

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Annual report and Financial statements

For the year ended 30 June 2014

Registered number 02472080

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Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Contents

	Page(s)
Directors and advisers	1
Strategic report	2 - 3
Directors' report	4 - 7
Independent auditors' report to the members of Galliford Try Building Limited	8 - 9
Income statement	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 33

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Directors and advisers

Directors

S Gibbons (resigned 30 June 2014)
K Gillespie
M Kerth
MR LeLorrain
RE Merriman
F Safavi
SK Bowles
ND Cocker (appointed 22 July 2013)
M Laws

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
(Formerly Galliford Try Construction Limited)

Strategic Report for the year ended 30 June 2014

The directors present their strategic report of Galliford Try Building Limited ("the Company"), for the year ended 30 June 2014

Review of the business

The Company provides 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, interiors, affordable housing and facilities management.

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

The market for building works has continued to be extremely competitive, with continued pressure on volume and margins in both the private and public sectors but we are seeing more opportunities across the country and an improving outlook.

The public sector market depends on the Government's ability to finance investment, either directly or by attracting private sector funds. The market has been weak but opportunities are appearing, with the Government beginning to unveil investment plans and most departments being funded as the general election approaches.

Private sector work depends on companies having confidence to invest, which is linked to economic conditions, consumer spending and the availability of finance.

The weak public sector market and the competitive pressures mentioned above are the main drivers behind the loss on ordinary activities before taxation recorded in the financial year. However, the Company is seeing a steady increase in opportunities, particularly around London where we have a strong presence, although this improvement is still at an early stage.

Looking forward, the construction business is winning work with an appropriate margin and inflation protection and continues its focus on risk management and cash.

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 analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. 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.

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Strategic Report for the year ended 30 June 2014

General

The Company's profit for the financial year was £401,975 (2013 £2,632,880), which will be added to reserves

By order of the board

<p>For and on behalf of</p> <p><i>A S White</i></p> <p>Galliford Try Secretariat Services Limited</p>

Company Secretary

24 November 2014

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Directors' report for the year ended 30 June 2014

The directors present their annual report and the audited financial statements of Galliford Try Building Limited ("the Company"), registered number 02472080 for the year ended 30 June 2014

Future developments

During the forthcoming year the Company's objective is to continue to secure works at sustainable profit margins, whilst seeking to control its risks in the challenging market

With a current order book of over £500 million, the Company is well placed to continue its strong performance into next year and to grow when markets allow

Dividends

The directors do not recommend the payment of a dividend (2013 £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

Creditor payment policy

Company policy regarding creditor payment is to agree payment terms contractually with suppliers and subcontractors, ensure the relevant terms of payment are included in contracts, and to abide by those terms when satisfied that goods, services or assets have been provided in accordance with the agreed contractual terms

The Company had amounts owing to trade creditors as at 30 June 2014 of £85,793,724 (2013 £64,231,000). Trade creditors for the Company as at 30 June 2014 represented an average of 63 days (2013 55 days)

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Directors' report for the year ended 30 June 2014 (continued)

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 where stated below

S Gibbons resigned as a director of the Company on 30 June 2014 ND Cocker was appointed as a director of the Company on 22 July 2013

Qualifying third-party and pension scheme indemnity provisions

Following shareholders' approval, the Company has provided an indemnity for its directors 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

Post Balance Sheet Events

With effect from 1 July 2014, the name of the immediate parent of the Company changed to Galliford Try Construction & Investments Holdings Limited The Company changed its name from Galliford Try Construction Limited to Galliford Try Building Limited with effect from 1 July 2014

From 1 July 2014 the Company also transferred the trade and assets of its partnerships businesses and its investments in Linden Homes Eastern LLP to Galliford Try Partnerships Limited at book value for cash consideration The Company also transferred its investment in Galliford Try Partnerships North Limited to Galliford Try Partnerships Limited at book value for consideration left outstanding an intercompany loan note on 1 July 2014 The Company also transferred its investment in Galliford Try Partnerships Limited to Galliford Try Homes Limited at book value for consideration left outstanding as an intercompany loan note on 1 July 2014 On 1 July 2014, the Company transferred its investments in Pentland Limited, Oak Fire Protection Limited and Vldar Limited to Galliford Try Infrastructure Limited at book value for consideration left as outstanding as an intercompany loan note

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 Directors' Report and the financial statements in accordance with applicable law and regulations

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Directors' report for the year ended 30 June 2014 (continued)

Statement of directors' responsibilities (continued)

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.

Disclosure of information to auditors

Each of the persons who is a 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.

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

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Directors' report for the year ended 30 June 2014 (continued)

Independent auditors

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

The report of the directors was approved by the board of directors on 24 November 2014 and signed by its order by

For and on behalf of A S White Galliford Try Secretariat Services Limited

Galliford Try Secretariat Services Limited
Company secretary

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Independent auditors' report to the members of Galliford Try Building Limited Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the company's affairs as at 30 June 2014 and of its profit 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

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The financial statements, which are prepared by Galliford Try Building Limited (formerly Galliford Try Construction Limited), comprise

- the Balance Sheet as at 30 June 2014,
- the Income Statement 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 their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework"

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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

In addition, we read all the financial and non-financial information in the Annual Report and Financial statements 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

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

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

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 pages 5-6, 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 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



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

24 November 2014

Galliford Try Building Limited
(Formerly Galliford Try Construction Limited)

Income statement for the year ended 30 June 2014

		2014	2013
	Note	£'000	£'000
Turnover		497,042	430,495
Cost of sales		(473,510)	(400,089)
Gross profit		23,532	30,406
Administrative expenses		(24,227)	(26,439)
Operating (loss) / profit		(695)	3,967
Other interest receivable and similar income	3	408	728
Interest payable and similar charges	3	(122)	(66)
(Loss) / profit on ordinary activities	4	(409)	4,629
Tax on (loss) / profit on ordinary activities	5	811	(1,996)
Profit for the financial year		402	2,633

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

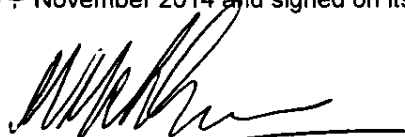
Galliford Try Building Limited
(Formerly Galliford Try Construction Limited)

Balance sheet as at 30 June 2014

	Note	2014 £'000	2013 £'000
Assets			
Fixed assets			
Property, plant and equipment	6	186	234
Investments in subsidiaries	7	10,779	10,109
Investments in joint ventures	8	–	1,060
Financial assets			
- Available for sale financial assets	9	–	980
Deferred income tax asset	18	27	–
Total non current assets		10,992	12,383
Current assets			
Developments	10	4,168	2,121
Trade and other receivables			
- due in less than one year	12	196,906	148,131
Current income tax assets	15	731	–
Cash and cash equivalents	13	106,880	100,384
Total current assets		308,685	250,636
Total assets		319,677	263,019
Liabilities			
Current liabilities			
Financial liabilities - borrowings	16	(7,822)	(7,882)
Trade and other payables	14	(255,806)	(197,658)
Current income tax liabilities	15	–	(1,345)
Total current liabilities		(263,628)	(206,885)
Net current assets		45,057	43,751
Non current liabilities			
Deferred income tax liabilities	18	–	(877)
Other non-current liabilities	17	(300)	–
Total non current liabilities		(300)	(877)
Total liabilities		(263,928)	(207,762)
Net assets		55,749	55,257
Equity			
Ordinary shares	19	15,000	15,000
Retained earnings		40,749	40,257
Total equity attributable to owners of the company		55,749	55,257

The notes on pages 13 to 33 are an integral part of these financial statements

The financial statements on pages 10 to 33 were approved by the Board of directors on 24 November 2014 and signed on its behalf by



MR LeLorrain
Director
Registered number 02472080

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Statement of changes in equity for the year ended 30 June 2014

	Note	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
At 01 July 2012		15,000	37,519	52,519
Profit for the financial year		–	2,633	2,633
Transactions with owners				
Share based payments	22	–	105	105
At 01 July 2013		15,000	40,257	55,257
Profit for the financial year		–	402	402
Transactions with owners				
Share based payments	22	–	90	90
At 30 June 2014		15,000	40,749	55,749

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014

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 26 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 26 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 the date of transition and as at 30 June 2014 and on the profit or loss for the year ended 30 June 2014.

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 Transactions, 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

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.

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

1. Accounting policies (continued)

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 requires a degree of estimation. However, Company 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.

Revenue and profit

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax. Sales within the Company are eliminated. Revenue also includes the Company's proportion of work carried out under jointly controlled operations.

Revenue and profit are recognised as follows:

(i) House building and land sales

Revenue from private housing sales including affordable housing, is recognised at legal completion, net of incentives. Revenue from land sales is recognised on the unconditional exchange of contracts. Profit is recognised on a site by site basis by reference to the expected result of each site.

Contracting development sales for affordable housing are accounted for as construction contracts.

(ii) Construction contracts

Revenue 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.

(a) Fixed price contracts - Revenue 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.

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

1 Accounting policies (continued)

Revenue 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 and variations 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 - Revenue 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 revenue 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.

(iii) Facilities management contracts

Revenue 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.

Bid costs for PFI/PPP contracts

Bid costs relating to PFI/PPP projects are not carried in the balance sheet as recoverable until the Company has been appointed preferred bidder or has received an indemnity in respect of the investment or costs, and regards recoverability of the costs as virtually certain.

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.

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

1 Accounting policies (continued)

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.

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

Land and buildings comprise mainly offices and are stated at cost less impairment. All other 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. Freehold land and buildings are not depreciated. 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.

Investments in joint ventures

A joint venture is a contractual arrangement whereby the Company undertakes an economic activity that is subject to joint control with third parties. The Company's interest in joint ventures is accounted for as an investment on the balance sheet.

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

1. Accounting policies (continued)

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. 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.

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.

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

1 Accounting policies (continued)

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.

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 assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge disclosed in note 23 represents contributions payable by the Company to the fund. Contributions to the Group's defined contribution scheme 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 the majority 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.

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. 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.

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

2. Employees and directors

Employee benefit expense for the Company for the year is

	Note	2014 £'000	2013 £'000
Wages and salaries		41,551	38,981
Redundancy and termination costs		121	164
Social security costs		4,650	4,534
Other pension costs	23	5,410	3,557
Share based payments	22	90	105
		51,822	47,341

The disclosure above includes some 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

The average monthly number of people including executive directors employed is

	2014 Number	2013 Number
By activity		
Production and sales	800	788
Administration	170	167
Management	40	39
	1,010	994

Highest paid director

	2014 £'000	2013 £'000
Aggregate emoluments	298	247
Company pension contributions to money purchase schemes	40	30
	338	277

The emoluments of K Gillespie, S Gibbons and M LeLorrain 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. 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 relevant.

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

3. Net finance income/(costs)

	2014 £'000	2013 £'000
Interest receivable and similar income		
- from group companies	245	452
Other interest receivable	163	276
Finance income	408	728
Interest payable and similar charges		
- to group companies	(109)	(62)
Other interest payable	(13)	(4)
Finance costs	(122)	(66)
Net finance income	286	662

4. (Loss)/profit on ordinary activities before taxation

The following items have been included in arriving at the loss before income tax

	Note	2014 £'000	2013 £'000
Employee benefit expense	2	51,822	47,341
Depreciation of property, plant and equipment			
- Owned assets	6	39	52
Other operating lease rentals payable			
- Plant and machinery		2,271	2,680
- Property		1,700	1,469

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

	2014 £'000	2013 £'000
Fees payable to the Company's auditors for the audit of the financial statements	75	73

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

5. Tax on (loss) / profit on ordinary activities

	2014 £'000	2013 £'000
Analysis of expense in year		
Current tax	(94)	(939)
Deferred tax	804	(61)
Adjustments in respect of prior years		
Current tax	–	(1,066)
Deferred tax	101	70
Income tax credit / (expense)	811	(1,996)

The total income tax credit for the year of £ (810,814) (2013 expense £1,996,346) is higher than (2013 higher than) the blended effective standard rate of corporation tax in the UK of 22.5% (2013 23.75%). The differences are explained below

	2014 £'000	2013 £'000
(Loss)/Profit before income taxation	(409)	4,629
(Loss)/Profit before income tax multiplied by the blended effective standard rate in the UK of 22.5% (2013 23.75%)	92	(1,065)
Effects of		
Expenses not deductible for tax purposes	(40)	(29)
Non-taxable income	715	–
Change in rate of current income tax	(57)	94
Adjustments in respect of prior years	101	(996)
Income tax credit / (expense)	811	(1,996)

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Company's profits for the previous financial year were taxed at an effective rate of 23.75%. The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the company's profits for this financial year are taxed at an effective rate of 22.5%.

In addition to the changes in rates of corporation tax disclosed above, further changes to the UK Corporation tax system were announced in the March 2013 UK Budget Statement and substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These included reductions to the main rate of corporation tax by a further 1% to 20% by 1 April 2015. This further reduction had been substantively enacted at the balance sheet date and, therefore, the relevant deferred tax balances have been remeasured.

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

6. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 01 July 2013	360	66	524	950
Additions	—	—	—	—
Disposals	(360)	(53)	—	(413)
At 30 June 2014	—	13	524	537
Accumulated depreciation				
At 01 July 2013	360	57	299	716
Charge for the year	—	—	39	39
Disposals	(360)	(44)	—	(404)
At 30 June 2014	—	13	338	351
Net book amount				
At 30 June 2014	—	—	186	186
At 30 June 2013	—	9	225	234

There are no assets held under finance lease (2013 £Nil)

The cost of land and building primarily relates to freehold properties

There has been no impairment of property, plant and equipment during the year (2013 £Nil)

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

7 Investments in subsidiaries

	£'000
Cost	
At 01 July 2012	15,978
At 01 July 2013	15,978
Additions	670
Disposals	–
At 30 June 2014	16,648
Aggregate impairment	
At 01 July 2012	5,869
At 01 July 2013	5,869
At 30 June 2014	5,869
Net book value	
At 30 June 2014	10,779
At 30 June 2013	10,109

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

The Company held 100% of the ordinary £1 shares in its subsidiaries, unless otherwise stated, at 30 June 2014. All the subsidiary companies were incorporated in England and Wales.

The principle subsidiary undertakings of the Company were

Galliford Try Partnerships Limited
Try Construction Limited
Try Accord Limited
Galliford Try Partnerships North Limited
Kingseat Development 1 Limited
Linden Homes Eastern LLP (50% owned)

Additions represented a capital contribution of £500,000 to Galliford Try Partnerships North Limited and the acquisition of an investment of £170,000 in Oak Fire Protection Limited from a fellow Group subsidiary.

From 1 July 2014 the Company also transferred the trade and assets of its partnerships businesses and its investments in Linden Homes Eastern LLP to Galliford Try Partnerships Limited at book value for cash consideration. The Company also transferred its investment in Galliford Try Partnerships North Limited to Galliford Try Partnerships Limited at book value for consideration left outstanding as an intercompany loan note on 1 July 2014. The Company also transferred its investment in Galliford Try Partnerships Limited to Galliford Try Homes Limited at book value for consideration left outstanding as an intercompany loan note on 1 July 2014. On 1 July 2014, the Company transferred its investments in Pentland Limited, Oak Fire Protection Limited and Vadar Limited to Galliford Try Infrastructure Limited at book value for consideration left as outstanding as an intercompany loan note.

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

8. Investment in joint ventures

	£'000
Cost	
At 01 July 2012	1,086
Additions	–
Disposals	(26)
At 01 July 2013	1,060
Disposals	(1,060)
At 30 June 2014	–

At 30 June 2014 the Company no longer held any interests in joint ventures which are incorporated in England and Wales. The Company disposed of its interests in GB Consortium 2 Limited for a consideration of £3.1 million.

9. Available for sale financial assets

	£'000
At 01 July 2012	985
Additions	–
Repayments of loans	(5)
At 01 July 2013	980
Repayment of loans	(980)
At 30 June 2014	–

The available for sale assets related to PPP/PFI investments

During the year £979,650 of loans were repaid. The fair value of these unlisted investments was based on future expected cash flows discounted using an average rate of 9% (2013: 9%) based on the type of investment and stage of completion of the underlying assets held.

10. Developments

	2014	2013
	£'000	£'000
Land	1,957	697
Work in progress	2,211	1,424
	4,168	2,121

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

11. Construction contracts

	2014 £'000	2013 £'000
Contracts in progress at balance sheet date		
Amounts recoverable on construction contracts included in trade and other receivables	61,983	28,312
Payments received on account on construction contracts included in trade and other payables	(17,150)	(8,947)
	44,833	19,365

The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £351,991,000 (2013 £482,506,033)

Retentions held by customers for contract work amounted to £24,151,906 (2013 £11,571,176)

12. Trade and other receivables

	2014 £'000	2013 £'000
Amounts falling due within one year		
Trade receivables	60,289	40,638
Less provision for impairment of receivables	(71)	(71)
Trade receivables - net	60,218	40,567
Amounts recoverable on construction contracts	61,983	28,312
Amounts owed by group undertakings	53,738	68,596
Other receivables	9,502	6,039
Amount owed by Joint venture	–	707
Value added tax receivable	1,743	674
Prepayments and accrued income	9,722	3,236
	196,906	148,131

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 (2013 £nil)

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

13 Cash and cash equivalents

	2014	2013
	£'000	£'000
Cash at bank and in hand	106,880	100,384

The effective interest rate received on cash balances is 0.7% (2013 0.8%)

14. Trade and other payables

	2014	2013
	£'000	£'000
Payments received on account on construction contracts	17,150	8,947
Development land payables	983	—
Trade payables	85,794	64,231
Amounts due to group undertakings	9,053	20,644
Other taxation and social security payable	3,203	1,902
Other payables	838	8,261
Accruals and deferred income	138,785	93,673
	255,806	197,658

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

15 Current income tax assets / (liabilities)

	2014	2013
	£'000	£'000
Current income tax assets / (liabilities)	731	(1,345)

16. Financial liabilities - borrowings

	2014	2013
	£'000	£'000
Current		
Bank overdraft	7,822	7,882
	7,822	7,882

The bank overdrafts are unsecured currently incur interest at 2.25-2.6% (2013 2.25-2.6%) over LIBOR

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

17. Other non-current liabilities

	2014 £'000	2013 £'000
Development land payables	(300)	—
	(300)	—

18 Deferred income tax assets / (liabilities)

Deferred income tax is calculated in full on temporary differences under the liability method using a tax rate of 21% (2013 23%)

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. The net deferred tax position at 30 June was

	2014 £'000	2013 £'000
Deferred income tax assets / (liabilities)	27	(877)

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

	2014 £'000	2013 £'000
At 1 July 2013	(877)	(885)
Income statement		
Adjustment to prior year's deferred income tax	—	69
Current year's deferred income tax	905	(61)
At 30 June 2014	28	(877)

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

19. Ordinary shares

	Number of shares	Ordinary shares £'000
Allotted and fully paid ordinary shares of £1		
At 01 July 2013	15,000,000	15,000
At 30 June 2014	15,000,000	15,000

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

20 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:

	2014	2014	2013	2013
	Property	Vehicles, plant	Property	Vehicles, plant
	£'000	and equipment	£'000	and equipment
	£'000	£'000	£'000	£'000
Amounts due				
Within one year	230	–	409	18
Later than one year and less than five years	652	–	1,561	11
After five years	–	–	827	–
	882	–	2,797	29

Galliford Try plc, together with certain of its subsidiaries, has entered into arrangements with HSBC Bank plc, The Royal Bank of Scotland plc, and Barclays Bank plc to guarantee the borrowings of Group companies. Fixed charges have been given to these banks over certain of the Group's developments.

21. 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 £201.0 million (2013: £155.2 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.

22 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). The Group also operates savings related option schemes ("SAYE"). The total charge for the year relating to employee share based payment plans was £89,534 (2013: £104,671) 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.

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

22. Share based payments (continued)

The weighted average fair value of awards granted during the year was £Nil (2013 £164) There were 404,300 share options exercised during the year ended 30 June 2014 at a weighted average exercise price of 1153p (2013 910p) There are 822,522 (2013 541,795) options outstanding at 30 June at a range of exercise prices from 271p to 912p The weighted average remaining contractual life is 2 year 8 months (2013 2 year 8 months)

23. Retirement benefit obligations

The Company's principal funded pension scheme is the Galliford Try Final Salary Pension Scheme (based on final pensionable salary) with assets held in separate trustee administered funds which was closed to all future service accrual on 31 March 2007 The Company is unable to identify its share of the assets and liabilities of the group defined benefit scheme This is because of historical changes within the group and the pension scheme, which means that it is not possible to accurately identify the original employer of all active and deferred pensioners Hence, the Company accounts for contributions as if they were to a defined contribution pension scheme The Company operates a pension salary sacrifice scheme which means that all employee pension contributions are now paid as employer contributions on their behalf All staff employees are entitled to join the Galliford Try Pension Scheme, a defined contribution scheme established as a stakeholder plan, with a Company contribution based on a scale dependent on the employees age and the amount they choose to contribute

Pension costs for the schemes were as follows

	2014	2013
	£'000	£'000
Defined benefit schemes - Expense recognised in the income statement	2,189	2,189
Defined contribution schemes	3,221	1,368
Total included within employee benefit expenses	5,410	3,557

Defined benefit schemes

The following disclosures relate to the Galliford Try defined benefit scheme in which the Company participates

An independent actuary performs detailed triennial valuations together with periodic interim reviews The most recent completed formal valuation of the Galliford Try Final Salary Pension Scheme was carried out as at 1 July 2012 by Mercer the scheme actuary The accounting results for the Galliford Try Final Salary Pension Scheme have been calculated using a roll forward approach, based on the liabilities calculated for the 1 July 2012 actuarial valuation

The deficit recovery funding plan agreed with the Trustees in 2013 required the Company to pay contributions of £466,667 per calendar month until February 2019, with potential additional payments being linked to dividend payments of the Company The Galliford Try Final Salary Pension Scheme closed to future accrual with effect from 31 March 2007

The most recent actuarial valuation of the Galliford Group Special Scheme was prepared using the attained age method as at 1 April 2013 A deficit recovery funding plan was agreed with the Trustees to meet the funding shortfall, which required the Company to pay contributions of £16,000 per calendar month until September 2014 These contributions have all been paid The funding deficit has been recovered and the payments have stopped

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

23 Retirement benefit obligations (continued)

Principal assumptions

The principal actuarial assumptions used in the calculation of the disclosure items are as follows

	30 June 2014	30 June 2013	30 June 2012
Rate of increase in salaries	n/a	n/a	n/a
Pension increases (limited price indexation)	3.30%	3.30%	2.90%
Discount rate applied to plan liabilities	4.20%	4.50%	4.50%
Retail price inflation	3.40%	3.40%	2.90%
Consumer price inflation	2.40%	2.40%	1.90%

Life expectancy assumptions (for the Galliford Try Final Salary Pension Scheme)

For the Galliford Try Final Salary Pension Scheme, the life expectancies as at 30 June 2014 are based on S1PA tables (90% scaling factor applied for males), with a future improvement in mortality assumption in line with CMI 2012 tables, with a long term rate of improvement of 1.5% p.a. The life expectancies as at 30 June 2013 were based on S1PA tables (90% scaling factor applied for males), with a future improvement in mortality assumption in line with CMI 2011 tables, with a long-term rate of improvement of 1.5% p.a.

	30 June 2014	30 June 2013
Male member age 65 (current life expectancy)	23.8	23.8
Male member age 45 (life expectancy at age 65)	26.0	25.9
Female member age 65 (current life expectancy)	25.4	25.3
Female member age 45 (life expectancy at age 65)	27.7	27.5

Assets in the Scheme

The fair value of the assets, long term rate of return expected and present value of the obligations at 30 June of the Group's defined benefit arrangements are as follows

	2014 Value £'000	2014	2013 Value £'000	2013
Equities	28,455	14%	37,574	21%
Bonds	65,161	33%	60,452	33%
Gilts	75,421	38%	72,239	39%
Diversified growth funds	26,920	14%	-	0%
Cash and other	946	0%	12,918	7%
Total market value of assets	196,903		183,183	
Present value of liabilities	(195,808)		(182,683)	
Surplus in the scheme	1,094		500	

Where investments are held in bonds, gilts and cash, the expected long term rate of return is taken to be the yields generally prevailing on such assets at the balance sheet date. A higher rate of return is expected on equity investments, which is based on more realistic future expectations than on the returns that have been available historically. The overall expected long term rate of return on assets of 4.20% (2013 4.20%) is the average of these rates taking into account the underlying asset portfolio of the pension scheme.

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

23. Retirement benefit obligations (continued)

Sensitivity analysis of scheme liabilities

The sensitivity of the present value of scheme liabilities to changes in the principal assumptions is set out below

	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.1%	Decrease by £3.6 million
Rate of inflation	Increase by 0.1%	Increase by £2.3 million
Increase in pension payments	Increase by 0.1%	Increase by £1.8 million
Life expectancy	Increase by one year	Increase by £5.4 million

Accounting results

The amounts recognised in the income statement are as follows

	2014 £'000	2013 £'000
Net interest (income)/expense on net defined benefit asset	(94)	174
Expenses	408	
Expense recognised in income statement	314	174

The actual return on scheme assets was of £14,648,000 (2013 £13,731,000)

The amounts recognised in the statement of comprehensive income are as follows

	2014 £'000	2013 £'000
Total amount of actuarial losses in the year	5,001	5,912
Cumulative actuarial losses	37,624	32,623

	2014 £'000	2013 £'000
Movement in present value of defined benefit obligations		
The beginning of year	182,683	168,596
Interest cost	8,078	7,459
Experience gains/(losses)	550	(4,572)
Actuarial gains arising from changes in financial assumptions	11,564	12,180
Actuarial (losses)/gains arising from changes in demographic assumptions	(638)	4,822
Benefit payments	(6,429)	(5,802)
The end of year	195,808	182,683
Movement in fair value of scheme assets		
The beginning of year	183,183	168,046
Interest income	8,172	7,585
Return on plan assets, excluding interest income	6,476	6,509
Employer contributions	5,909	7,208
Expenses	(408)	(362)
Benefit payments	(6,429)	(5,802)
The end of year	196,903	183,184

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

23 Retirement benefit obligations (continued)

Movement in fair value of net asset/(liability)

	2014	2013
	£'000	£'000
The beginning of year	500	(550)
Net interest income	94	126
Return on plan assets, excluding interest income	6,476	6,509
Experience (losses)/gains	(550)	4,572
Actuarial (losses)	(10,927)	(17,002)
Employer contributions	5,909	7,208
Expenses	(408)	(362)
The end of year	1,094	500

The contributions expected to be paid to the defined benefit scheme by the Galliford Try Group during the year ended 30 June 2015 are £5.8 million

24. Related party transactions

Transactions between the Company and related parties other than group undertakings of Galliford Try plc are disclosed as follows

	Amounts owed by related parties		Amounts owed to related parties	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trading transactions				
Joint ventures	–	708	1,053	–

Sales to related parties are based on terms that would be available to unrelated third parties. Receivables are due within one year (2013: one year) and are unsecured and interest free. Payables are due within one year (2013: one year) and are interest free.

25. Post balance sheet events

The Company changed its name from Galliford Try Construction Limited to Galliford Try Building Limited with effect from 1 July 2014.

From 1 July 2014 the Company also transferred the trade and assets of its partnerships businesses and its investments in Linden Homes Eastern LLP to Galliford Try Partnerships Limited at book value for cash consideration. The Company also transferred its investment in Galliford Try Partnerships North Limited to Galliford Try Partnerships Limited at book value for consideration left outstanding as an intercompany loan note on 1 July 2014. The Company also transferred its investment in Galliford Try Partnerships Limited to Galliford Try Homes Limited at book value for consideration left outstanding as an intercompany loan note on 1 July 2014. On 1 July 2014, the Company transferred its investments in Pentland Limited, Oak Fire Protection Limited and Viadar Limited to Galliford Try Infrastructure Limited at book value for consideration left as outstanding as an intercompany loan note.

Galliford Try Building Limited

(Formerly Galliford Try Construction Limited)

Notes to the financial statements for the year ended 30 June 2014 (continued)

26 Ultimate parent undertaking and controlling party

The immediate parent company changed to Galliford Try Construction and Investments Holdings Limited in July 2014 and ultimate parent undertaking is Galliford Try plc which is registered in England and Wales. The immediate parent company as at 30 June 2013 was Galliford Try plc. Galliford Try plc 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.