

Galliford Try Building Limited

Annual report and Financial statements

For the year ended 30 June 2016

Registered number: 02472080

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Galliford Try Building Limited

Contents	Page
Directors and advisers	1
Strategic report	2
Directors' report	4
Independent auditors' report.....	7
Income statement	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

Galliford Try Building Limited

Directors and advisers

Directors

ND Cocker
DM Ashton (appointed 30 October 2015)
S Burton
M Cooper
B Hocking
IT Jubb
M Laws
MR Le Lorrain
JF Marston (appointed 1 March 2016)
DJ McLachlan (appointed 4 July 2016)
MC Bruce (appointed 10 July 2016)
JR Parker (appointed 4 January 2016)
MM Pool
EJ Robertson
SP Scard
CM Slidel (appointed 1 March 2016)
GW West
CJ Wheatley
K Gillespie (resigned 31 July 2016)
RE Merriman (resigned 31 December 2015)
SK Bowles (resigned 27 February 2016)

Company secretary

Galliford Try Secretariat Services Limited

Registered office

Cowley Business Park
Cowley
Uxbridge
Middlesex
UB8 2AL

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

Bankers

Barclays Bank plc
15 Colmore Row
Birmingham
B3 2WN

HSBC Bank plc
70 Pall Mall
London
SW1Y 5EZ

Galliford Try Building Limited

Strategic report for the year ended 30 June 2016

The directors present their strategic report of Galliford Try Building Limited ("the Company"), for the year ended 30 June 2016.

Review of business

The Company's principal activity is to provide a comprehensive range of construction services to public and private sector clients across the United Kingdom.

Operating from regional centres in Scotland, the North East, North West, Central and Southern England, the businesses carry out building projects ranging from under £1 million to over £100 million with a significant proportion of work being carried out in multi project frameworks. The Company and its subsidiaries have specific expertise in the areas of education, health, commercial, prisons, leisure, affordable housing and facilities management.

The Company trades as Morrison Construction in Scotland and Galliford Try in England and Wales.

During the year, the Company secured a number of key projects and continued to implement its framework strategy. The Company won a place on the Ministry of Defence's South West and South East Next Generation Estates Contracts regional frameworks, which are worth up to £1 billion in total over four years.

The Company was also appointed to the YORbuild2 framework, which covers 91 local authorities in the North of England and has a potential pipeline of approximately £1.9 billion over four years.

Education frameworks continue to provide a healthy pipeline of work and the Company is now a key contractor to the Education Funding Agency (EFA). Financial close was reached with the EFA for the £48.5 million North and North-East Lincolnshire batch of schools and the £41.9 million Greenwich, Lewisham and Croydon batch. Other notable wins in the education sector included a contract with Birmingham City University to build the £46 million Conservatoire, a £62 million contract with Newcastle University to construct the Park View Student Village and a £40 million contract to provide student accommodation at Coventry University.

In the commercial building sector, the Company won a £66 million contract to construct the 2 Arena Central building in Birmingham, which will include 210,000 sq ft of office space. The Company was also awarded a £40 million contract to construct 185,000 sq ft of office space in the Forbury Place development in Reading.

The Company's turnover increased largely as a result of the integration of GT Construction (UK) Limited, as disclosed in last year's annual report. The directors are pleased to report an increased gross margin although legacy contracts continued to constrain margins. The directors anticipate returning to profitability as market conditions improve.

Principal risks, uncertainties and key performance indicators

From the perspective of the Company, the principal risks and uncertainties are integrated with that of Galliford Try plc and are not managed separately. These are discussed within the Group's annual report.

The directors of Galliford Try plc manage the group's operations on a divisional basis. For this reason, the Company's directors believe that the key performance indicators for the Company are consistent with those of the Building business as set out in the Group's annual report. The development, performance and position of Galliford Try plc, which includes the Company, is discussed in the Group's annual report, which does not form part of this report. The Galliford Try plc annual report is publicly available, refer to note 24 for further details.

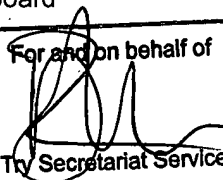
Galliford Try Building Limited

Strategic report for the year ended 30 June 2016(continued)

General

The Company's loss for the financial year was £1,362,132 (2015: loss £2,741,059), which will be deducted from reserves.

By order of the board

For and on behalf of

Galliford Try Secretariat Services Limited

Galliford Try Secretariat Services Limited

Company Secretary

24 November 2016

Galliford Try Building Limited

Directors' Report for the year ended 30 June 2016

The directors present their report of Galliford Try Building Limited ("the Company"), registered number 02472080 for the year ended 30 June 2016.

Future developments

The directors do not expect any significant changes to the principal activities of the Company in the foreseeable future.

Dividends

The directors do not recommend the payment of a dividend (2015: £Nil).

Political and charitable donations

The Company is exempt from disclosing political and charitable donations as it is a wholly owned subsidiary incorporated in the United Kingdom.

Financial risk management

The Company's operations expose it to a variety of financial risks, including the effects of credit risk, liquidity risk, cash flow risk and interest rate risk. The policies to mitigate the potential impact of these financial risks are set by the directors, who monitor their effectiveness on a monthly basis during board meetings.

Where appropriate, credit checks are made prior to the acceptance of a new customer and these are reviewed on a periodic basis together with ongoing checks in respect of existing customers. Weekly reviews of the debtors ledger are carried out with the finance and sales teams and action initiated, as appropriate, to collect any overdue amounts, thus optimising the Company's liquidity position.

The rates of interest earned or paid on the group's cash balances and loans and overdrafts are monitored on an ongoing basis with regular reviews of the Galliford Try group banking arrangements. Deposits, loans and overdrafts are made with reference to these facilities, in conjunction with projections of future cash requirements.

The Galliford Try group actively maintains an appropriate level of cash reserves that are available for operations and planned expansions of the group as a whole. The group ensures that sufficient cash reserves are made available to its subsidiary undertakings.

Additional information on the group's financial risk management can be found in the consolidated group financial statements of Galliford Try plc copies of which are publicly available.

Directors

The present directors of the Company are set out on page 1, all of whom served throughout the year and up to the date of signing the financial statements, except as stated below.

DM Ashton, B Hocking, JF Marston, DJ McLachlan, MC Bruce, JR Parker, EJ Robertson and CM Slidel were appointed as directors on 30 October 2015, 17 September 2015, 1 March 2016, 4 July 2016, 10 July 2016, 4 January 2016, 12 August 2015 and 1 March 2016 respectively. K Gillespie, RE Merriman and SK Bowles resigned as directors on 31 July 2016, 31 December 2015 and 27 February 2016 respectively.

Qualifying third-party and pension scheme indemnity provisions

Following shareholders' approval, the Company has provided an indemnity for its members and the company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This indemnity was in force throughout the year and up to the date of signing these financial statements.

Galliford Try Building Limited

Directors' Report for the year ended 30 June 2016 (continued)

Employees

The Company is an equal opportunities employer.

It is the Company's policy to give full and fair consideration to applications for employment by disabled persons, to continue wherever possible the employment of those who became disabled and to provide equal opportunities for the training, retraining, career development and promotion of disabled persons.

The establishment and maintenance of safe working practices are of the greatest importance to the Company and special training in health and safety is provided for employees.

Within the bounds of commercial confidentiality, management disseminates information to, and consults with, all levels of staff about matters that affect the progress of the Company and are of interest and concern to them as employees. This has been achieved through road shows hosted at all the major business sites, webcasts of the annual results and through updates on the intranet. The Company also encourages employee involvement in the Company's performance by the operation of employee incentive schemes.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

Each of the persons who is a designated director at the date of the approval of this report confirms that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has taken all the steps that ought to have been 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.

Galliford Try Building Limited

Directors' Report for the year ended 30 June 2016 (continued)

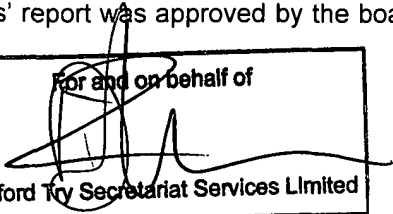
Statement of disclosure of information to auditors

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

The directors' report was approved by the board of directors on **24** November 2016 and signed by its order by:

For and on behalf of

Galliford Try Secretariat Services Limited

Galliford Try Secretariat Services Limited

Company secretary

24 November 2016

Independent auditors' report to the members of Galliford Try Building Limited

Report on the financial statements

Our opinion

In our opinion, Galliford Try Building Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its loss for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Annual report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 30 June 2016;
- the Income statement and Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Gareth Murfitt (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

24 November 2016

Galliford Try Building Limited
Income statement for the year ended 30 June 2016

	Note	2016 £'000	2015 £'000
Turnover		1,028,160	638,019
Cost of sales		(995,054)	(620,244)
Gross profit		33,106	17,775
Administrative expenses		(34,861)	(20,108)
Operating (loss)		(1,755)	(2,333)
Other interest receivable and similar income	3	1,377	587
Interest payable and similar charges	3	(1,220)	(978)
(Loss) on ordinary activities before taxation	4	(1,598)	(2,724)
Tax credit/(charge) on (loss) on ordinary activities	5	236	(17)
(Loss) for the financial year		(1,362)	(2,741)

There are no recognised gains and losses other than those shown in the income statement above and therefore no separate statement of comprehensive income has been presented.

There is no material difference between the results shown in the income statement above and their historical cost equivalents for the financial year stated above.

All results are derived from continuing operations:

Galliford Try Building Limited
Balance sheet as at 30 June 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	6	383	237
Investments in subsidiaries	7	69	69
Trade and other receivables	11	237	–
Deferred income tax asset	17	30	31
Financial Assets:			
Available for sale financial assets	8	278	278
Total non-current assets		997	615
Current assets			
Developments	9	906	1,058
Trade receivables	11	401,987	344,881
Corporation tax recoverable	12	3,030	1,498
Cash and cash equivalents	13	99,678	136,889
Total current assets		505,601	484,326
Total assets		506,598	484,941
Liabilities			
Current liabilities			
Bank borrowings and overdrafts	15	(5,749)	(4,613)
Trade and other payables	14	(448,823)	(424,297)
Total current liabilities		(454,572)	(428,910)
Net current assets		51,029	55,416
Non current liabilities			
Trade and other payables	16	–	(2,926)
Total non-current liabilities		–	(2,926)
Total liabilities		(454,572)	(431,836)
Net assets		52,026	53,105
Equity			
Share capital	18	15,000	15,000
Profit and loss account		37,026	38,105
Total equity		52,026	53,105

The notes on pages 12 to 27 are an integral part of these financial statements.

The financial statements on pages 9 to 27 were approved by the Board of directors on 24 November 2016 and signed on its behalf by:



ND Cocker
Director
Registered number: 02472080

Galliford Try Building Limited**Statement of changes in equity for the year ended 30 June 2016**

	Share capital £'000	Profit and loss account £'000	Total equity £'000
As at 01 July 2014	15,000	40,749	55,749
Loss for the financial year	–	(2,741)	(2,741)
Transactions with owners:			
Share based payments	–	97	97
As at 30 June 2015 and as at 01 July 2015	15,000	38,105	53,105
Loss for the financial year	–	(1,362)	(1,362)
Transactions with owners:			
Share based payments	–	283	283
As at 30 June 2016	15,000	37,026	52,026

Galliford Try Building Limited

Notes to the financial statements for the year ended 30 June 2016

1. Accounting policies

General Information

Galliford Try Building Limited ('the Company') is a limited Company incorporated, and domiciled in England and Wales (Registered number: 02472080). The address of the registered office is Galliford Try Building Limited, Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL. Refer to note 24 for details of the immediate and ultimate parent undertaking.

The financial statements are measured and presented in pounds sterling as that is the currency of the primary economic environment in which the Company operates. The amounts stated are denominated in thousands (£'000).

Basis of accounting

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 24 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The impact of these amendments to the Company's previously adopted accounting policies in accordance with EU-adopted IFRS was not material on the shareholders' equity as at 30 June 2015 or 30 June 2016 and on the profit or loss for the year ended 30 June 2015 or 30 June 2016.

The disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- The requirements of IAS 7 to present cash flow statement.
- The requirements of paragraph 45(b) and 46 to 52 of IFRS 2, Share Based Payments
- The requirements of IFRS 7, Financial Instrument Disclosures
- The requirements of paragraphs 91 to 99 of IFRS 13 fair value measurement
- The requirements of paragraph 30 and 31 of IAS 8 Accounting Policies
- The requirements of paragraph 17 of IAS 24, Related Party Disclosures, and the requirements in IAS 24 to disclose related party transactions between two members of the Galliford Try group.
- The requirements of paragraph 134 of IAS 36 impairment of assets.
- Certain disclosure requirements under IFRS12 Disclosure of Interests in Other Entities.

Galliford Try Building Limited

Notes to the financial statements for the year ended 30 June 2016 (continued)

1. Accounting policies (continued)

The financial statements have been prepared on the going concern basis and under the historical cost convention. A summary of the more important accounting policies is set out below.

Critical accounting estimates and judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Material estimates and assumptions are made in particular with regards to establishing the following policies:

(i) Estimation of costs to complete and loss provisions

In order to determine the profit and loss that the Company is able to recognise on its developments and construction contracts in a specific period, the Company has to allocate total costs of the developments and construction contracts between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of estimation. However, the Company's management has established internal controls to review and ensure the appropriateness of estimates made.

Basis of consolidation

These separate financial statements contain information about Galliford Try Building Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its parent, Galliford Try plc, a listed company incorporated and domiciled in England and Wales.

Turnover and profit

Turnover is recognised when the significant risks and rewards of ownership have been transferred to the purchaser. Turnover comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax. Turnover also includes the Company's proportion of work carried out under jointly controlled operations. The Company's turnover relates to one class of business and is all generated in the UK.

Turnover and profit are recognised as follows:

Construction contracts

Turnover comprises the value of construction executed during the year and contracting development sales for affordable housing. The results for the year include adjustments for the outcome of contracts, including jointly controlled operations, executed in both the current and preceding years.

1. Accounting policies (continued)

Construction contracts (continued)

(a) Fixed price contracts - Turnover is recognised based upon an internal assessment of the value of works carried out. This assessment is arrived at after due consideration of the performance against the programme of works, measurement of the works, detailed evaluation of the costs incurred and comparison to external certification of the work performed. The amount of profit to be recognised is calculated based on the proportion that costs to date bear to the total estimated costs to complete. Turnover and profit are not recognised in the income statement until the outcome of the contract is reasonably certain. Adjustments arise from claims by customers or third parties in respect of work carried out and claims and variations on customers or third parties for variations on the original contract. Provision for claims against the Company is made as soon as it is believed that a liability will arise, but claims made by the Company are not recognised in the income statement until the outcome is virtually certain. Provision will be made against any potential loss as soon as it is identified.

(b) Cost plus contracts - Turnover is recognised based upon costs incurred to date plus any agreed fee. Where contracts include a target price, consideration is given to the impact on revenue of the mechanism for distributing any savings or additional costs compared to the target price. Any turnover over and above the target price is recognised once the outcome is virtually certain. Profit is recognised on a constant margin throughout the life of the contract. Provision will be made against any potential loss as soon as it is identified.

Amounts recoverable on contracts and payments on account are calculated as cost plus attributable profit less any foreseeable losses and cash received to date and are included in receivables or payables as appropriate.

Facilities management contracts

Turnover is recognised on an accruals basis once the service has been performed with reference to value provided to the customer. Profit is recognised by reference to the specific costs incurred relating to the service provided.

Interest income and expense

Interest income and expense is recognised on a time proportion basis using the effective interest method.

Dividend policy

Final dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

Income tax

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

Galliford Try Building Limited

Notes to the financial statements for the year ended 30 June 2016 (continued)

1. Accounting policies (continued)

Income tax (continued)

The Company surrenders tax losses and other allowances by group relief to other Galliford Try group companies. The party accepting such surrender pays the company an amount equal to the amount of tax such accepting party would have paid but for such surrender.

Deferred income tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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 rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax is accounted for on an undiscounted basis. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying temporary differences can be deducted.

Deferred income tax is charged or credited through the income statement, except when it relates to items charged or credited through the statement of comprehensive income, when it is charged or credited there.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated to write off the cost of each asset to estimated residual value over its expected useful life. The annual rates of depreciation are as follows:

On cost or reducing balance:

Plant and machinery	15% to 33%
Fixtures and fittings	10% to 33%

In addition to systematic depreciation, the book value of property, plant and equipment would be written down to estimated recoverable amount should any impairment in the respective carrying values be identified. The asset residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each balance sheet date.

Repairs and maintenance expenditure is expensed as incurred on an accruals basis.

Investments in subsidiaries

Investments are stated at cost plus incidental expenses less any provision for impairment.

Available for sale financial assets

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months of the balance sheet date. On initial recognition the asset is recognised at fair value plus transaction costs. Available for sale financial assets are measured at subsequent reporting dates at fair value subject to the exemption in paragraph 46 of IAS39. Gains and losses arising from changes in fair value are recognised directly in equity, until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the year.

Galliford Try Building Limited

Notes to the financial statements for the year ended 30 June 2016 (continued)

1. Accounting policies (continued)

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals under operating leases are charged to the income statement on a straight line basis over the lease term.

Inventories and developments

Inventories are valued at the lower of cost and net realisable value. Work in progress is valued at the lower of cost, including direct costs and directly attributable overheads, and net realisable value.

Where a development is in progress, net realisable value is assessed by considering the expected future revenues and the total costs to complete the development including direct costs and directly attributable overheads. To the extent that the Company anticipates selling a development in its current state then net realisable value is taken as open market value at the balance sheet date less any anticipated selling costs.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (typically more than 30 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within cost of sales.

When a trade receivable is uncollectible, it is written off against the impairment provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against cost of sales in the income statement. Short term trade receivables do not carry any interest and are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

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

Bank deposits with an original term of more than three months are classified as short term deposits where the cash can be withdrawn on demand and the penalty for early withdrawal is not significant.

Bank and other borrowings

Interest bearing bank loans and overdrafts and other loans are originally recognised at fair value net of transaction costs incurred. Such borrowings are subsequently stated at amortised cost with the difference between initial fair value and redemption value recognised in the income statement over the period to redemption.

Galliford Try Building Limited

Notes to the financial statements for the year ended 30 June 2016 (continued)

1. Accounting policies (continued)

Bank and other borrowings (continued)

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method.

Re-financing costs associated with new borrowing arrangements are included within the borrowing amount and amortised over the period of the loan.

Trade payables

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

Retirement benefit obligations

The Company operates a defined contribution pension scheme. The pension cost charge disclosed in note 2 represents contributions payable by the Company to the fund. Contributions to the defined contribution schemes are determined as a percentage of employees' earnings and are charged to the income statement on an accruals basis.

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

The Galliford Try plc Group operates three defined benefit pension schemes under the UK regulatory framework that pay out pensions at a retirement based on service and final pay, each with assets held in separate trustee administered funds: the Galliford Try Final Salary Pension Scheme, the Galliford Group Special Scheme and the Kendall Cross (Holdings) Ltd Assurance & Pension Scheme. The Group's principal funded pension scheme is the Galliford Try Final Salary Pension Scheme which was closed to all future service accrual on 31 March 2007.

The financial statements of Galliford Try Services Limited (a fellow subsidiary undertaking) recognises the net defined benefit surplus or deficit for the scheme and contains the relevant disclosures of the defined benefit scheme as required by IAS19 as it is the Company most actually involved in managing the schemes. Its financial statements are publicly available from Galliford Try plc, Cowley Business Park, High Street, Cowley, Uxbridge, Middlesex, UB8 2AL.

Share based payments

The Company operates a number of equity-settled, share based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions such as growth in earnings per share. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Galliford Try Building Limited**Notes to the financial statements for the year ended 30 June 2016 (continued)****1. Accounting policies (continued)****Share based payments (continued)**

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. Employees and directors

Employee benefit expense for the Company for the year is:

	2016 £'000	2015 £'000
Wages and salaries	80,116	47,625
Redundancy and termination costs	36	281
Social security costs	9,074	5,342
Other pension costs	6,253	3,593
Share-based payments	283	97
	95,479	56,938

The average monthly number of people including executive directors employed is:

	2016 Number	2015 Number
By activity:		
Production and sales	1,192	675
Administration and support	424	288
Management	78	61
Average number of employees during the year	1,694	1,024

The disclosure above includes employees who are employed by Galliford Try Employment Limited, a fellow subsidiary company, who are seconded to Galliford Try Building Limited and their costs are recharged to the Company accordingly.

Highest paid director

	2016 £'000	2015 £'000
Aggregate emoluments	316	383
Company pension contributions to money purchase schemes	44	40
	360	423

Aggregate directors' emoluments

	2016 £'000	2015 £'000
Aggregate emoluments	2,350	1,719
Company pension contributions to money purchase schemes	354	168
Total	2,704	1,887

The emoluments of DM Ashton, K Gillespie, B Hocking and MR Le Lorrain are paid by other subsidiaries within the Group. These directors are also directors of fellow subsidiaries of Galliford Try plc and it is not possible to make an accurate apportionment in respect of their emoluments to this subsidiary.

Galliford Try Building Limited**Notes to the financial statements for the year ended 30 June 2016 (continued)****2. Employees and directors (continued)****Aggregate directors' emoluments (continued)**

Accordingly, the above details include no emoluments in respect of these directors. Their emoluments are disclosed where appropriate in the financial statements of the companies where significant costs are incurred.

3. Interest payable and similar charges / Other Interest receivable and similar income

	2016 £'000	2015 £'000
Other interest receivable and similar income		
- Interest receivable external - Loan notes	–	11
-from group undertakings	1,371	576
-other interest income	6	–
Total other interest receivable and similar income	1,377	587
Interest payable and similar charges		
-to group undertakings	(1,220)	(542)
-other interest payable	–	(436)
Total interest payable and similar charges	(1,220)	(978)
Net finance income/(cost)	157	(391)

4. Loss on ordinary activities before taxation

The following items have been included in arriving at the loss on ordinary activities before taxation:

	2016 £'000	2015 £'000
Employee benefits expense	95,479	56,938
Depreciation of property, plant and equipment		
- Owned assets	107	93
Other operating lease rentals payable		
- Plant and machinery	4,067	4,092
- Property	1,892	2,380
Repairs and maintenance expenditure on property, plant and equipment	416	278

Services provided by the Company's auditors

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

	2016 £'000	2015 £'000
Fees payable to the Company's auditors for the audit of the financial statements	77	77

5. Tax on (loss) on ordinary activities

	2016 £'000	2015 £'000
Current tax for the year	237	457
Deferred tax credit	3	5
Adjustments in respect of prior years:		
Current tax	–	(478)
Deferred tax	(4)	(1)
Income tax credit/(expense)	236	(17)

The total income tax credit for the year of £235,920 (2015: expense £16,837) is lower than (2015: higher than) the blended standard rate of corporation tax in the UK of 20.00% (2015: 20.75%). The differences are explained below:

	2016 £'000	2015 £'000
Loss on ordinary activities before taxation	(1,598)	(2,724)
Loss before income tax multiplied by the blended standard rate in the UK of 20.0% (2015: 20.75%)	320	565
Expenses not deductible for tax purposes	(64)	(30)
Share of LLPs	(16)	(73)
Adjustments in respect of prior years	(4)	(479)
Income tax credit/(expense)	236	(17)

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for the previous financial year were taxed at a blended standard rate of 20.75%, and for the period to 30 June 2016 are taxed at the standard rate of 20.0%.

Further changes to the UK corporation tax system were announced in the July 2015 UK Budget Statement. The main rate of corporation tax will reduce to 19% from April 2017 and was scheduled to reduce to 18% from April 2020. These rate reductions had been substantively enacted at the balance sheet date. A further reduction to 17% from April 2020 was announced in the March 2016 UK Budget Statement but this rate reduction had not been substantively enacted at the balance sheet date and, therefore, the relevant deferred tax balances have not been remeasured. Due to the uncertainty of the rate that will apply from April 2020, deferred tax has been recognised at 19%. The effect on the deferred tax balances, had the new rates been applied at 30 June 2016, would not have been significant.

Galliford Try Building Limited

Notes to the financial statements for the year ended 30 June 2016 (continued)

6. Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost			
At 01 July 2015	14	667	681
Additions	98	156	254
Disposals	(1)	–	(1)
At 30 June 2016	111	823	934
Accumulated depreciation			
At 01 July 2015	13	431	444
Charge for the year	3	104	107
At 30 June 2016	16	535	551
Net book amount			
At 30 June 2016	95	288	383
At 30 June 2015	1	236	237

There are no assets held under finance lease (2015: £Nil).

There has been no impairment of property, plant and equipment during the year (2015: £Nil).

7. Investments in subsidiaries

	£'000
Cost	
At 01 July 2015	69
At 30 June 2016	69
Aggregate impairment	
At 01 July 2015	–
At 30 June 2016	–
Net book value	
At 30 June 2016	69
At 30 June 2015	69

During the year, Galliford Try Corporate Holdings Limited (a fellow subsidiary undertaking) transferred its investment holdings in Galliford Try HPS Limited and GT Asset 24 Limited to the Company at book value for consideration owing as an intercompany payable.

The carrying value of investments has been reviewed and the directors are satisfied that there is no impairment.

The Company holds 100% of the ordinary £1 shares in its subsidiaries, unless otherwise stated. All the subsidiary companies were incorporated in England and Wales.

Galliford Try Building Limited**Notes to the financial statements for the year ended 30 June 2016 (continued)****7. Investments in subsidiaries**

The subsidiary undertakings of the Company are:

Name	Proportion of capital held
Galliford Try HPS Limited	100%
GT Asset 24 Limited	100%
Kingseat Development 1 Limited	100%
Kingseat Development 3 Limited	100%
Try Accord Limited	100%
Try Construction Limited	100%

8. Available for sale financial assets

	2016 £'000
At 01 July 2014	—
Transfer from group undertakings	278
At 01 July 2015	278
At 30 June 2016	278

9. Developments

	2016 £'000	2015 £'000
Land	697	697
Work in progress	209	361
	906	1,058

10. Construction contracts

	2016 £'000	2015 £'000
Contracts in progress at balance sheet date:		
Amounts recoverable on construction contracts included in trade and other receivables	154,279	175,247
Payments received on account on construction contracts included in trade and other payables	(51,566)	(16,528)
	102,713	158,719

The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £1,934,143,949 (2015: £2,126,445,077).

Retentions held by customers for contract work amounted to £53,430,027 (2015: £44,211,434).

Galliford Try Building Limited**Notes to the financial statements for the year ended 30 June 2016 (continued)****11. Trade and other receivables**

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Trade receivables	79,269	52,617
Less: provision for impairment of receivables	(236)	(623)
Trade receivables - net	79,033	51,994
Amounts recoverable on construction contracts	154,279	175,247
Amounts owed by group undertakings	127,449	79,738
Amounts owed by joint ventures	379	74
Other debtors	5,340	16,231
Recoverable value-added tax	3,860	2,973
Prepayments and accrued income	31,647	18,624
	401,987	344,881

Amounts owed by group undertakings do not bear interest, have no fixed date of repayment and are repayable on demand.

Trade and other receivables do not contain any assets that are past due or impaired (2015: £nil).

	2016 £'000	2015 £'000
Amounts falling due in more than one year:		
Trade receivables	237	–
	237	–

12. Current income tax assets

	2016 £'000	2015 £'000
Corporation tax recoverable	3,030	1,498

The Company surrenders tax losses and other allowances by group relief to other Galliford Try group companies. The party accepting such surrender pays the Company an amount equal to the amount of tax such accepting party would have paid but for such surrender.

13. Cash and cash equivalents

	2016 £'000	2015 £'000
Cash and cash equivalents	99,678	136,889

The effective interest rate received on cash balances is 0.6% (2015: 0.8%)

14. Trade and other payables

	2016 £'000	2015 £'000
Payments received on account on construction contracts	51,566	16,528
Trade payables	149,509	135,441
Amounts owed to group undertakings	64,325	21,269
Amounts owed to joint ventures	2,672	–
Other taxation and social security, payable	789	4,717
Other creditors	326	735
Accrued liabilities and deferred income	179,636	245,607
	448,823	424,297

Amounts owed to fellow group undertakings are non-interest bearing, unsecured and repayable on demand.

15. Financial liabilities - borrowings

	2016 £'000	2015 £'000
Current		
Bank borrowings and overdrafts	5,749	4,613

The bank overdrafts currently incur interest at 2.0% - 2.3% (2015: 2.00% - 2.3%) over LIBOR.

16. Other non current liabilities

	2016 £'000	2015 £'000
Trade payables	–	2,926
	–	2,926

17. Deferred taxation

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2015: 20%).

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

17. Deferred taxation (continued)

The net deferred tax position at 30 June 2016 was:

	2016 £'000	2015 £'000
Deferred tax assets	30	31

The movement for the year in the net deferred income tax account is as shown below:

	2016 £'000	2015 £'000
At 1 July 2015	31	27
Income statement:		
Adjustment to prior year's deferred income tax	(4)	(1)
Deferred tax credit	3	5
At 30 June 2016	30	31

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

18. Ordinary shares

	Number of shares	Ordinary shares £'000
Allotted and fully paid ordinary shares of £1		
At 01 July 2015	15,000,000	15,000
At 30 June 2016	15,000,000	15,000

19. Financial commitments

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

	Property 2016 £'000	Vehicles, plant and equipment 2016 £'000	Property 2015 £'000	Vehicles, plant and equipment 2015 £'000
Amounts due:				
Within one year	1,190	12	677	52
Later than one year and less than five years	2,846	13	1,567	59
After five years	496	–	1,143	2
	4,532	25	3,387	113

19. Financial commitments (continued)

Galliford Try plc, together with certain of its subsidiaries, has entered into arrangements with HSBC Bank plc, The Royal Bank of Scotland plc, Abbey National Treasury Services plc and Barclays Bank plc to guarantee the borrowings of Group companies.

20. Guarantees and contingent liabilities

The parent company Galliford Try plc and group subsidiary companies have entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued on behalf of the group undertakings, including joint arrangements and joint ventures, in the normal course of the business amounting to £313.8 million (2015: £312.3 million).

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

21. Share based payments

The Group operates a performance related share incentive plans for executives, this is discussed in the Group's annual report (refer to note 27). The Group also operates savings related option schemes ("SAYE"). The total charge for the year relating to employee share based payment plans was £0.3 million (2015: £0.1 million) all of which related to equity settled share based payment transactions.

Savings related share options

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

The weighted average fair value of awards granted during the year was £228p (2015: £227p). There were 582,147 share options exercised during the year ended 30 June 2016 at a weighted average exercise price of 1,476p (2015: £1,361p). There are 1,230,395 (2015: 1,352,517) options outstanding at 30 June at a range of exercise prices from 488p to 1,372p. The weighted average remaining contractual life is 2 years 11 months (2015: 2 years 5 months).

22. Related party transactions

	Amounts owed by related parties		Amounts owed to related parties	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trading transactions				
Joint ventures	379	74	(2,672)	—

Sales to related parties are based on terms that would be available to unrelated third parties. Receivables are due within one year (2015: one year) and are unsecured and interest free. Payables are due within one year (2015: one year) and are interest free.

23. Post balance sheet events

No matters have arisen since the year end that requires disclosure in the financial statements.

24. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Galliford Try Construction & Investments Holdings Limited which is registered in England and Wales. The ultimate parent undertaking and controlling party is Galliford Try plc, which is registered in England and Wales. This is the only company into which the Company's results are consolidated. Copies of the consolidated group financial statements of Galliford Try plc are publicly available from Galliford Try plc, Cowley Business Park, High Street, Cowley, Uxbridge, Middlesex, UB8 2AL.