

LINDEN HOMES SOUTH EAST LIMITED

Registered Number 2849445

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006



LINDEN HOMES SOUTH EAST LIMITED
REPORT AND FINANCIAL STATEMENTS 2004

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LINDEN HOMES SOUTH EAST LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P J Davies
S Amato
A B Corser
D J Evans (appointed 16.01.06)

S R Lavers
I M Randall
D W Tilman

SECRETARY

B J Morrissey

REGISTERED OFFICE

Linden House
Guards Avenue
Caterham
Surrey
CR3 5XL

BANKERS

Bank of Scotland
38 St. Andrew Square
Edinburgh
EH2 2YR

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

SOLICITORS

Gouldens
10 Old Bailey
London
EC4M 7NG

Pitmans
47 Castle Street
Reading
Berkshire
RG1 7SR

Cripps Harries Hall
Wallside House
12 Mount Ephraim Road
Tunbridge Wells
Kent
TN1 1EG

LINDEN HOMES SOUTH EAST LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The company's principal activities are the building and selling of residential homes.

BUSINESS REVIEW

In 2006 the Company sold 428 (2005: 259) homes. The percentage of homes sold which were provided for social housing increased to 40% (2005: 34%). With the continuing influence of government planning guidelines increasing development density, the number of private apartments sold in the year increased to 56% (2005: 42%) of private homes.

Total sales revenue in the year was £96,835,000 (2005: £101,103,000), with the average selling price of private homes decreasing to £267,000 (2005: £303,000) reflecting the increase in apartments above with a lower average selling price. As a result of improved land buying, a strong focus on customer service and rigorous cost reduction programmes, the gross profit percentage on homes has been improved during the year to 19.6% (2005: 13.6%).

Total overheads have increased to £5,168,000 (2005: £4,215,000) reflecting salary increases and some increase in headcount and other costs to cope with additional business activity in 2006 and 2007 sites, but has remained constant as a percentage of homes sales revenue to 5.9% (2005: 5.9%). As a result of the factors above, the operating profit for the Group – expressed as a percentage of sales – has improved to 14.3% (2005: 10.1%).

The detailed financial results are set out in the profit and loss account on page 8.

The Company made a profit on ordinary activities after taxation of £6,864,000 (2005: £4,515,000). No dividend was paid in the year (2005: £10,200,000).

During 2006, we increased the overall number of staff employed to 103 (2005: 101) to allow us to cope efficiently with the higher business activity levels.

A major element of the overall business strategy has been to increase the size of its land bank for future development. The total number of plots owned or controlled at 31st December 2006 has been increased to 1,118 (2005: 1,084). Of this total, 68% (2005: 100%) had either outline or detailed planning consent, which we expect to develop over the next few years.

Principal Risks and Uncertainties

Housebuilding is affected by a number of economic factors such as changes in the general economic conditions and market confidence. These risks are managed - or mitigated - wherever possible, for example, by building properties in line with sales demand so as to reduce the risk of unsold properties. Interest rate exposure is reduced by taking out swap contracts at a Group level to give certainty on a percentage of expected future borrowings.

LINDEN HOMES SOUTH EAST LIMITED

DIRECTORS' REPORT (continued)

BUSINESS REVIEW

(continued)

Another key risk within the sector is achieving residential planning consent for land purchased. Professional planning consultants are used to improve the quality of planning applications and the majority of land is contracted on a 'Subject to Planning' basis, so that the major land expense is only committed once a satisfactory planning consent is achieved. Changes to government regulations, planning and environmental policy and taxation policy are closely monitored to ensure action can be taken to minimise any potential future cost implications.

The directors pay particular attention to their responsibilities for Health and Safety in the operation of the Company's development sites with comprehensive Health and Safety training being undertaken by staff and inspections by independent, professional Health and Safety organisations being carried out on all sites at least once a month.

FUTURE PROSPECTS

The company will continue to focus on brownfield sites such as Holmethorpe, PIRA Leatherhead and Hoebridge Works, Woking. The company is well placed to take advantage of the long term trends for housing and mixed use development

DIRECTORS AND THEIR INTERESTS

The Directors listed on page 1 held office throughout the year, except where noted.

No director had any interest in the shares or debentures of the company at any time during the year.

The beneficial interests in the ordinary shares of the ultimate parent company, Linden Holdings PLC were as follows:

| | 31 December 2006 Number | 31 December 2005 Number |
|------------|----------------------------|----------------------------|
| S Amato | 55,000 | 55,000 |
| S R Lavers | 90,000 | 90,000 |
| A Corser | 20,270 | - |

The interests of P J Davies, D W Tilman, and I M Randall in the ultimate parent company, Linden Holdings PLC, are disclosed in the accounts of Linden Holdings PLC.

FINANCIAL INSTRUMENTS

Linden Group uses medium term loans in order to finance its operations. Its subsidiaries participate in a revolving credit facility which is provided as part of this loan. Interest rate risk is mitigated by entering into swap agreements which fix the floating interest rate on the loan facilities.

The Group's credit risk is attributable to its debtors, which are presented in the balance sheet net of any provision for bad debts. The Group only enters into material transactions with reputable and established businesses. The Group mitigates its cash flow risk by maintaining a rolling cash flow forecast which is regularly updated for any changes in the business. This forecast is used to assess the entity's ability to meet its future cash commitments and to ensure that loan covenants will be met. The Group does not consider any price risk to be material.

LINDEN HOMES SOUTH EAST LIMITED

DIRECTORS' REPORT (continued)

DONATIONS

During the year, the company made charitable donations of £24,004 (2005: £22,225).

POLICY ON PAYMENT OF CREDITORS

It is the company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions. At 31 December 2005 the number of days credit taken for purchases by the company was 33 days (2005: 41 days).

DIRECTORS SHARE OPTIONS

The following directors have been granted share options in 'A' Ordinary shares in the ultimate parent company, Linden Holdings PLC.

| | Number of options | | Exercise Price | Date from which exercisable | Expiry Date | |
|---------|-------------------|-----------------|----------------|-----------------------------|-------------|------------------|
| | 1 January 2006 | Granted/ Lapsed | | | | 31 December 2006 |
| S Amato | 30,000 | - | 30,000 | 370p | 29 Apr 2007 | 29 Apr 2010 |
| D Evans | - | 24,281 | 24,281 | 370p | 16 Jun 2009 | 16 Jun 2012 |

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

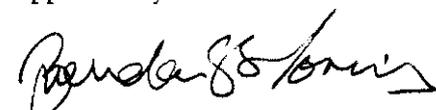
EVENTS AFTER THE BALANCE SHEET DATE

See note 22

AUDITORS

Deloitte & Touche LLP have indicated their willingness to continue in office, however given the acquisition of the Company by Galliford Try plc a review of the appointment of auditors will be taken prior to the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



B Morrissey

Secretary

5 March 2007

LINDEN HOMES SOUTH EAST LIMITEE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent ;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 . They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LINDEN HOMES SOUTH EAST LIMITED

We have audited the financial statements of Linden Homes South East Limited for the year ended 31 December 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we required for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LINDEN HOMES SOUTH EAST LIMITED**

(continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter - Going Concern

Without qualifying our opinion, we draw attention to note 22 of the financial statements concerning the sale of the company and the impact this will have on the company's ability to continue as a going concern, which is dependent on the plans of the new owners and the availability of necessary funding. Whilst the directors consider that the company is going concern, as the sale has not yet completed, the intentions of future management are uncertain, including the amount of support, if any, available to the company in the form of guarantees or loans from its new parent. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern as it is not practicable to determine or quantify them.

Deloitte Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

London

5 March 2007

LINDEN HOMES SOUTH EAST LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2006

| | <u>Notes</u> | 2006 £'000 | Restated * 2005 £'000 |
|--|--------------|---------------|-----------------------------|
| TURNOVER | 2 | 96,835 | 101,103 |
| Cost of sales | | (77,781) | (86,682) |
| GROSS PROFIT | | 19,054 | 14,421 |
| Administrative expenses | | (5,177) | (4,206) |
| OPERATING PROFIT | 3 | 13,877 | 10,215 |
| Other interest receivable and similar income | 4 | 25 | 152 |
| Interest payable and similar charges | 5 | (4,072) | (3,949) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 9,830 | 6,418 |
| Tax on profit on ordinary activities | 7 | (2,966) | (1,903) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 6,864 | 4,515 |
| Dividend paid | 8 | - | (10,200) |
| PROFIT/(LOSS) RETAINED AND TRANSFERRED TO/(FROM) RESERVES | 15 | 6,864 | (5,685) |

* Prior year restated to reflect the adoption of FRS 20.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | 2006 £'000 | Restated * 2005 £'000 |
|--|---------------|-----------------------------|
| Total recognised profit since previous year end | 6,864 | (5,685) |
| Prior year adjustment on adoption of FRS 20 | (10) | |
| Total recognised gains and losses since last annual report | 6,854 | |

All amounts derive from continuing operations.

LINDEN HOMES SOUTH EAST LIMITED

BALANCE SHEET

As at 31 December 2006

| | <u>Notes</u> | 2006 £'000 | 2005 £'000 |
|---|--------------|---------------|---------------|
| FIXED ASSETS | | | |
| Tangible assets | 9 | 1,021 | 107 |
| Investments | 10 | 548 | 492 |
| | | 1,569 | 599 |
| CURRENT ASSETS | | | |
| Stocks | 11 | 71,402 | 85,732 |
| Debtors: amounts due within one year | 12 | 9,187 | 6,896 |
| Debtors: amounts due after more than one year | 12 | 3,884 | 8,578 |
| Cash at bank and in hand | | 3 | 3 |
| | | 84,476 | 101,209 |
| CREDITORS: amounts falling due within one year | 13 | (66,094) | (88,834) |
| | | 18,382 | 12,375 |
| NET CURRENT ASSETS | | | |
| | | 19,951 | 12,974 |
| NET ASSETS | | | |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | 10 | 10 |
| Profit and loss account | 15 | 19,941 | 12,964 |
| | | 19,951 | 12,974 |
| TOTAL SHAREHOLDERS' FUNDS | | | |
| | 16 | 19,951 | 12,974 |

* Prior year restated to reflect the adoption of FRS 20.

The financial statements were approved by the Board of Directors on 5 March 2007.

Signed on behalf of the Board of Directors



D W Tilman
Director

LINDEN HOMES SOUTH EAST LIMITED

Notes to the accounts for the year ended 31 December 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below and have been applied consistently in the current and prior year except for the adoption of FRS 20 Share-based payment, which requires the recognition of the fair value of options granted to be recognised in the profit and loss account. The 2005 results have been restated. See Note 17.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover relates to the sale of houses (recognised on the financial completion of the sale of the house) and of land (recognised on the unconditional exchange of contracts). The recognition of Housing Association turnover is dependent on the stage of completion based on an external valuation.

Tangible fixed assets

Depreciation is provided in equal instalments over the estimated useful lives of the assets and is calculated on the cost of the assets. Depreciation is not provided on freehold land.

The following rates are used:

| | |
|--|-----|
| Other equipment | 33% |
| Office, equipment, fixtures and fittings | 25% |
| Freehold buildings | 2% |

Stocks

Stocks of land and work in progress are valued at the lower of invoiced cost and net realisable value. Work in progress comprises direct site costs including materials and labour. Part exchange properties are included at the lower of cost and net realisable value.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

LINDEN HOMES SOUTH EAST LIMITED

Notes to the accounts for the year ended 31 December 2006

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Leases

Operating lease rentals are charged to the profit and loss account as incurred. Incentives and benefits received are spread over the lease term on a straight line basis.

Pension costs

The Company participates in a Group Personal Pension Plan which is a defined contribution scheme. The pension cost charge represents contributions payable by the Company to the plan for the year. Differences between contributions payable in the year and contributions actually paid are included within accruals and prepayments.

Joint ventures

In accordance with FRS 9 "Associates and joint ventures", the company holds joint ventures at cost less any provision for impairment.

Cash Flow Statement

The company is a wholly owned subsidiary of Linden Holdings plc and the cash flows for the company have been included in the consolidated cashflow statement of Linden Holdings plc. Consequently the company is exempt under Financial Reporting Standard 1 (revised) from the requirement to prepare a cashflow statement.

Rent receivable

Rental income represents income obtained from the rental of properties and is credited to the profit and loss account as incurred.

Gross Profit

Gross profit is recognised by applying the forecast margin on sites to all elements of turnover on that site. The margin recognised in the current year is calculated on the overall margin which is forecast on the cumulative turnover for the current and future years. No revision is made to profit already recognised in prior years.

Debtors

The Group operates a shared equity scheme, under which part of the agreed sales price for a residential property can be deferred until the earlier of 10 years, remortgage or resale of the property. Amounts receivable by the company under this scheme are disclosed as debtors due after more than one year and are fair valued at each year end, with the corresponding movement in fair value being recognised through revenue.

LINDEN HOMES SOUTH EAST LIMITED

Notes to the accounts for the year ended 31 December 2006

Share-based payment

The company has applied the requirements of FRS 20 Share-based Payment. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002, that were unvested as at 1 January 2006.

The group issues equity-settled share based payments to certain employees. Equity-settled share-based payments are measured at their fair value (excluding the effect of non-market based market conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use "binomial" or "lattice" option pricing method, with suitable modifications. The expected number of awards vesting is based on the Company's best estimate of the number of employees to remain in service.

2. TURNOVER

A segmental analysis of turnover, between housing developments, land sales and contracting turnover is set out below. All turnover arose within the UK

| | 2006 £'000 | 2005 £'000 |
|----------------------|---------------|---------------|
| Housing developments | 86,293 | 71,648 |
| Land sales | 8,022 | 29,455 |
| Contracting turnover | 2,520 | - |
| | 96,835 | 101,103 |

3. OPERATING PROFIT

| Operating profit is stated after charging / (crediting) - | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Depreciation | | |
| - owned assets | 78 | 45 |
| Auditors' remuneration | | |
| - audit fees | 34 | 42 |
| - other services | 6 | 6 |
| Rentals under operating leases | | |
| - hire of other assets | 86 | 98 |
| Rent receivable | (250) | (250) |
| | | |

4. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Group interest received on intercompany balance | 25 | 152 |

LINDEN HOMES SOUTH EAST LIMITED

Notes to the accounts for the year ended 31 December 2006

| 5. INTEREST PAYABLE AND SIMILAR CHARGES | 2006 | 2005 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Group interest paid on intercompany balance | 4,072 | 3,949 |
| | <u>4,072</u> | <u>3,949</u> |
| | | |
| 6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES | 2006 | 2005 |
| Directors' remuneration | £'000 | £'000 |
| Directors' emoluments (including benefits in kind) | 851 | 620 |
| Company contributions to money purchase schemes | 45 | 48 |
| | <u>896</u> | <u>668</u> |
| | | |
| Emoluments of highest paid director | 351 | 210 |
| Company contributions to money purchase schemes of highest paid director | 17 | 17 |
| | <u>368</u> | <u>227</u> |
| | | |
| | Number | Number |
| Number of directors included in a money purchase scheme | 5 | 5 |
| | | |
| Average number of persons employed (including Directors) | 2006 | 2005 |
| | Number | Number |
| Administration and management | 44 | 43 |
| Construction | 44 | 38 |
| Sales and marketing | 13 | 11 |
| | <u>101</u> | <u>92</u> |

LINDEN HOMES SOUTH EAST LIMITED

Notes to the accounts for the year ended 31 December 2006

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES
(continued)

| Employee costs during the year (including Directors) | Restated * | |
|--|---------------|---------------|
| | 2006 £'000 | 2005 £'000 |
| Wages and salaries | 4,868 | 4,005 |
| Social security costs | 544 | 443 |
| Other pension costs | 160 | 133 |
| Equity settled Share-based Payments | 113 | 10 |
| | <u>5,685</u> | <u>4,591</u> |

* Prior year adjustment in relation to FRS 20 (see note 17)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| United Kingdom corporation tax at 30 % | 993 | - |
| Group relief | 2,014 | 1,759 |
| Consortium relief | - | 176 |
| Adjustment to prior year | (41) | (32) |
| | <u>2,966</u> | <u>1,903</u> |

| | Restated * | |
|---|---------------|---------------|
| | 2006 £'000 | 2005 £'000 |
| Profit on ordinary activities before tax | 9,830 | 6,418 |
| Tax on profit on ordinary activities at standard rate | 2,949 | 1,925 |
| <i>Factors affecting charge for the period:</i> | | |
| Expenses not deductible for tax purposes | 51 | 9 |
| Capital allowances in excess of depreciation | 7 | 1 |
| Adjustments to tax charge in respect of prior periods | (41) | (32) |
| Total actual amount of current tax | <u>2,966</u> | <u>1,903</u> |

A deferred tax balance of £42,000 has not been recognised in respect of timing differences relating to fixed assets £8,000 and share options £34,000 on the grounds of materiality (2005: £1,000).

* Prior year adjustment in relation to FRS 20 (see note 17)

LINDEN HOMES SOUTH EAST LIMITED

Notes to the accounts for the year ended 31 December 2006

| | | |
|--|--------------|--------------|
| 8. DIVIDENDS | 2006 | 2005 |
| | £'000 | £'000 |
| Paid –£nil per ordinary share (2005 – £1,020.00) | - | 10,200 |

9. TANGIBLE FIXED ASSETS

| | Investment Property | Fixtures and fittings | Total |
|-----------------------|--------------------------------|--------------------------------------|--------------|
| | £'000 | £'000 | £'000 |
| Cost | | | |
| At 1st January 2006 | - | 156 | 156 |
| Additions | 960 | 32 | 992 |
| At 31st December 2006 | 960 | 188 | 1,148 |
| Depreciation | | | |
| At 1st January 2006 | - | 49 | 49 |
| Charge for the year | 19 | 59 | 78 |
| At 31st December 2006 | 19 | 108 | 127 |
| Net Book Value | | | |
| At 31st December 2006 | 941 | 80 | 1,021 |
| At 31st December 2005 | - | - | 107 |

| | | |
|------------------------------------|--------------|--------------|
| 10. INVESTMENTS | 2006 | 2005 |
| | £'000 | £'000 |
| Investment in Joint Venture | | |
| Wates Homes (BR1) Limited | 548 | 492 |
| Wates Linden (Cuckfield) Limited | - | - |

On 14 December 2005, Linden Homes South East Limited acquired 50% of the share capital in Wates Homes (BR1) Limited (formerly Wates Homes (Downham) Limited, a joint venture company with Wates Group Properties Limited, which is involved in residential housebuilding and incorporated in England and Wales

On 8 August 2006, Linden Homes South East Limited acquired 50% of the share capital in Wates Linden (Cuckfield) Limited (formerly Wates (Cuckfield) Limited, a joint venture company with Wates Group Properties Limited, which is involved in residential housebuilding and incorporated in England and Wales

LINDEN HOMES SOUTH EAST LIMITED

Notes to the accounts for the year ended 31 December 2006

| 11. STOCKS | 2006 | 2005 |
|--------------------------|--------------|--------------|
| | £'000 | £'000 |
| Land and land options | 44,826 | 60,988 |
| Work-in-progress | 25,754 | 23,839 |
| Part exchange properties | 822 | 905 |
| | <hr/> | <hr/> |
| | 71,402 | 85,732 |
| | <hr/> | <hr/> |

| 12. DEBTORS: Amounts due within one year | 2006 | 2005 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Other debtors | 2,732 | 783 |
| Trade debtors | 6,150 | 6,000 |
| Consortium Relief | 176 | - |
| Prepayments and accrued income | 128 | 110 |
| Amounts owed by group companies | 1 | 3 |
| | <hr/> | <hr/> |
| | 9,187 | 6,896 |
| | <hr/> | <hr/> |

| Amounts due after more than one year | 2006 | 2005 |
|--------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Loan stock | 576 | 287 |
| Land sale debtor | 2,880 | 7,958 |
| Shared equity debtors * | 428 | 333 |
| | <hr/> | <hr/> |
| | 3,884 | 8,578 |
| | <hr/> | <hr/> |

* Shared equity debtors relate to amounts due from the sale of residential properties deferred until the earlier of 10 years, remortgage or resale of the property. The debt is secured against the property to which it relates.

| 13. CREDITORS: amounts falling due within one year | 2006 | 2005 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Bank loans and overdrafts | 41,460 | 59,782 |
| Trade creditors | 10,964 | 9,846 |
| Land creditors | 6,557 | 14,963 |
| Amounts owed to parent undertaking | 2,807 | 2,232 |
| Current corporation tax | 549 | - |
| Group relief | 1,203 | 544 |
| Consortium Relief | - | 176 |
| Other creditors | 1,827 | 772 |
| Accruals and deferred income | 727 | 519 |
| | <hr/> | <hr/> |
| | 66,094 | 88,834 |
| | <hr/> | <hr/> |

LINDEN HOMES SOUTH EAST LIMITED

Notes to the accounts for the year ended 31 December 2006

13. CREDITORS: amounts falling due within one year (continued)

| <i>Other creditors include:</i> | 2006 £'000 | 2005 £'000 |
|---------------------------------|---------------|---------------|
| PAYE and social security | 200 | 161 |

The bank overdraft is secured by a fixed and floating charge over the assets of the company and a first legal charge over the land owned by the company.

14. CALLED UP SHARE CAPITAL

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Authorised | | |
| 10,000 ordinary shares of £1 each | 10 | 10 |
| Called up, allotted and fully paid | | |
| 10,000 ordinary shares of £1 each | 10 | 10 |

15. STATEMENT OF MOVEMENT ON RESERVES

| | Profit & loss account £'000 |
|---|-----------------------------------|
| At 1 January 2006 | 12,964 |
| Profit for the year | 6,864 |
| Capital contribution from parent company for satisfaction of share options awards | 113 |
| At 31 December 2006 | 19,941 |

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2006 £'000 | Restated * 2005 £'000 |
|--|---------------|-----------------------------|
| Retained profit/(loss) for the year | 6,864 | (5,685) |
| Adjustment for share option awards | | |
| Capital contribution from parent company for satisfaction of parent company awards | 113 | 10 |
| Opening shareholders' funds | 12,974 | 18,649 |
| Closing shareholders' funds | 19,951 | 12,974 |

* Prior year adjustment in relation to FRS 20

LINDEN HOMES SOUTH EAST LIMITED

Notes to the accounts for the year ended 31 December 2006

17. EQUITY-SETTLED SHARE OPTION SCHEME

The company has a share option scheme for invited employees of the Group. Options are exercisable at a price equal to the market price of the Company's shares at the date of grant. The vesting period is two years. If the options remain unexercised after a period of 5 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows;

| | 2006 | | 2005 | |
|------------------------------------|----------------------------|---------------------------------------|----------------------------|---------------------------------------|
| | Number of Share Options | Weighted average exercise price | Number of Share Options | Weighted average exercise price |
| Outstanding at beginning of year | 30,000 | £3.70 | - | - |
| Granted during the year | 70,646 | £3.70 | 30,000 | £3.70 |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Outstanding at the end of the year | 100,646 | £3.70 | 30,000 | £3.70 |
| Exercisable at the end of the year | - | - | - | - |

No options were exercised during the year. The options outstanding at 31 December 2006 had a weighted average exercise price of £3.70 and a weighted average remaining contractual life of 3 years 2 months.

In 2006, options were granted in March 2006 and June 2006. The aggregate of the estimated fair values of the options granted on those dates is £3.70. In 2005, options were granted in March 2005. The aggregate of the fair values of the options granted on those dates is £3.70.

The inputs in to the binomial or lattice pricing model are as follow:

| | 2006 | 2005 |
|---------------------------------|-------|-------|
| Weighted average share price | £3.70 | £3.70 |
| Weighted average exercise price | £3.70 | £3.70 |
| Expected volatility | 30% | 33% |
| Risk free rate | 4.7 | 4.3 |
| Expected dividends | 0 | 0 |

As Linden is not listed, expected volatility was determined by calculating the historical volatility of similar listed entities and added a margin due to the fact that Linden is a smaller company.

The group recognised total expenses of £281,000 and £123,000 related to equity-settled share-based payment transactions in 2006 and 2005 respectively.

LINDEN HOMES SOUTH EAST LIMITED

Notes to the accounts for the year ended 31 December 2006

18. OPERATING LEASE COMMITMENTS

At 31 December 2006 the company was committed to making the following payments during the next year in respect of operating leases:

| | | |
|--------------------------|-------|-------|
| Within one year | 66 | 91 |
| Within two to five years | 57 | 58 |
| | <hr/> | <hr/> |
| | 123 | 149 |
| | <hr/> | <hr/> |

19. RELATED PARTY TRANSACTIONS

Uberior Ventures PLC is a related party by virtue of its 35.2% shareholding in Linden Holdings PLC. Uberior Ventures PLC is owned by the Bank of Scotland, the Company's bankers. The company has taken advantage of the exemption in paragraph 3(c) of FRS 8 'Related Party Disclosures' from disclosing transactions with related parties that are part of the Linden Holdings PLC Group.

During the year the company generated turnover with Wates Homes (Downham) Limited of £2,520,000 (2005: £nil) and earned Management fees of £240,000 (2005: £nil). The company was owed loan stock of £576,000 and earned interest of £24,688 on the loan stock.

During the year, Mr Randall Managing Director, purchased 4 homes from the Company for £797,000, which was at fair market value. Mr Lavers Sales and Land Director, purchased 2 homes from the Company for £390,000 which was at fair market value. Mr Amato Finance Director purchased a home from the Company for £270,000 which was at fair market value.

20. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling party is Linden Holdings PLC, a company incorporated in England and Wales. The immediate parent company is Linden Limited. Copies of the Group financial statements of Linden Holdings PLC are available from Linden House, Guards Avenue, Caterham, Surrey. CR3 5XL.

The largest and smallest group that consolidates this company is Linden Holdings PLC.

21. CONTINGENT LIABILITIES

Within the Linden Holdings PLC Group, all subsidiary companies have a cross guarantee against fellow Group companies overdraft facilities.

The maximum exposure under this cross guarantee at 31 December 2006 was £144,968,000 (2005: £151,038,000).

LINDEN HOMES SOUTH EAST LIMITED

Notes to the accounts for the year ended 31 December 2006

22. POST BALANCE SHEET EVENTS

On 6th September 2006 the Company announced that it had appointed NM Rothschild & Sons Limited to seek offers for the business. Following a rigorous sale process and the appropriate due diligence by prospective purchasers an agreement was reached with Galliford Try plc. As a result on 8th February 2007 Galliford Try plc announced a formal offer to purchase all the issued share capital of the Company. The offer is for a maximum consideration of £12.01 per share, valuing the business at £108.48million. The offer has been unanimously recommended by the Board and has been accepted by all of the Company's shareholders. The offer was conditional upon approval by the shareholders of Galliford Try plc who held an Extraordinary General Meeting for this purpose on 5th March 2007. Having received the requisite approval the offer will be declared unconditional on 6th March 2007 and the acquisition will complete.

With the resultant change of control of Linden, the company's banking facilities with Bank of Scotland will require prepayment in full.

A new enlarged banking facility for Galliford Try plc has been negotiated and is being put in place on the acquisition of Linden. This is supported further by a new equity rights issue of £150 million. Linden directors have been involved with Galliford Try plc to develop plans for the ongoing development of the Linden Group of companies following integration with their house building division. The Linden directors are satisfied that sufficient funding and long term plans are in place for the ongoing business and are therefore satisfied that the Financial Statements can be prepared on a going concern basis.