
pence

*2003 prepared under UK GAAP

Financial

- Group revenue up 7% to £372 million (2004: £347 million)
- Profit before tax up 10% to £14 million (2004: £12.7 million)
- Earnings per share up 10% to 4.4p (2004: 4.0p)
- Interim dividend increased 17% to 0.7p (2004: 0.6p)
- Net debt £8.9 million representing gearing of 15% (2004: £10.1 million and 21%)

Operational

- Construction margin of 2% achieved ahead of plan
- Construction work in hand £1.1 billion – 90% on non-competitive basis
- Financial close achieved on £192 million Northamptonshire Schools PFI
- £67 million acquisition of Chardale Homes completed – increases landbank by 1,350 units
- Housebuilding operating profit at record £13.9 million, margin maintained at 14.1%
- Housebuilding sales in hand at record high of £191 million, 15% up on a year ago

Chairman's Statement

I am delighted to report another set of record results for the first half of our financial year, demonstrating our ability to deliver profitable growth from construction and a good performance from our housebuilding business, despite a tough market.

Financial Review

Profit before tax for the 6 months ended 31 December 2005 was £14.0 million, an increase of 10% (2004: £12.7 million) with Group revenue up 7% at £372 million (2004: £347 million). This is the first set of results we have reported under the new International Financial Reporting Standards.

The construction division is generating strong profits, and a cash flow that significantly contributes towards the financing of our investment in housebuilding. Net debt at 31 December was £8.9 million representing gearing of 15% (£10.1 million and 23% at 31 December 2004). Since the half year end we have taken advantage of the strong market for commercial property investments and entered into two sale and leaseback arrangements on our offices at Uxbridge and Newton Abbot, which will generate cash proceeds of £11.2 million and a one off profit of £3.8 million.

Earnings per share for the period were 4.4p compared to 4.0p for the same period last year. Shareholders' funds have risen to £58.2 million compared to £48.3 million at 31 December 2004.

Dividend

The directors have declared an interim dividend of 0.7p per share, a 17% increase on last year, which will be paid on 13 April 2006 to shareholders on the register at 17 March 2006. Having rebased the dividend with a 24% increase in the total for the last

financial year, the directors are committed to a progressive dividend policy that takes into account both earnings growth and the need for continuing investment in the business.

Construction

The construction division achieved an operating profit of £5.6 million on revenue of £273 million, representing a profit margin of 2%. With our construction business well established in its selected markets, our objective is now to deliver higher profits by controlled growth in revenue.

In December we announced that we had reached financial close on the UK's largest education PFI scheme for Northamptonshire County Council. Over the next three years, we will carry out £192 million of construction work at 41 schools as an integral part of Northamptonshire County Council's transition to a new two tier educational system. The project adds to the significant experience Galliford Try has in education, a sector with good prospects as Government investment continues.

We maintain a high quality workload in our selected markets. We have secured our first framework agreement for Anglian Water as one of two contractor partnerships appointed to carry out a total of £70 million of water infrastructure works in the east of England over the next five years. With much of our existing water operations based in the North West and Scotland, this award extends both our client base and geographic presence. The commercial market is also providing a number of good opportunities, particularly in the West End of London.

In communications infrastructure we have secured our first fully integrated contract since the acquisition of Pentland Limited. The skills of our business are in demand across the global mobile communications market, and we have recently formed a joint venture with a well established local business in Ukraine to provide infrastructure services into a market that has good growth opportunities.

Following the award of the Northamptonshire Schools PFI, the construction order book exceeded £1 billion for the first time, and currently stands at £1.1 billion. 88% is in the public and regulated sectors and 90% has been secured on a non price competitive basis.

PPP Investments

Our objective with PPP investments is to take an active equity participation in public / private partnership arrangements for public sector work, with the objective of providing negotiated contracts for the construction division. As well as the closure of the Northamptonshire Schools PFI, we achieved financial close on a second phase project in the Barnet, Enfield and Haringey LIFT, a £5 million health centre, and are currently working on further opportunities within our other existing LIFT frameworks. There are also good opportunities under the Building Schools for the Future programme in the pipeline.

Housebuilding

The housebuilding division achieved profit of £13.9 million on revenue of £98 million.

The market remains tough but showed a marked improvement compared to the same period last year. Completions for the half year were up 25% at 484

units on an average selling price of £203,000, reduced from £228,000 a year ago in line with our strategy of concentrating on the mainstream market.

The start of 2006 has seen further buyer confidence returning to the market with sales rates, based on limited incentives and marketing support, significantly better than the latter part of 2005. The division has currently reserved, contracted or completed a record level of sales with a value of £191 million, a 15% increase on last year. This represents approximately 75% of planned sales for the year to 30 June 2006. Visitor levels are also encouraging, up 29% compared to last year.

On 15 February we completed the £67 million acquisition of Chartdale Homes. Based in Lincolnshire and covering an area to the north of, and adjacent to, Stamford Homes, the acquisition represents a significant contribution towards the Group's expansion plan to increase the number of units sold by its housebuilding division to 1,500 per annum. Approximately 95% of Chartdale's landbank of 1,350 plots are expected to be developed as houses, with the balance to be developed as apartments. This reduces our overall exposure to the market for apartments which represents less than 25% of units within the enlarged landbank, currently standing at 3,800 units, compared to 2,464 a year ago.

The market for land is highly competitive and obtaining planning consents, particularly in the south east, remains a lengthy and difficult process. The addition of the Chartdale landbank, substantially all of which has planning permission, will therefore contribute considerably to the growth of the business.

Chairman's Statement continued

Affordable Housing

Our framework agreements with our key affordable housing clients continue to generate increasing levels of work. As announced in January, Stephen Teagle, formally Development Director of the Devon and Cornwall Housing Association and Managing Director of Westco, the association's commercial development arm, has joined the Group as Affordable Housing Director to ensure we maximise our potential for growth in this sector.

Prospects

With our strong position in selected construction markets and a workload well spread across the public and regulated sectors, we are looking to grow profits through a controlled increase in revenue.

In housebuilding we are encouraged by the level of sales since the New Year and by the increasing confidence returning to the market. Boosted by the acquisition of Chartdale, we are confident that we are on track to deliver our expansion plan.

The board is very confident of reporting further progress at the full year.

David Calverley

Chairman

23 February 2006

Consolidated Income Statement

for the half year ended 31 December 2005 (unaudited)

	Notes	Half year to 31 Dec 2005 £000	Half year to 31 Dec 2004 £000	Year to 30 June 2005 £000
<i>Continuing operations</i>				
Revenue		372,194	347,166	718,494
Cost of sales		(336,199)	(312,647)	(651,675)
Gross profit		35,995	34,519	66,819
Administrative expenses		(19,485)	(19,567)	(35,596)
Share of post tax losses from joint ventures		(212)	(201)	(219)
Profit before finance costs		16,298	14,751	31,004
Profit before finance costs includes:				
Profit on sale of fixed asset investments		–	–	1,562
Interest receivable		316	294	664
Interest payable	2	(2,649)	(2,299)	(4,411)
Income from other participating interest		–	–	100
Profit on ordinary activities before tax		13,965	12,746	27,357
Taxation	3	(4,117)	(3,860)	(8,312)
Profit for the financial period		9,848	8,886	19,045
Dividend per ordinary share				
– paid per share		1.6p	1.15p	1.75p
– total value		3,342	2,545	3,875
– proposed per share		0.7p	0.6p	1.6p
– total value		1,560	1,330	3,342
Earnings per ordinary share	4			
– basic		4.4p	4.0p	8.6p
– diluted		4.3p	3.9p	8.3p

Consolidated Statement of Recognised Income and Expense

for the half year ended 31 December 2005 (unaudited)

	Half year to 31 Dec 2005 £000	Half year to 31 Dec 2004 £000	Year to 30 June 2005 £000
Profit for the financial period	9,848	8,886	19,045
Actuarial losses in pension scheme	(3,120)	(10,667)	(15,175)
Deferred tax on actuarial losses taken directly to equity	936	3,200	4,552
Net losses not recognised in the income statement	(2,184)	(7,467)	(10,623)
Total recognised income for the period	7,664	1,419	8,422

Consolidated Balance Sheet

at 31 December 2005 (unaudited)

	31 Dec 2005 £000	31 Dec 2004 £000	30 June 2005 £000
Non-current assets			
Intangible assets – Goodwill	643	–	–
Property, plant and equipment	11,580	12,011	11,630
Financial assets – Available for sale investments	468	608	468
Investments accounted for using equity method	1,864	2,054	2,111
Trade and other receivables	253	225	245
Deferred tax assets	16,358	13,625	15,187
Total non-current assets	31,166	28,523	29,641
Current assets			
Inventories	2,074	1,642	613
Developments	202,473	183,436	206,171
Trade and other receivables	93,162	82,607	100,204
Available for sale financial assets	4,829	1,676	3,412
Derivative financial assets	53	145	139
Cash and cash equivalents	3,747	8,444	2,007
Total current assets	306,338	277,950	312,546
Total assets	337,504	306,473	342,187
Current liabilities			
Financial liabilities – Borrowings	(16,424)	(19,240)	(16,769)
Trade and other payables	(195,240)	(190,328)	(215,465)
Current tax liabilities	(4,566)	(3,125)	(3,549)
Total current liabilities	(216,230)	(212,693)	(235,783)
Non-current liabilities			
Financial liabilities – Borrowings	(1,035)	(1,023)	(1,013)
Retirement benefit obligations	(48,137)	(40,615)	(46,168)
Deferred tax liabilities	(3,207)	(2,528)	(2,837)
Other liabilities	(10,658)	(1,286)	(2,682)
Total non-current liabilities	(63,037)	(45,452)	(52,700)
Total liabilities	(279,267)	(258,145)	(288,483)
Net assets	58,237	48,328	53,704
Shareholders' equity			
Share capital	11,341	11,259	11,340
Share premium	2,300	2,246	2,295
Merger reserves	4,687	4,687	4,687
Retained earnings	39,909	30,136	35,382
Total shareholders' equity	58,237	48,328	53,704

Consolidated Cash Flow Statement

for the half year ended 31 December 2005 (unaudited)

	Notes	Half year to 31 Dec 2005 £000	Half year to 31 Dec 2004 £000	Year to 30 June 2005 £000
Cashflows from operating activities:				
Net cash from operations	9	14,134	11,386	15,608
Net interest paid		(2,568)	(1,538)	(3,299)
Tax paid		(2,975)	(4,546)	(8,472)
Net cash from operating activities		8,591	5,302	3,837
Cash flows from investing activities:				
Acquisition of investments accounted for using equity method		–	–	(75)
Proceeds from investments accounted for using equity method		35	35	35
Available for sale investments		–	–	(69)
Proceeds from sale of available for sale investment		–	–	1,771
Acquisition of subsidiary (net of cash acquired)		(1,097)	–	–
Purchases of property, plant and equipment		(648)	(910)	(1,598)
Proceeds from sale of property, plant and equipment		5	22	29
Net cash (used in)/from investing activities		(1,705)	(853)	93
Cash flows from financing activities:				
Purchase of treasury shares		–	–	(450)
Repayment of borrowings		(66)	(83)	(144)
Borrowing acquired with subsidiary		(48)	–	–
Exercise of share options		6	70	200
Dividends paid to group shareholders		(3,342)	(2,545)	(3,875)
Available for sale financial asset		(1,417)	(1,676)	(3,412)
Net cash used in financing activities		(4,867)	(4,234)	(7,681)
Increase/(decrease) in net cash and cash equivalents		2,019	215	(3,751)
Net cash and cash equivalents at beginning of period		(13,733)	(9,982)	(9,982)
Net cash and cash equivalents at end of period	9	(11,714)	(9,767)	(13,733)

Notes to the Interim Report

1 Basis of preparation

The results for the half year ended 31 December 2005 and the half year ended 31 December 2004 are unaudited. The financial information set out above, including the restated comparative figures for the year ended 30 June 2005 which are also unaudited, does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The Group's published accounts, prepared under UK Generally Accepted Accounting Principles ("UK GAAP") for the year ended 30 June 2005 have been reported on by the Company's auditors and filed with the Registrar of Companies. The report of the auditors' was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The interim financial information is prepared on a historical cost basis except that as required by International Financial Reporting Standards certain assets are included at fair value. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Galliford Try plc ("the Group") has adopted International Financial Reporting Standards ("IFRS") with effect from 1 July 2005, in accordance with the European Union Regulations. The first Annual Report prepared under IFRS will be for the year ended 30 June 2006.

The interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that, either are endorsed by the EU and effective (or available for early adoption) as at 31 December 2005 or are expected to be endorsed and effective (or available for early adoption) at 30 June 2006, the Group's first full annual reporting date at which it is required to adopt IFRS. Based on this information, the directors have made assumptions about the accounting policies that are expected to be applied. Details of significant changes to the Group's accounting policies (as set out in the 2005 Annual Report) resulting from the adoption of IFRS are set out in note 10.

In addition, the adopted IFRS that will be effective (or available for early adoption) in the Annual Report for the year ending 30 June 2006 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly the accounting policies for that annual period will be determined finally only when the Annual Report is prepared for the year ending 30 June 2006.

An explanation of how the transition to IFRS has affected the reported financial position and financial performance of the Group is provided in note 10. The note includes reconciliations of equity and profit for comparative periods reported under UK GAAP to these reported for those periods under IFRS.

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.

2 Interest payable

	Half year to 31 Dec 2005	Half year to 31 Dec 2004	Year to 30 June 2005
	£000	£000	£000
Bank interest	937	781	1,603
Interest on unwinding of discounted creditors	1,351	1,106	1,985
Net return on assets of pension fund	361	412	823
Total interest payable	2,649	2,299	4,411

3 Taxation

The tax charge for the period reflects the estimated effective rate for the full year to 30 June 2006 of 29% (30 June 2005: 30%).

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 amounting to 222,802,899 shares (31 December 2004: 221,356,179). For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares giving a total of 231,391,326 (31 December 2004: 228,521,010).

5 Dividends

The final dividend for 2005 of 1.6p was approved by shareholders during the period and a charge of £3,342,000 (2004: £2,545,000) was deducted from reserves.

The directors propose an interim dividend of 0.7p per share (2005: 0.6p). No deduction has yet been made for this dividend in accordance with IAS 10 as this amount is not yet committed.

6 Consolidated statement of changes in shareholders' equity

	Half year to 31 Dec 2005	Half year to 31 Dec 2004	Year to 30 June 2005
	£000	£000	£000
Balance at start of period	53,704	49,133	49,133
Actuarial losses in pension scheme	(3,120)	(10,667)	(15,175)
Deferred tax on actuarial losses in pension scheme	936	3,200	4,552
Net expense recognised directly in equity	(2,184)	(7,467)	(10,623)
Profit for the year	9,848	8,886	19,045
Dividends	(3,342)	(2,545)	(3,875)
Issue of shares	6	70	200
Purchase of own shares	–	–	(450)
Share based payments	205	251	274
Balance at end of period	58,237	48,328	53,704

Notes to the Interim Report

7 Business segment reporting

Segment information is presented in the consolidated interim accounts in respect of the Group's business segments which are the primary basis of segment reporting. The business segment reporting reflects the Group's management and internal reporting structure. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Half Year 31 December 2005

£'000	Construction	PPP investments	Housebuilding	Group	Total
Revenue	272,803	750	98,366	275	372,194
Segment result	5,497	(473)	14,156	(2,670)	16,510
Share of post tax results of joint ventures	88	–	(300)	–	(212)
Profit before finance costs	5,585	(473)	13,856	(2,670)	16,298
Net finance costs					(2,333)
Profit before tax					13,965
Taxation					(4,117)
Profit for the half year from continuing operations					9,848

Half Year 31 December 2004

£'000	Construction	PPP investments	Housebuilding	Group	Total
Revenue	255,757	–	91,147	262	347,166
Segment result	5,237	(1,254)	13,025	(2,056)	14,952
Share of post tax results of joint ventures	111		(312)		(201)
Profit before finance costs	5,348	(1,254)	12,713	(2,056)	14,751
Net finance costs					(2,005)
Profit before tax					12,746
Taxation					(3,860)
Profit for the half year from continuing operations					8,886

8 Net debt

Net debt is made up as follows:

	31 Dec 2005 £000	31 Dec 2004 £000	30 June 2005 £000
Available for sale financial assets	4,829	1,676	3,412
Cash and cash equivalents	3,747	8,444	2,007
Financial liabilities:			
Bank overdrafts	(15,461)	(18,211)	(15,740)
Other current	(963)	(1,029)	(1,029)
Non current	(1,035)	(1,023)	(1,013)
Net debt	(8,883)	(10,143)	(12,363)

9 Notes to the cash flow statement

	Half year to 31 Dec 2005 £000	Half year to 31 Dec 2004 £000	Year to 30 June 2005 £000
Cash flows from operating activities:			
Net profit after income taxes	9,848	8,886	19,045
Adjustments for:			
Tax	4,117	3,860	8,312
Depreciation	806	833	1,821
(Profit) / loss on disposal of property, plant and equipment	(2)	(20)	54
Profit on disposal of available for sale investment	–	–	(1,562)
Net finance costs	2,333	2,005	3,747
Share based payment charge	205	251	274
Share of post tax losses from joint venture	212	201	219
	17,519	16,016	31,910
Changes in working capital:			
(Increase)/decrease in inventories	(678)	(847)	182
Decrease/(increase) in developments	3,698	(9,367)	(32,102)
Decrease in trade and other receivables	7,429	23,620	6,083
(Decrease)/increase in trade and other payables	(12,683)	(14,620)	11,906
Decrease in retirement benefit obligation	(1,151)	(3,416)	(2,371)
Net cash from operations	14,134	11,386	15,608
	Half year to 31 Dec 2005 £000	Half year to 31 Dec 2004 £000	Year to 30 June 2005 £000
Cash and cash equivalents	3,747	8,444	2,007
Bank overdrafts	(15,461)	(18,211)	(15,740)
Net cash and cash equivalents	(11,714)	(9,767)	(13,733)

Notes to the Interim Report

10 Explanation of transition to IFRS

As previously stated these are the Group's first consolidated interim accounts for part of the period to be covered by the first IFRS Annual Report prepared on the recognition and measurement requirements of IFRS.

The Group has applied consistent accounting policies in preparing the consolidated interim accounts for the half year ended 31 December 2005, the comparative information for the half year ended 31 December 2004, the accounts for the year ended 30 June 2005 and the preparation of the opening IFRS balance sheet at 1 July 2004, the date of transition for the Group.

In preparing the opening IFRS balance sheet, comparative information for the half year to 31 December 2004 and the accounts for the year ended 30 June 2005, the Group has adjusted the amounts reported previously in accounts prepared in accordance with UK GAAP.

The following tables show the adjustments made. Full details of the impact of first time adoption of IFRS and the accounting policies adopted for Galliford Try plc were issued on 5th January 2006 and can be found on the Company's website at www.gallifordtry.co.uk

Reconciliation of profit for the half year ended 31 December 2004

£'000	UK GAAP	Effect of transition to IFRS	IFRS
Continuing operations			
Revenue	347,166	–	347,166
Cost of sales	(314,876)	2,229	(312,647)
Gross profit	32,290	2,229	34,519
Administrative expenses	(19,567)	–	(19,567)
Share of post tax profit/(losses) from joint ventures	104	(305)	(201)
Profit before finance costs	12,827	1,924	14,751
Interest receivable	294	–	294
Interest payable	(1,075)	(1,224)	(2,299)
Joint ventures	(310)	310	–
Profit on ordinary activities before tax	11,736	1,010	12,746
Taxation	(3,629)	(231)	(3,860)
Profit for the financial period	8,107	779	8,886

10 Explanation of transition to IFRS continued
Reconciliation of profit for the year ended 30 June 2005

£'000	UK GAAP	Effect of transition to IFRS	IFRS
Continuing operations			
Revenue	718,494	–	718,494
Cost of sales	(654,464)	2,789	(651,675)
Gross profit	64,030	2,789	66,819
Administrative expenses	(35,601)	5	(35,596)
Share of post tax profit/(losses) from joint ventures	26	(245)	(219)
Profit before finance costs	28,455	(2,549)	31,004
Profit before finance costs includes:			
Profit on sale of fixed asset investments	1,562	–	1,562
Interest receivable	664	–	664
Interest payable	(2,267)	(2,144)	(4,411)
Joint ventures	(622)	622	–
Income from other participating interest	100	–	100
Profit on ordinary activities before tax	26,330	1,027	27,357
Taxation	(7,738)	(574)	(8,312)
Profit for the financial year	18,592	453	19,045

Notes to the Interim Report

Reconciliation of shareholders' equity at 1 July 2004

£'000	UK GAAP	Effect of transition to IFRS	IFRS
Non-current assets			
Property, plant and equipment	11,936	–	11,936
Financial assets – Available for sale investments	608	–	608
Investments accounted for using equity method	2,290	–	2,290
Trade and other receivables	369	(152)	217
Deferred tax assets	–	11,311	11,311
Total non-current assets	15,203	11,159	26,362
Current assets			
Inventories	795	–	795
Developments	177,392	(3,323)	174,069
Trade and other receivables	107,563	(1,161)	106,402
Derivative financial assets	–	151	151
Cash and cash equivalents	2,570	–	2,570
Total current assets	288,320	(4,333)	283,987
Total assets	303,523	6,826	310,349
Current liabilities			
Financial liabilities – Borrowings	(13,648)	–	(13,648)
Trade and other payables	(207,616)	3,316	(204,300)
Current tax liabilities	(4,037)	–	(4,037)
Total current liabilities	(225,301)	3,316	(221,985)
Non-current liabilities			
Financial liabilities – Borrowings	(1,231)	184	(1,047)
Retirement benefit obligations	–	(33,364)	(33,364)
Deferred tax liabilities	(2,928)	(258)	(3,186)
Other liabilities	(1,776)	142	(1,634)
Total non-current liabilities	(5,935)	(33,296)	(39,231)
Total liabilities	(231,236)	(29,980)	(261,216)
Net assets	72,287	(23,154)	49,133
Shareholders' equity			
Share capital	11,239	–	11,239
Share premium	2,196	–	2,196
Merger reserve	4,687	–	4,687
Retained earnings	54,165	(23,154)	31,011
Total shareholders' equity	72,287	(23,154)	49,133

Reconciliation of shareholders' equity at 31 December 2004

£'000	UK GAAP	Effect of transition to IFRS	IFRS
Non-current assets			
Property, plant and equipment	12,011	–	12,011
Financial assets – Available for sale investments	608	–	608
Investments accounted for using equity method	2,054	–	2,054
Trade and other receivables	369	(144)	225
Deferred tax assets	–	13,625	13,625
Total non-current assets	15,042	13,481	28,523
Current assets			
Inventories	1,642	–	1,642
Developments	186,597	(3,161)	183,436
Trade and other receivables	86,430	(3,823)	82,607
Available for sale financial assets	1,676	–	1,676
Derivative financial assets	–	145	145
Cash and cash equivalents	8,444	–	8,444
Total current assets	284,789	(6,839)	277,950
Total assets	299,831	6,642	306,473
Current liabilities			
Financial liabilities – Borrowings	(19,240)	–	(19,240)
Trade and other payables	(192,632)	2,304	(190,328)
Current tax liabilities	(3,125)	–	(3,125)
Total current liabilities	(214,997)	2,304	(212,693)
Non-current liabilities			
Financial liabilities – Borrowings	(1,215)	192	(1,023)
Retirement benefit obligations	–	(40,615)	(40,615)
Deferred tax liabilities	(2,928)	400	(2,528)
Other liabilities	(1,305)	19	(1,286)
Total non-current liabilities	(5,448)	(40,004)	(45,452)
Total liabilities	(220,445)	(37,700)	(258,145)
Net assets	79,386	(31,058)	48,328
Shareholders' equity			
Share capital	11,259	–	11,259
Share premium	2,246	–	2,246
Merger reserve	4,687	–	4,687
Retained earnings	61,194	(31,058)	30,136
Total shareholders' equity	79,386	(31,058)	48,328

Notes to the Interim Report

Reconciliation of shareholders' equity at 30 June 2005

£'000	UK GAAP	Effect of transition to IFRS	IFRS
Non-current assets			
Property, plant and equipment	11,630	–	11,630
Financial assets – Available for sale investments	468	–	468
Investments accounted for using equity method	2,111	–	2,111
Trade and other receivables	369	(124)	245
Deferred tax assets	–	15,187	15,187
Total non-current assets	14,578	15,063	29,641
Current assets			
Inventories	613	–	613
Developments	209,247	(3,076)	206,171
Trade and other receivables	102,859	(2,655)	100,204
Available for sale financial assets	3,412	–	3,412
Derivative financial assets	–	139	139
Cash and cash equivalents	2,007	–	2,007
Total current assets	318,138	(5,592)	312,546
Total assets	332,716	9,471	342,187
Current liabilities			
Financial liabilities – Borrowings	(16,769)	–	(16,769)
Trade and other payables	(219,134)	3,669	(215,465)
Current tax liabilities	(3,549)	–	(3,549)
Total current liabilities	(239,452)	3,669	(235,783)
Non-current liabilities			
Financial liabilities – Borrowings	(1,154)	141	(1,013)
Retirement benefit obligations	–	(46,168)	(46,168)
Deferred tax liabilities	(3,059)	222	(2,837)
Other liabilities	(2,815)	133	(2,682)
Total non-current liabilities	(7,028)	(45,672)	(52,700)
Total liabilities	(246,480)	(42,003)	(288,483)
Net assets	86,236	(32,532)	53,704
Shareholders' equity			
Share capital	11,340	–	11,340
Share premium	2,295	–	2,295
Merger reserve	4,687	–	4,687
Retained earnings	67,914	(32,532)	35,382
Total shareholders' equity	86,236	(32,532)	53,704

Principal differences between UK GAAP and IFRS

The principal differences which give rise to changes in the Group's reported profit for the year ended 30 June 2005 and half year ended 31 December 2004 and net assets at 30 June 2005 and 31 December 2004 are as follows:

- Employee benefits
- Share based payments
- Deferred tax
- Dividend recognition
- Inventories – deferred land payments
- Financial instrument – interest rate swap
- Discounting

In addition the disclosure of interests in the results of joint venture is different under IFRS but this has no impact on net assets or net profit.

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 (31 December 2004: £28.4 million) is recognised comprising a gross deficit of £46.2 million (31 December 2004: £40.6 million) and a deferred tax asset of £13.9 million (31 December 2004: £12.2 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 (31 December 2004: £7.5 million).

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 (31 December 2004: £0.3 million).

Notes to the Interim Report

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 (31 December 2004: £nil).

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 includes additional deferred tax assets of £10.0 million in relation to the pension fund deficit, £0.6 million relating to deferred land payments, £0.7m 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.

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 has 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 (31 December 2004: £0.6 million) and the inclusion of notional interest of £1.2 million (31 December 2004: £0.6 million) together with a related tax credit of £0.1 million (31 December 2004: £nil). As at 30 June 2005 the long term and current land creditor is reduced by £1.0 million (31 December 2004: £1.2 million), inventories by £3.1 million (31 December 2004: £3.2 million) and recognise a deferred tax asset of £0.6 million (31 December 2004: £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, 31 December 2004 and 30 June 2005 by £0.2 million, £0.1 million and £0.1 million respectively and marginally reduced profit for the year ended 30 June 2005 and 31 December 2004.

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, 31 December 2004 and 30 June 2005 by £nil, £0.1million and £0.1 million respectively and reducing profit by £0.1 million for the year ended 30 June 2005 (31 December 2004: £0.1 million).

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 Review Report to Galliford Try plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 December 2005 which comprises the consolidated interim balance sheet as at 31 December 2005 and the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the six months then ended and related notes. 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.

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with International Financial Reporting Standards. This interim report has been prepared in accordance with the basis set out in Note 1.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 1, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with International Financial Reporting Standards. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 30 June 2006 are not known with certainty at the time of preparing this interim financial information.

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 disclosed accounting policies have been applied. 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 and therefore provides a lower level of assurance. 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 2005.

PricewaterhouseCoopers LLP, Chartered Accountants, West London

23 February 2006

Notes:

- (a) The maintenance and integrity of the Galliford Try plc web site 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 interim report since it was initially presented on the web site.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Shareholder Information

Financial Calendar 2006

Half year results to 31 December 2005:
Announcement 23 February

Interim dividend:
Ex dividend date 15 March
Record date 17 March
Payment date 13 April

Results for the year ended 30 June 2006:
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

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).

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