Galliford Try plc

Delivering disciplined growth

Galliford Try plc
Annual Report and Financial Statements 2014

Galliford Try is a leading UK housebuilding and construction group. We are listed on the London Stock Exchange and are a member of the FTSE 250.

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www.gallifordtry.co.uk

Highlights

Financial year ended 30 June 2014

Group key performance indicators

Group revenue Up 21%

£1,768m

Profit before tax Up 28%

£95.2m

Earnings per share Up 32%

94.6p

Dividend per share Up 43%

53.0p

Year end net debt Down from £14.4m

£5.1m

Return on net assets Up from 16.6%

20.8%

Please refer to page 12 for our full set of Group KPIs and page 41 for our KPIs relating to sustainability

Divisional highlights

Housebuilding

- 37% increase in revenue to £1,002 million on 3,107 completions (2013: £730 million on 2,932 completions);
- 15.1% Linden Homes margin shows improved performance in line with strategy (2013: 13.3%);
- 11% increase in sales reserved, contracted or completed at £348 million (2013: £313 million);
- 91% of 13,900 plot landbank now acquired at current market value (2013: 86% of 11,300 plots);
- 100% of land required for 2015 financial year in place, 87% of land secured for 2016;
- Galliford Try Partnerships revenue up 150% to £242.8 million; business performing strongly in a growing market, with contract order book of £0.5 billion.

Construction

- 1.0% construction margin (2013: 1.6%);
- £151 million year end cash balance demonstrates exceptional cash management (2013: £132 million);
- £3.0 billion construction order book following acquisition of Miller Construction (2013: £1.2 billion);
- 84% of this year's planned revenue secured (2013: 82%).

1. 'Group revenue' excludes share of joint ventures of £83.0 million (2013: £92.1 million). 'Revenue' where stated throughout this Annual Report includes share of joint ventures.
2. Comparative figures throughout this Annual Report have been restated for the new segmental reporting of Galliford Try Partnerships, as set out in note 2 of the financial statements.

At a glance

Our divisions

Housebuilding

We are one of the UK's leading housebuilders. Our housebuilding division includes Linden Homes, which develops private and affordable homes for sale, and Galliford Try Partnerships, our specialist affordable housing business.

Linden Homes

We develop bespoke homes in prime locations, primarily in the South of England and the eastern counties. Our homes complement their surroundings and we take pride in their quality and attention to detail.

We often build on brownfield sites and use our construction division to help us deliver the most complex developments, differentiating us in the market. We have a strong focus on meeting our customers' needs and our success has been recognised through numerous industry awards in recent years.

Linden Homes currently delivers around 3,000 houses and apartments each year, the majority of which are for private sale.

Galliford Try Partnerships

Partnerships provides specialist contracting services to housing associations and local authorities. We have a strong presence in the South and North East of England and a growing business across the rest of the country.

Partnerships also develops mixed tenure projects, producing private housing on sites that are predominantly affordable developments. We draw on Linden Homes' expertise in housing development and sales to successfully deliver these projects. Partnerships delivered 220 private units in the year.

"Our prime sites, bespoke designs and southern focus give Linden Homes a strong platform to deliver disciplined revenue growth and rising margins over the next few years."

Andrew Richards
Managing director, housebuilding

Saint Nicholasgate is an award-winning collection of traditionally inspired family homes and apartments in the market town of Beverley, Yorkshire.

Linden Homes revenue Up 20%

£760m

Partnerships revenue Up 150%

£243m

Linden Homes profit from operations Up 37%

£115m

Partnerships profit from operations Up 257%

£5m

Linden Homes margin
Up from 13.3%

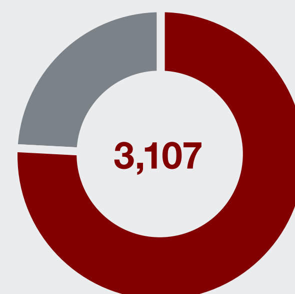
15.1%

Partnerships margin
Up from 1.4%

2.1%

Completions by sector
Up 6%

- Private 2,360
- Affordable 747



Landbank Up 23%

13,900

Construction

We are a major UK contractor, operating mainly under the Galliford Try and Morrison Construction brands. We work for clients across the public, regulated and private sectors, and develop long-term relationships based on our ability to provide whole-life solutions, high standards of project delivery and innovation. Our diverse business has expertise in key sectors ranging from water and transport to education and hotels.

Construction is organised into building and infrastructure businesses and also includes our investments business, as well as our multi-disciplined group of chartered surveyors and our national piling specialists.

Building

Our building business serves clients in the health, education and commercial markets across the UK. Our largest markets are the South of England, the Midlands and Scotland, where we have a significant presence and strong track record.

Infrastructure

Infrastructure operates across the UK. It carries out civil engineering projects, primarily in the water, highways, flood alleviation, remediation and renewable energy markets.

PPP Investments

Our investments business delivers major building and infrastructure projects through public private partnerships. It leads bid consortia and arranges finance, makes direct equity investments and manages construction through to operations.

"The diversity of our business and order book, our deep sectoral expertise and our ability to be selective about the work we take on position us for success as our markets improve."

Ken Gillespie
Construction division chief executive

We are one of three contractors appointed by Manchester Airports Group to carry out its entire Capital Delivery Programme over three years, with the potential for two further 12 month extensions.

Profit from operations Down £5m

£8m

Cash Up £19m

£151m

Profit margin
Down from 1.6%

1.0%

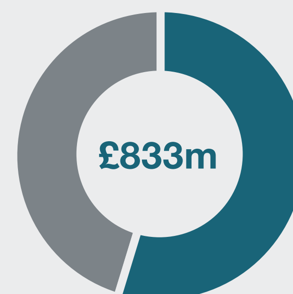
Order book Up 17%

£1.4bn

Increased to £3.0bn following acquisition of Miller Construction in July 2014.

Revenue
Up 1%

- Building £458m
- Infrastructure £375m



Revenue Up 1%

£833m

At a glance

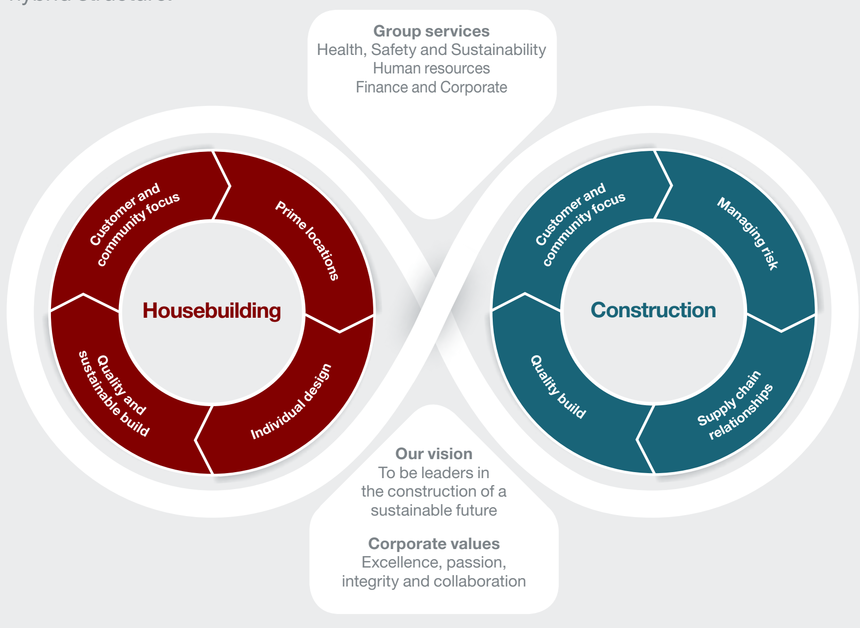
Strength in diversity

Our diverse business and our divisions' mix of skills give us unique competitive advantages, allowing us to create value for our clients and ultimately for our shareholders.

Group structure

We have two complementary divisions, housebuilding and construction. Our business model (pages 10 and 11) explains the advantages of this hybrid structure.

P10 explains our business model



A complete offering in affordable housing

Aligning Galliford Try Partnerships with Linden Homes reinforces our leading position in affordable housing, allowing us to offer both contracting and mixed tenure developments to our clients. The Aylesbury Estate (above) in Walworth, South East London, combines homes for sale, affordable rent and shared ownership. Nightingale Park (below) in Sarisbury Green, Hampshire, is a collection of new homes within the grounds of the old Coldeast Hospital.

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A premium housebuilder

Linden Homes is positioned for further growth, benefiting from its record landbank of prime sites, rising profit margins, and by building more houses and fewer apartments. Pictured left, the Swallowhurst development in Cranleigh near Guildford sets a new benchmark, featuring Linden Homes' highest priced home sold to date. Below, Thornbury Park is set in the prime location of Isleworth, Middlesex.

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People are vital to our success

To achieve our growth plans over the period to 2018, we will need to retain and develop our people, and to recruit more than 1,000 new employees. We are therefore delighted to be joined by around 600 experienced staff following the acquisition of Miller Construction in July 2014. More information about how we manage our people can be found on pages 36 and 37.

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A diverse construction business

We are seeing encouraging signs in construction markets. Over the coming years, we expect to see attractive opportunities to grow, particularly through framework contracts, in the private sector and by taking on more major projects. Examples include the Queensferry Crossing over the Firth of Forth in Scotland (above) and Flow, an office development in Staines, Middlesex (right).

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Chairman's statement

Continuing to deliver for shareholders

Our successful strategy has once again delivered record results and created value for shareholders, allowing us to propose a further significant increase in the dividend.

Earnings per share Up 32%

94.6p

Performance and dividend

Galliford Try's performance has been strong for a number of years. Our hybrid business model meant the Group coped well during the recession, when our growth in housebuilding more than made up for a difficult construction market.

We are now in a period of housing market recovery, which has helped our performance over the last 12 months. Our strategic decision to reinforce our landbank while the market is favourable means we now hold the equivalent of around 14,000 units, positioning us well for the next few years.

Construction has not yet benefited from a market recovery but the signs are encouraging, with increased enquiries and tenders coming through and a number of major project wins. We continue to take a prudent approach to this market, with a focus on risk, margin and cash.

Overall, we are confident about the future and this is reflected in our continuing progressive dividend policy. This year, the Board is recommending a final dividend of 38 pence per share, an increase of 52%. This follows a 25% increase in the interim dividend, to 15 pence per share, giving a total dividend of 53 pence, up 43%.

With earnings per share increasing by 32% to 94.6 pence per share, the total dividend is covered approximately 1.8 times by earnings, in line with our objective. The final dividend will be paid on 28 November 2014 to shareholders on the register at 17 October 2014.

Strategy

Our overarching aim is to create value for shareholders. We were therefore pleased to set out our new strategic objectives in February 2014 (see pages 12 and 13), which include detailed targets for the Group and each of our divisions. By 2018, we plan to more than double profit before tax and earnings per share over those delivered in 2013, with even greater growth in the dividend.

To reach these objectives, we will continue to follow the same fundamental strategy as before, focusing on disciplined growth across our businesses. One notable change is our decision to move our Galliford Try Partnerships affordable housing business from our construction division into housebuilding, in order to enhance its development capabilities and refocus the management team.

The UK has underinvested in affordable housing for decades and we see significant opportunities for a regeneration and land-led contractor/developer model. Realigning Galliford Try Partnerships with our housebuilding division reinforces our leading position in this market and is highly attractive to clients.

Governance

Galliford Try continues to have robust governance, which we see as vital to our long-term success. In the last year, we have further strengthened our Board with the appointment of two new non-executive directors, Ishbel Macpherson and Terry Miller. They joined the Board on 1 February 2014, adding significant skills and experience.

Amanda Burton retired from the Board on 16 September 2014. She has been an excellent senior independent director and chair of our Remuneration Committee. We thank her for her contribution and wish her well for the future. She is being succeeded by Peter Rogers as senior independent director and Ishbel Macpherson as chair of the Remuneration Committee.

Galliford Try complies with all the latest governance guidelines and codes, and we look to adopt new practices that will strengthen our governance. During the year, prompted by the prospective rotation of our audit partner, we undertook a review of the appointment of the auditors before we were required to do so. The Board was satisfied that the current auditors clearly demonstrate independence and provide value, and hence recommended the reappointment of PricewaterhouseCoopers LLP. However, we will review the appointment ahead of compulsory rotation and it will be subject to shareholder approval annually.

People

The Group has a very strong senior team, led by our chief executive, Greg Fitzgerald. We also enhanced the team through internal promotion and external appointments. In particular, Andrew Richards moved from our PPP Investments business to head up Linden Homes from the start of the financial year.

Greg has recently indicated his wish to retire as chief executive no later than the end of 2015 and is committed to ensuring a smooth transition to his successor. The Board thanks Greg for his excellent leadership and vision over the last nine years in his role as chief executive.

The Group's performance and ability to deliver for customers and shareholders depends on our people's skill and dedication. On behalf of the Board, I would like to thank them for their continued commitment to Galliford Try.

Conclusion and outlook

The economy and housing market are in a period of growth. In most parts of the country, house prices are only now getting back to 2007 levels. The need for more housing is reflected in the pace of growth across the industry and the next three years look good as a result.

In construction, we are seeing more enquiries and larger scale bids being let. Longer term, the Government also has some major projects in the pipeline, such as nuclear power, education, highways and HS2, which play to our strengths in building and infrastructure. Overall, the outlook in construction is promising, although it is much earlier in the recovery cycle than housebuilding. We are also excited by Miller Construction joining the Group in July 2014.

The Group is looking forward to delivering disciplined growth across its business.

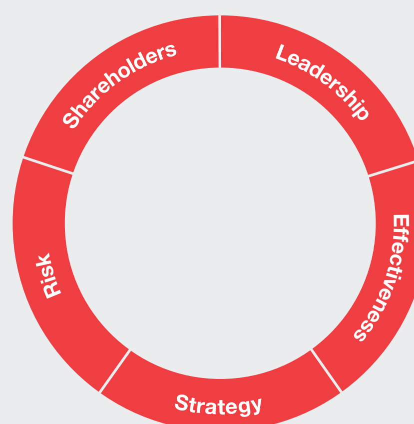
Ian Coull
Chairman

Dividend per share Up 43%

53.0p

Summary of governance

What has the Board achieved during the year?



Leadership
We strengthened the Board and enhanced its diversity through two new non-executive appointments. We also filled senior positions in our management team by promoting from within and through recruitment.

Effectiveness
The Group's performance reflects the quality of its leadership and governance. An internal Board evaluation confirmed that the Board is strong and functions effectively, building on the Board's first external evaluation in 2013.

Strategy
The Board reviewed and approved our new strategic objectives, which we believe will drive substantial growth and create value for shareholders over the period to 2018.

Risk
We look to continuously improve our risk management. During the year, we put in place a new Risk Committee chaired by our finance director.

Shareholders
Galliford Try has a strong shareholder register. During the year, we offered meetings with the chairman and senior independent director.

For more information please refer to the Governance Report from page 44

Chief executive's review

Positive markets support further disciplined growth

We see positive signs in all our markets, allowing us to plan for disciplined growth. By 2018 we aim to more than double our profits and earnings per share compared to 2013, with corresponding increases in shareholder value.

Revenue Up 19%

£1,851m

Including our share of joint ventures.

People and culture

Our people give us a competitive advantage. I believe that getting our people strategy and recruitment right will be the biggest single factor in achieving our 2018 objectives.

After five years of relative stability, the market recovery is creating demand for talented people throughout the industry. Galliford Try's success makes our employees desirable to our competitors and we are taking necessary steps to retain our key people.

We always look to promote from within but our growth strategy to 2018, announced with our half year results in February 2014, requires us to recruit more than 1,000 people over the next four years, at all levels and particularly in Partnerships and Construction. We are therefore delighted to have brought some 600 experienced people into the Group through our acquisition of Miller Construction in July 2014. We expect to require fewer new people in Linden Homes, as our growth will not initially be driven by a large increase in units.

Our performance, ambition and culture make Galliford Try an attractive employer. Our growth provides opportunities for our people and we empower them to deliver, so the Group is an exciting place to work. We are also increasing our intake of graduates and apprentices, so we have the people and skills we need for the longer term.

As discussed below, supply chain conditions mean that building anything is as difficult as I have ever known. This makes our day-to-day operations much tougher for our people. I want to thank everyone in Galliford Try for their efforts, without which we would not have been able to deliver such strong results.

Strategy

For the first time in several years, our markets in housebuilding, affordable homes and construction are all showing signs that they can grow. This allows us to look forward and expand the business. In February this year, we therefore announced a new set of strategic objectives (see pages 12 and 13). These will see us deliver disciplined growth in Linden Homes and Partnerships, and grow construction back to its pre-recession level.

In setting these objectives, we were mindful of both the external and internal benefits. We want to be as transparent as possible for our investors, so they understand how we view our business and markets, and what we believe is achievable over the next few years. We also perform better when we have clear goals, as was apparent when we set our target in 2009 to double the size of our housebuilding business by 2012. These objectives show the scale of our ambition, helping us to motivate and retain our people and to attract new employees.

As part of the strategy, we have realigned Partnerships to our housebuilding division. This will allow us to use Linden Homes' expertise to grow our mixed tenure and land-led developments, strengthening our unique position in this market. Partnerships' growth will be funded by cash from the rapid expansion of its contracting side. Overall, we expect Partnerships to achieve revenue in excess of £350 million by 2018, up from around £100 million in 2013 and £243 million in 2014.

We will continue to seek opportunities for intra-Group trading, using our combined capabilities in housebuilding and construction to provide a compelling offer to clients. We have also ensured we have the finance to fund our growth, with a new five year £400 million unsecured credit facility in place.

Sustainability

Sustainability has long been part of our strategy and is the cornerstone of our vision 'to be leaders in the construction of a sustainable future'. We are further integrating it into our operations, by asking our director of health and safety to also take responsibility for sustainability.

The long recession shrunk both the housebuilding and construction supply chains. The introduction of Help to Buy in April 2013 contributed to a rapid housing market recovery, which has led to shortages of materials and subcontractors. This has also had a short-term effect on the construction supply chain. Whilst rising costs in the housebuilding supply chain are being offset by sales price increases, in construction we have contracts that were priced 12 to 18 months ago, which assumed no cost increases. This has put additional pressure on construction margins this year. We believe we are through the most difficult period with the position stabilising but we expect supply chain conditions to remain tough for at least the next financial year. In the meantime, we continue to work hard to engage and support our supply chain partners, so that we are an attractive customer for them.

Keeping our people healthy and safe is a priority. After an outstanding performance in 2013, disappointingly our internally measured Accident Frequency Rate rose slightly this year for the first time in over five years. We remain highly focused on the behavioural aspects of safe working.

We have set stringent Group targets for reducing carbon emissions and achieving the corresponding energy and cost savings. A strong environmental performance also helps us to win work in construction and to attract the next generation of employees.

Working closely with our communities is important to us. We create jobs, boost local economies and ensure we keep our communities informed about our projects and their progress. As well as being the right thing to do, our approach recognises that it is easier to do business in communities where we are welcomed.

Profit before tax Up 28%

£95.2m

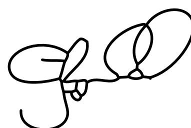
Outlook

Our landbank in housebuilding is at record levels. We own or control all the land we need for the current year and have a very strong position for the year after. At 30 June 2014, we had a record carried forward position, with 34% of sales for 2015 already reserved or exchanged. The land market continues to provide attractive opportunities for us and we increased our hurdle rate from 22% to 23% on 1 July 2014.

At 30 June 2014, we had already secured 84% of our projected workload for 2015 in construction. We are seeing opportunities coming through at improving margins, allowing us to remain selective about the work we take on.

We are delighted to welcome Miller Construction to the Group following its acquisition on 9 July 2014. Integration is proceeding very well and ahead of our expectations. The acquisition brings together two construction businesses with a clear strategic fit and together makes our construction division stronger.

Tight supply chain conditions mean that one of the key challenges will be carrying out the work we are planning. We continue to manage our supply chain relationships carefully, to minimise this risk and ensure we achieve our objectives for the coming year. We will also focus on attracting and retaining the people we will need to achieve our objectives.



Greg Fitzgerald
Chief executive

Full year results interview available at
www.gallifordtry.co.uk/investors

Delivering in partnership

Our experience of producing exceptional housing developments, such as City Glade in Exeter, Devon, will also help us to deliver strong growth in our Partnerships affordable housing business.

Chief executive's review

Our business model

Our hybrid business model encompasses both housebuilding and construction. This gives us a unique set of competitive strengths that benefit us throughout the economic cycle.

This section explains our business model and the advantages we derive from it. Pages 12 and 13 set out our strategy for exploiting these advantages and the financial objectives we aim to achieve as a result.

Complementary businesses

Having both housebuilding and construction divisions is rare in our industry. This hybrid business model gives us a competitive advantage.

Our construction division can remediate land, enable the site infrastructure and build public and commercial buildings. Housebuilding can then develop private and affordable homes on the same site. This means we can offer a complete package to our development partners.

Construction and housebuilding also work together, so we can build mixed-use projects with significant commercial elements and create homes on attractive but complex sites. Housebuilding also benefits from construction services that prepare sites for development.

Strategic strengths

Reduced reliance on any one market
Housebuilding and construction primarily work separately, serving different customers with different requirements and different sources of financing. This makes us less reliant on any particular market.

Complementary financial profiles
Construction generates cash from clients' regular payments, while housebuilding uses cash to pay for land and development, until the homes are sold. These complementary cash flow profiles minimise our need for external debt and lead to a stronger balance sheet.

Reduced impact of economic cycles
Housebuilding adapts quickly to economic changes, particularly during a recovery, while long contracts and lead times make construction late cycle. This means that if one business turns down, the other remains strong, reducing the economic risk to the Group.

Housebuilding

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Prime locations
We have a sizeable landbank in prime locations, with good amenities and transport. We identify each area's housing needs to create prestigious and sustainable developments, including both private and affordable homes. Our expertise in brownfield sites enables us to consider attractive locations that other housebuilders cannot tackle, while Linden Homes' development and sales skills help Partnerships to develop mixed-tenure sites that appeal to housing associations.

Individual design
We create bespoke designs for our private and affordable homes, complementing local styles and collaborating with some of the industry's leading architects, to produce distinctive developments with unique attention to detail.

Quality and sustainable build
Our developments are renowned for their expert build and high specification. We use up-to-date methods and materials and the latest in energy efficiency and lifestyle technology, to reduce running costs for homeowners and each development's overall carbon footprint.

Customer and community focus
We think about the customer at every stage of the process, from before we buy the land to after-sales service. The Linden Way aims to ensure we adopt best practice across Linden Homes and Partnerships, so we offer a consistently good service to all our customers. We also embrace the communities around our developments, uniting our efforts through The Linden Homes Foundation to bring tangible benefits to the places where we build.

Construction

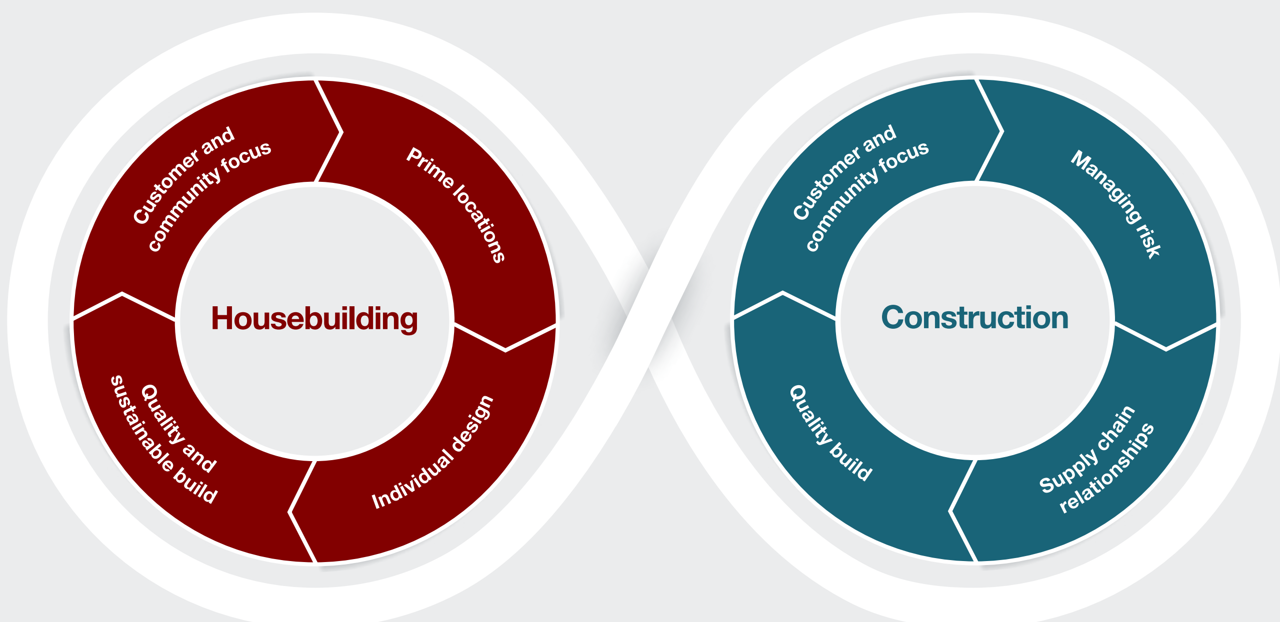
P24

Managing risk
Robust risk management helps us to choose and deliver the right projects. Our hybrid business model means we do not have to chase revenue in difficult markets, allowing us to be selective about projects. The diversity of our business and our order book, which is spread across the public, private and regulated sectors, also protects us from downturns in particular markets.

Supply chain relationships
Our relationships with our supply chain partners help us to improve our service quality for our clients, increase our efficiency and to address key sustainability issues such as health and safety and environmental impact.

Quality build
We are recognised for our high standards of project delivery and have won numerous prestigious awards. Delivering the best for our clients enhances our reputation and helps us to win new work.

Customer and community focus
We aim to become our clients' long-term partner, so we are an extension of their team and have a deep understanding of their project targets. We also develop strong community relationships, so we are welcomed and can work effectively in the area.



Group strategy, objectives and key performance indicators

Disciplined growth

We deliver disciplined growth by focusing on the quality of opportunities, prioritising margin over revenue and leveraging synergies between housebuilding and construction.

Group

Revenue

The fair value of consideration received or receivable, net of rebates, discounts and VAT, including our share of joint ventures

Comment
Revenue rose strongly, driven by growth in housebuilding

2018 target
We have set divisional revenue targets

Up 19%

£1,851m

Profit before tax (PBT)

Profit from ordinary activities, before exceptional items and tax

Comment
Higher profits in housebuilding contributed to record Group PBT of £95.2m, including £0.3m exceptional items

2018 target
More than double 2013's PBT of £74.1 million

Up 28%

£94.9m

Return on net assets

Profit before tax, finance costs and amortisation, divided by average net assets

Comment
Higher profits in housebuilding and strong working capital management helped drive an increased return

Up 4.2 percentage points

20.8%

Housebuilding

Linden Homes

Revenue

Income generated including our share of joint ventures

Comment
Revenue grew 20% as a result of selling more houses and higher average prices

£759.6m
Up 20%

2018 target
An increase of around 50% on 2013's revenue of £632.6 million

Operating profit margin

Profit from operations as a percentage of revenue

Comment
The margin rose ahead of expectations due to efficiencies and using land bought at current prices

15.1%
Up from 13.3%

2018 target
An increase in operating margin towards 18%

Partnerships

Revenue

Value of work carried out in the year

Comment
Mixed tenure revenue was £22.3 million and contracting revenue rose to £220.5 million

£242.8m
Up 150%

2018 target
Growth of 200% on 2013's contracting revenue of £90 million and more than £60 million in mixed tenure revenue

Operating profit margin

Profit from operations as a percentage of revenue

Comment
The margin rose as we began our growth strategy

2.1%
Up from 1.4%

2018 target
An operating margin of 3.5% to 4.0%

Landbank

The number of owned and controlled plots across Linden Homes and Partnerships

13,900
Up 23%

Comment
Favourable land markets allowed us to reach our target in September 2014, ahead of schedule

2018 target
Acquire a 14,000 unit landbank early in the period and maintain it at that level to 2018

Assumptions

In quantifying our strategic objectives for 2018, we made assumptions that certain market conditions would continue to apply in our divisions:

- no material early tightening of the private housing market, with mortgage availability and flexibility continuing to grow;
- no further change to the duration of the Government's Help to Buy initiative;
- continued central Government support for affordable housing;

The Group's ultimate aim is to deliver superior returns to shareholders. We monitor progress of our strategy using a number of key performance indicators and have clear targets which we aim to achieve by 2018. The Group strategy is supported by divisional strategies and objectives.

Construction

Revenue
Value of work carried out in the year

£832.9m
Up 1%

Comment
Our revenue performance was robust, in difficult market conditions

2018 target
Growth of 50% on 2013's revenue of £822.7 million; increased to £1.5 billion following the acquisition of Miller Construction

Operating profit margin
Profit from operations as a percentage of revenue

1.0%
Down from 1.6%

Comment
Robust margin in line with expectations as we delivered work won in difficult market conditions

2018 target
A short-term fall from 2013, followed by a rise towards 2.0%

Order book
The total revenue we expect from orders received

£1.4bn
Up from £1.2bn

Comment
Our success in winning work contributed to an increase in the order book. Increased to £3.0 billion following the acquisition of Miller Construction.

Assumptions continued

- a steady recovery in the wider construction market; and
- a continuation of the current tougher building environment initially, stabilising towards the end of the period.

Cash and capital management
We actively manage cash in construction and investment in housebuilding, to control the Group's net debt position.

Net debt
Group net debt at the year end

£5.1m
Down from £14.4m

Comment
Net debt reduced, despite increased investment in land, largely due to outstanding performance in construction

2018 target
Maintain working capital discipline

Gearing
Year end net debt as a percentage of year end net assets

1%
Down from 3%

Comment
Reduced due to minimal net debt at year end

2018 target
Period end gearing no higher than 30%

Sustainability
We look to embed the highest standards of sustainability, including industry leading health and safety.

Accident Frequency Rate
Number of recordable accidents in the year per 100,000 hours worked

0.14
Up 0.01

Comment
Our internal AFR rose by 0.01

2018 target
We target an AFR of 0.13

Staff churn
Number of employees who voluntarily leave as a percentage of average employee numbers

15.7%
Up 4.6 percentage points

Comment
Churn rose due to greater demand for people across the industry

2018 target
Our target maximum churn rate is 15% per annum

Shareholder return
The ultimate aim of our strategy is to deliver superior returns to our shareholders.

Earnings per share
Profit attributable to ordinary shareholders, divided by the average number of shares in issue

94.6p
Up 32%

Comment
Higher housebuilding profits were the principal driver of the growth in earnings per share

2018 target
More than double 2013 earnings per share of 71.7 pence

Dividend per share
Sum of the interim and proposed final dividend

53.0p
Up 43%

Comment
The total dividend is covered 1.8 times by earnings, in line with our 2014 target

2018 target
Dividend cover of 1.8 times in 2014 and 1.7 times for 2015 to 2018, leading to a dividend in 2018 more than double that in 2013

Financial review

Strong performance and a robust balance sheet

We delivered another strong performance, making good progress in line with our strategy announced in February. We also strengthened our balance sheet and we have the financing we need to achieve the next phase of our strategy.

Net debt Down £9.3m

£5.1m

Financial highlights

- **Profit before tax up 28% to £95.2 million**
- **Return on net assets increased to 20.8%**
- **New £400 million five-year unsecured bank facility**
- **Strong financial position, with construction cash balance of £151.3 million and Group year-end net debt of £5.1 million**
- **Equity up by £32.8 million to £534.2 million**
- **Net tangible assets up by 9% to £406.1 million**
- **Investment in housebuilding developments, including joint ventures, up to £717 million**

Introduction

Galliford Try had another successful year, delivering record profit before tax and earnings per share, and a strong return on net assets. Our performance was in line with the strategy we published in February 2014 and gives us the platform for further growth, keeping us on target to achieve our 2018 objectives.

We have the financing we need to fund our planned growth, having agreed a new, larger and more flexible banking facility in February 2014. Our strategy requires an increase in net debt levels, as we invest in the land and work-in-progress we need in housebuilding. At 30 June 2014, net debt was lower than planned, reflecting an excellent performance in both construction and housebuilding.

During the year, we completed the first phase of implementing our Oracle enterprise resource planning system. Our focus will now be on realising the benefits of this system, which will allow us to improve our efficiency through improved processes, reporting and analysis.

Results

Revenue including joint ventures rose 19% to £1,851 million (2013: £1,559 million). Group revenue, excluding our share of joint ventures, was 21% higher at £1,768 million (2013: £1,467 million).

Profit from operations, which is stated before finance costs, exceptional items, tax and our share of joint ventures' interest and tax, rose 32% to £110.5 million (2013: £83.6 million). This resulted in another record profit before tax of £95.2 million, up 28% from £74.1 million in 2013, which principally reflected the increase in Linden Homes' operating profit of 37%.

Segmental analysis

We moved Galliford Try Partnerships from our construction division into our housebuilding division, in order to reflect the shift in the operational focus of the business. In previous years, we had reported Partnerships' contracting revenues within our construction results, including only its fledgling mixed tenure business in the housebuilding segment.

The segmental analysis below now includes the entire Partnerships result within the housebuilding division figures. We have therefore restated the segmental analysis for 2013, to reflect the new structure and to ensure performance is comparable between the two years.

Housebuilding

Linden Homes

Linden Homes grew revenue by 20% to £759.6 million (2013: £632.6 million), reflecting a significantly higher average selling price and higher unit numbers. Prices benefited from a stronger product mix, including a high proportion of houses versus apartments, together with some general inflation from an improving market.

We generated revenue of £7.2 million from land sales (2013: £17.9 million). Including land sales, Linden Homes achieved a gross margin of 21.4%, compared with 19.8% in 2013, reflecting our focus on this key measure. We saw benefits from our margin improvement plan, and worked with our supply chain to mitigate the effect of supply cost pressures. Profit from operations increased by 37% to £114.9 million (2013: £83.8 million). The operating margin, including land sales, rose from 13.3% in 2013 to 15.1%, as we improved efficiency and leveraged our fixed cost base. Following an operating margin in the first half of the year of 13.5%, the margin achieved in the second half of the year was 16.4%.

Return on net assets was 22.4%, compared with 16.7% in 2013, reflecting a strong performance in working capital management.

Galliford Try Partnerships

In line with our growth strategy, Galliford Try Partnerships achieved a 150% increase in its revenue, from £97.0 million in 2013 to £242.8 million in 2014. Of this, £22.3 million came from mixed tenure developments and £220.5 million from contracting.

Partnerships contributed profit from operations of £5.0 million, up from £1.4 million in 2013. This represented a blended operating margin of 2.1% (2013: 1.4%).

Construction

Construction continued to be profitable, though, as anticipated, margins fell to 1.0%, mainly reflecting the challenge of delivering contracts won in more difficult economic conditions in the current environment of increasing input costs. Our construction business worked hard on protecting its margin and generating cash. In line with our strategy, revenue increased by a modest 1% during the year, to £832.9 million (2013: £822.7 million).

Profit from operations was £8.0 million (2013: £12.9 million), representing a margin of 1.0% (2013: 1.6%).

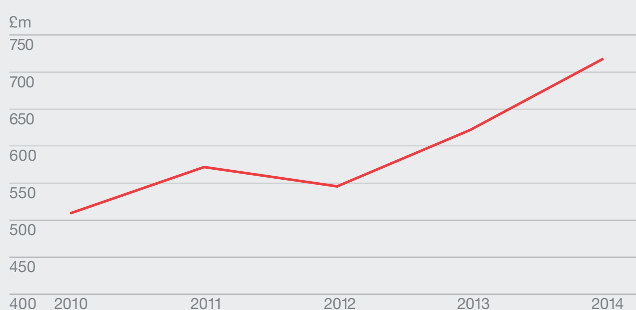
Capital structure and funding

The Group's working capital needs vary, depending on the level of working capital and timing of sales in housebuilding, and the profile of our construction contracts. Our hybrid business model reduces our reliance on external funding, as construction generates cash which helps fund our investment in housebuilding. The construction division had an average cash balance of £97.7 million during the year.

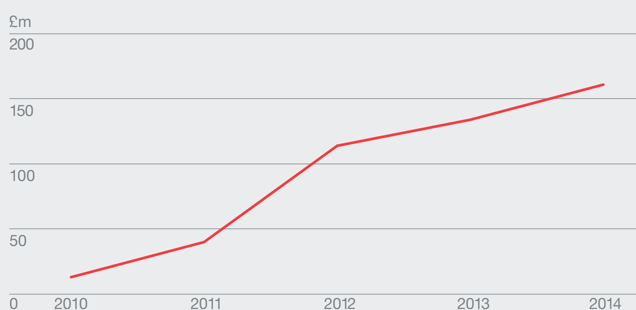
Favourable conditions in the land market have allowed us to achieve our objective of around 14,000 units earlier than expected. We intend to maintain our landbank at this level. This investment has increased net capital employed in housebuilding to £717 million, with the cash commitment mitigated by an increase of £35 million in land creditors to £233 million.

The Group is funded by ordinary shares, retained profits and a single bank facility. In February this year, we entered into a new five-year bank facility, with Santander joining our existing consortium of HSBC, Barclays and RBS. The facility is for £400 million, an increase of £75 million over the previous facility, giving us ample headroom for our growth plans. We are targeting period-end gearing of no more than 30%, with average and peak levels well below our covenants. The costs are similar to the previous arrangement, with simplified covenants. Importantly, the new facility is unsecured. This means that security is provided by our overall balance sheet, rather than us having to secure each land purchase we make. We are not restricted by loan to value covenants on any individual land purchase, giving us greater operational flexibility and efficiency.

Net capital employed in housebuilding



Average net debt



Building delivered profit from operations of £3.0 million (2013: £6.5 million), with a reduced margin of 0.7% (2013: 1.6%), reflecting constraints in the supply chain and rising material and labour costs, which have a more marked impact on contracts priced in more difficult economic conditions. The result included the benefit of £3.1 million from the disposal of three investments managed and delivered within the Building division.

Infrastructure's profit from operations was £5.0 million (2013: £6.4 million), representing a margin of 1.3% (2013: 1.5%).

PPP Investments reported a loss from operations of £1.8 million (2013: £3.2 million), the reduction reflecting the stage of progress on its bidding activities.

Taxation

The effective tax rate was 18.9% (2013: 21.5%) compared to a standard rate of 22.5%. The low rate is largely attributable to the tax on our joint venture profits being included within profit before tax, investment sales and land remediation relief. We believe our effective tax rate will continue to be just below the headline rate of corporation tax in future years.

Earnings and dividend

Earnings per share increased by 32% to 94.6 pence (2013: 71.7 pence). Details of the calculation of earnings per share can be found in note 8 to the financial statements.

The directors are recommending a final dividend of 38 pence per share which, subject to approval at the annual general meeting, will be paid on 28 November 2014 to shareholders on the register at 17 October 2014. Together with the interim dividend of 15 pence per share paid in April, this will result in a total dividend in respect of the year of 53 pence per share, an increase of 43% over the previous year. The total dividend is 1.8 times covered by earnings, in line with our strategy.

The cost of the final dividend is £31.3 million, resulting in a total dividend relating to the year of £43.6 million.

Cash and equity

Management of cash is a critical focus for the directors. Following the increase in our landbank, we finished the year with net debt of £5.1 million (2013: £14.4 million). Cash balances in construction improved to £151.3 million at 30 June 2014 (2013: £132.1 million). Group average net debt during the year was £161.0 million.

Housebuilding requires net investment and the year-end net capital employed in developments and housebuilding joint ventures was £717 million (2013: £621 million). We continue to purchase land on deferred payment terms where possible and land creditors increased by £34.6 million to £233.4 million.

Total equity increased by £32.8 million to £534.2 million, whilst tangible net assets increased by £33.1 million to £406.1 million. This represented net assets per share at 30 June 2014 of £6.49 (2013: £6.12) and tangible net assets per share of £4.93 (2013: £4.55).

Group return on net assets, which is profit before tax, finance costs and amortisation, divided by average net assets, increased to 20.8% from 16.6%, particularly reflecting the strong performance in housebuilding.

Pension and share scheme costs

The total pension cost charged to the income statement was £13.6 million (2013: £12.8 million), including the costs of auto-enrolment.

Under IAS 19 'Employee Benefits' there is a surplus in the Group's final salary pension schemes. This was calculated at 30 June 2014 by an independent, qualified actuary. The gross surplus recognised on the balance sheet is £1.0 million (2013: £0.5 million surplus). The last valuation of the Galliford Try Final Salary scheme, at 1 July 2012, showed a deficit of £33.7 million. The latest valuations of the Group's other schemes showed a deficit of £1.6 million. The Group made annual deficit funding payments of £6.1 million to the schemes. Further details of the Group's pension arrangements can be found in note 30 to the financial statements.

Amounts charged to the income statement in respect of employee share schemes amounted to £3.4 million in 2014. Further details can be found in note 27 to the financial statements.

Treasury management and financial instruments

The Group operates under treasury policies and procedures approved by the Board. Our financial instruments principally comprise bank borrowings, an interest rate swap and cash and liquid resources that arise directly from our operations. We do not trade in financial instruments.

The Group finances its operations through a mixture of retained profits and bank borrowings. We have rigorous controls in place to ensure we maintain borrowings at an acceptable level. On a daily basis, we aggregate the bank balances or borrowings in all the Group's operating companies into a total cash or borrowing figure, so we can obtain the most advantageous offset arrangements and interest rate.

Construction maintains significant cash balances, while Linden Homes requires net investment. Galliford Try Partnerships generates cash surpluses in its contracting business, which it may deploy as working capital for mixed tenure developments. Overall, Partnerships is self-funding and passes its cash balances to the Group.

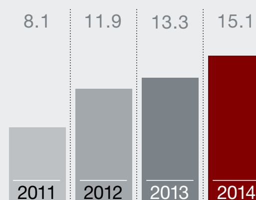
The Group's bank facility is subject to covenants in respect of interest cover, gearing and minimum consolidated tangible assets. We continue to operate well within these covenants.

The main risk arising from our financial instruments is interest rate risk. While our policy is to accept a degree of interest rate risk, in 2012 the Group entered into a five-year swap agreement to fix the interest rate of £75 million of borrowings.

Virtually all of our activities take place in the United Kingdom and the Group had no material foreign currency exposure at 30 June 2014.

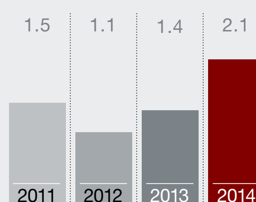
Linden Homes operating margin (%)

+1.8
percentage points



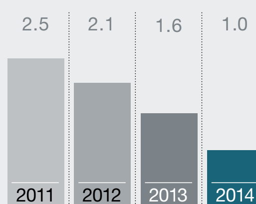
Partnerships operating margin (%)

+0.7
percentage points



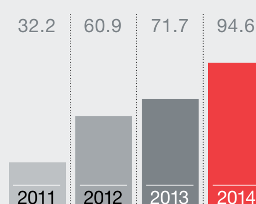
Construction operating margin (%)

–0.6
percentage points



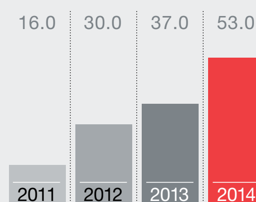
Earnings per share (pence)

+32%



Dividend per share (pence)

+43%



Maximum credit risk exposure

The directors consider that the maximum credit risk exposure in each class of financial asset is represented by the carrying value as at 30 June 2014. Further information can be found in notes 18 and 25 to the financial statements.

Contingent liabilities

The directors ensure that contingent liabilities, as described in note 32 to the financial statements, are appropriately assessed, documented and monitored.

Going concern

The Group's statement of going concern, together with further related information, can be found in the Directors' Report on page 65. The key risks and uncertainties that could affect the Group's future financial performance are detailed on pages 30 to 31.

Critical accounting policies and assumptions

The Group's principal accounting policies are set out in note 1 to the financial statements, together with a description of the key estimates and judgements affecting the application of those policies and amounts reported in the financial statements. There were no significant changes to the Group's critical accounting policies or assumptions in the year.

Graham Prothero
Finance director

Divisional review

Housebuilding

Housebuilding had another excellent year and we are entering 2015 in a strong position to deliver our objectives, with a record landbank and sales carried forward.

Performance

Revenue Up 37%

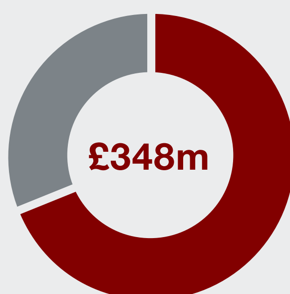
£1,002m

Completions Up 6%

3,107

Sales in hand by activity
Up 11%

■ Private £240m
■ Affordable £108m



Andrew Richards, managing director, housebuilding

Strategy

Linden Homes

Our strategy for delivering our 2018 objectives builds on the highly successful strategy we have followed in recent years. We will:

- focus on increasing our operating margin towards 18%, by maximising the efficiency and effectiveness of our operations;
- deliver disciplined expansion in volumes;
- continue to focus on prime sites in prime locations, principally in the south and south east; and
- increase the predominance of houses over apartments.

Galliford Try Partnerships

Our strategy in Partnerships is to:

- continue to grow our contracting revenues;
- grow our mixed tenure revenue by leveraging Linden Homes' relationships, reputation and development skills; and
- use the cash generated by Partnerships' activities to fund the mixed tenure developments.

We aim to strengthen our landbank across all our housebuilding activities, building a landbank of around 14,000 plots early in the strategy period and maintaining it at this level to 2018.

Market

The long-term demand for housing is driven by the UK's rising population and more single-person households. Despite the UK housing shortage, in recent years completions have been well below the 250,000 per annum required to meet demand. In the short term, the availability and terms of mortgages for individuals and financing for affordable housing providers affect demand. Regional demand also varies, depending on local economies and job markets.

Government policy affects both demand and industry regulation. The April 2013 introduction of Help to Buy has been very beneficial for the market, particularly outside the south and south east. Mortgage availability and consumer confidence have also improved in the last 12 months. The planning environment is currently positive, although a shortage of planning officers in local authorities is leading to some delays getting started on site.

The UK has under-invested in affordable housing for the last 30 years, creating considerable pent-up demand. All political parties see the sector as a lever for economic growth and employment, and there is high reliance on the private sector for supply. The Government's ten-year rent policy has strengthened the financial capacity of Registered Providers (RPs). In the short-term, RPs are looking to close out their 2015 programmes, under which they have committed to the Homes and Communities Agency (HCA) to deliver affordable homes. There are also signs that some local authorities are considering direct commissioning of affordable homes.

For our objectives to 2018, see pages 12 and 13

Award-winning quality

1

2

3

4

5

1. The Old Brewery in Horndean, Hampshire.
2. Meldon Fields in Okehampton, Devon.
3. Mosaic in St Albans, Hertfordshire.
4. The Bloc in Edmonton, London.
5. Bluebell in Bingham, Nottinghamshire.

For details, visit: www.lindenhomes.co.uk.

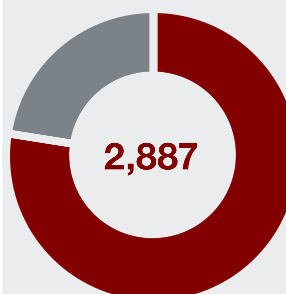
Divisional review: Housebuilding

Linden Homes

Completions

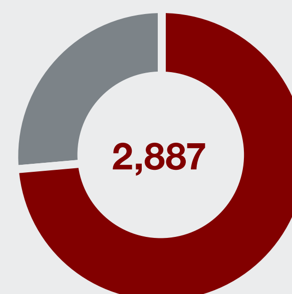
2,887

By sector



- Private 2,244
- Affordable 643

By area of operation



- South 2,131
- Midlands/East 756

Performance

	2014	2013[1]
Revenue (£m)	**759.6**	632.6
Profit from operations (£m)	**114.9**	83.8
Operating profit margin (%)	**15.1**	13.3
Completions	**2,887**	2,806

1. 2013 has been restated to reflect the new Partnerships segment, as described in the financial review on page 15.

Revenue increased by £127.0 million to £759.6 million, with completions of 2,887 compared with 2,806 in 2013. Excluding our joint venture partners' share, completions were 2,748 against 2,568 in 2013.

Private housing completions accounted for 2,244 of the total (2013: 2,160). The average selling price rose by 15% to £305,000, reflecting the strong demand for homes on our prime southern sites, the high proportion of houses in our sales mix and the larger average size of the houses we are building. There were 643 affordable housing completions (2013: 646), with an average selling price of £124,000 (2013: £119,000).

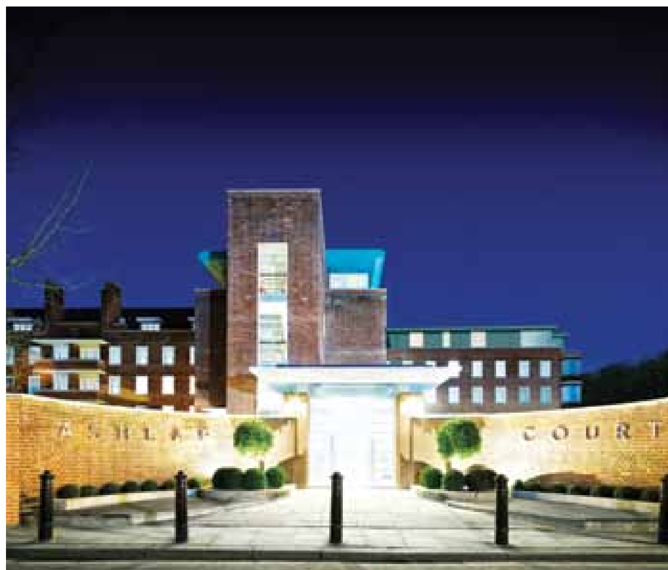
We had 65 active selling sites (2013: 84), with sales per site per week up from 0.57 in 2013 to 0.63, focused on larger sites. Cancellation rates remained level at 17% (2013: 17%). We finished the year with sales in hand at a record £308 million (2013: £313 million).

Our gross margin improved from 19.8% to 21.4%, with the operating margin up from 13.3% to 15.1% and return on capital increased to 22.4%. The margin of 15.1% was ahead of our expectations. The operating margin benefited from using more land bought at current prices; operational efficiency driven by The Linden Way, which standardises our processes by pulling together best practice from across our business; leveraging our fixed overheads; and increased revenues from our affordable housing developments. Whilst we have seen cost increases in our supply chain, as a result of the shortages discussed in the chief executive's review on page 8, this was offset by sales price increase in the year.

Help to Buy has been an important catalyst in improving housing market conditions this year, although its impact on our sales has been less than for many of our peers. Since its launch, customers have used Help to Buy for 32% of our plots but only 26% of sales by value. Fewer of our customers are using Help to Buy in the South and South East, where we are strongest, with a greater proportion in the Midlands and East of England, where affordability is often more of an issue.

Homes in prime locations

Set in an Area of Outstanding Natural Beauty, Victory Fields in Upper Rissington, Gloucestershire, is just one example of the prime locations that Linden Homes carefully selects for its developments.



Experts in conversions

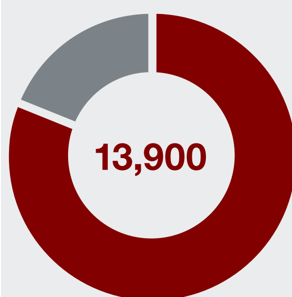
The Grade II listed Ashlar Court in Hammersmith, West London, demonstrates Linden Homes' rare ability to sensitively restore and convert historic buildings into modern housing.

Landbank[1]

Record level

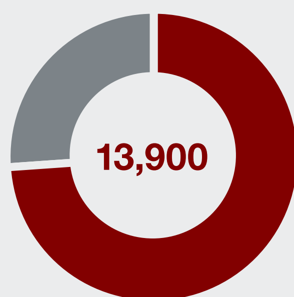
13,900

By sector



■ Private 11,300
■ Affordable 2,600

By area of operation



■ South 10,300
■ Midlands/East 3,600

1. Includes Linden Homes and Galliford Try Partnerships.

At 30 June 2014, Linden Homes' landbank stood at a record 12,400 plots. Including 1,500 plots in Partnerships, our total housebuilding landbank was 13,900. The figure represents the number of plots we own and control, including sites under option but excluding longer-term strategic options. Of the total, 91% was held at current market prices, up from 86% at June 2013. 75% of the total private landbank is houses, with the remainder apartments. Linden Homes' average cost per plot is £61,000 and the expected average selling price per plot is £272,000.

The gross development value of our landbank increased by 30% to £3.6 billion (2013: £2.76 billion). Our strategic land holdings stood at 1,405 acres at the year end (2013: 1,522 acres). We expect to generate in excess of 7,000 plots from this land.

We increased the hurdle rate for new land from 22% to 23% on 1 July 2014.

Affordable housing and regeneration

In addition to our Partnerships affordable housing business (see page 23), Linden Homes develops affordable homes for sale. This business had another good year, with our strong client relationships contributing to improved revenues, through our Government funded Affordable Homes Programme and our joint ventures with leading housing associations. Affordable housing has been a key contributor to Linden Homes' performance and Galliford Try's overall profile has never been higher in this sector.

The Government has implemented a ten-year rent policy, which will sustain the capacity of housing associations to commission affordable homes over the next decade. Major registered providers also want to leverage their balance sheets, by including speculative sales to cross-subsidise their activities. This plays to Linden Homes' strengths in development and sales. There is also considerable demand in the private rental sector and we are discussing proposals with local authorities, housing associations and pension funds, which are all showing interest in investing in this sector.

The HCA's Delivery Partner Panel continues to provide excellent land acquisition opportunities for us, as the public sector disposes of surplus land. We continue to be very successful in securing public land on deferred payment terms.

Opal Land, our joint venture with Thames Valley Housing Association, made further good progress. It has three developments under way, all of which are delivering better than anticipated results. We have also established joint ventures with Aster Homes, Notting Hill Housing, and Devon and Cornwall Housing during the year, and see further opportunities to partner with housing associations.

Divisional review: Housebuilding

Outlook

The housing market continues to be positive, with Help to Buy, mortgage availability and consumer confidence all contributing to rising selling prices, the rate of which appears to be moderating to more sustainable levels.

At the year end, we had secured plots for 100% of our planned developments in 2015 and 87% for 2016. Combined with the record sales carried forward at the year end, this puts us in a strong position to hit our objectives. We will drive efficiency and do more with our existing resources, as we aim to further increase our margin. We will continue to benefit from our sector expertise in delivering affordable housing.

Our challenge will be to deliver homes within our expected timescales and costs. Whilst supply chain conditions have steadied in recent months, we believe they will remain difficult during the next financial year. This requires us to plan ahead and to work with our supply chain partners, so they understand our development schedules and can provide materials when we need them.

Southern focus

Linden Homes' strong position in the South continues to benefit the business. For example, Milbury Reach is a popular development in Exminster, Devon, close to Exeter's city centre and key transport links.

Individual design

Mendip Gate showcases Linden Homes' award-winning design, through a range of high specification homes in the rural Somerset village of Kilmersdon.

Partnerships

Performance

	2014	2013[1]
Revenue (£m)	242.8	97.0
Profit from operations (£m)	5.0	1.4
Operating profit margin (%)	2.1	1.4
Completions	220	126
Order book (£m)	513	494

1. 2013 has been restated to reflect the new Partnerships segment, as described in the financial review on page 15.

On 1 January 2014, we successfully integrated Partnerships into our housebuilding division, alongside Linden Homes. This will help us to capture the significant growth opportunities in this key market. We began planning this move at the start of the financial year, with the result that we have already started to see the benefits. For example, Partnerships is able to use Linden Homes' systems and experience of selling homes to support its mixed-tenure developments, and is adopting the principles of The Linden Way.

Partnerships grew revenue from £97.0 million to £242.8 million, an increase of 150%. Of this, £22.3 million came from mixed tenure developments, with £220.5 million from contracting. Profit from operations rose to £5.0 million (2013: £1.4 million), representing a margin of 2.1% (2013: 1.4%).

This growth reflects our strong performance in favourable market conditions. An increase in land-led and mixed-tenure developments also contributed, enabling clients to get projects on to site more quickly and improving our margins.

During the year, as part of the consortium S4B, Partnerships reached financial close on the circa £100 million Brunswick regeneration scheme. This aims to transform the Brunswick area of East Manchester, through a project which includes 520 new homes, community facilities and enabling infrastructure.

In East London, Partnerships secured two housing contracts totalling £60 million for the registered provider Peabody. Following appointment as preferred bidder, Partnerships achieved financial close on the 25-year £100 million Kent 'Excellent Homes for All' scheme. In addition, Partnerships announced Extra Care and affordable housing contracts totalling £55 million in Coventry, Dunstable and Taunton.

Partnerships' contracting order book was £513 million at the year end (2013: £494 million). At the same date, the business had £40 million of unit sales in hand.

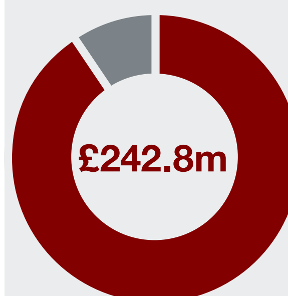
Outlook

The outlook for the affordable homes market is strong, reflecting the considerable shortage of affordable homes in the UK. We believe we have the right strategy to grow in this exciting market for many years to come and are on track to reach our strategic objectives.

Revenue

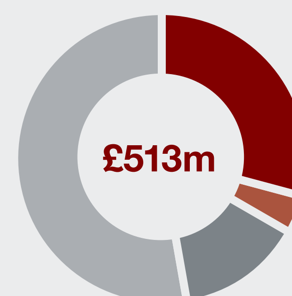
£242.8m

Revenue by sector



- Contracting £220.5m
- Mixed tenure £22.3m

Order book by region



- South East £150m
- South West £21m
- Central £72m
- North £270m

The regeneration partner of choice

Showcasing Partnerships' ability to transform lives and landscapes, the award-winning Bloc in Edmonton, North London, is a landmark multi-phased urban regeneration project, delivering 128 houses and flats for hospital keyworkers.

Divisional review

Construction

Construction delivered a robust performance. We are continuing our selective approach to new projects, a strategy that has seen us outperform our peers in the tough markets of recent years.

Performance

Revenue
Up 1%

£832.9m

Cash
Up 15%

£151.3m

Revenue by activity
Up £10.2m

- Building £458.3m
- Infrastructure £374.6m

Ken Gillespie, construction division chief executive

Strategy

Construction

We continue to follow largely the same strategy that has served our construction business well during difficult market conditions. We will:

- retain our discipline and select projects with appropriate risk and cash profiles;
- focus on both the public and the private sector, frameworks and increasing our capability in major projects; and
- target margin improvements.

PPP Investments

In PPP Investments, our strategy is to:

- target our PFI and PPP investment capabilities, to support our construction and Partnerships businesses; and
- increasingly become a collaborative investment partner for public sector clients, to give us access to a pipeline of projects rather than one-off bids.

Market

The UK construction market has remained challenging during the last 12 months but we are seeing more opportunities across the country and an improving outlook.

The regulated sector is driven by five-year investment plans, which means that business has come through consistently as expected. In the water sector, we are seeing strong competition from new entrants for work on AMP6 programmes, leading to significant pressure on prices.

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 the confidence to invest, which is linked to economic conditions, consumer spending and the availability of finance. We are seeing a steady increase in opportunities, particularly around London where we have a strong presence, although this improvement is still at an early stage.

The PPP market in England has remained quiet with PF2 failing to take off, although the £700 million procurement initiative, the Priority Schools Building Programme to address the condition of schools in urgent need of repair, is delivering substantial opportunities. As in previous years, the market in Scotland remains positive with a strong pipeline of opportunities.

For our objectives to 2018, see pages 12 and 13

1

2

1. Liverpool Wastewater Treatment Works in Merseyside.
2. Riverside Quarter in Wandsworth, South West London.
3. Halley VI Research Station, Antarctica.
4. Hillview School for Girls in Tonbridge, Kent.
5. Waitrose in Oundle, Northamptonshire.

3

Based on long-term relationships

4

5

Divisional review: Construction

Performance

	2014	2013[1]
Revenue (£m)	**832.9**	822.7
Profit from operations (£m)	**8.0**	12.9
Operating profit margin (%)	**1.0**	1.6
Order book (£bn)	**1.4**[2]	1.2

1. 2013 has been restated to reflect the new Partnerships segment, as described in the financial review on page 15.
2. Increased to £3.0bn following the acquisition of Miller Construction in July 2014.

We have continued to follow our strategy of being selective about the work we bid for, in order to protect our margins and maintain our focus on cash.

We won important new contracts during the year, as discussed below, contributing to revenue that was up by 1% at £832.9 million (2013: £822.7 million).

Margins declined to 1.0%. We had anticipated that margins would be lower in 2014, owing to challenging conditions in the supply chain, notably in building, leading to higher costs than we expected at the time we bid for some contracts. The effect was mitigated by profits of £3.1 million on the disposal of three investments, held and managed within the building division. This resulted in a reduced margin in the second half of the year and a margin for the full year that was in line with our expectations.

We continued to manage our cash carefully and had a cash balance in construction of £151 million at the year end (2013: £132 million), representing 18% of revenue.

At the year end, our order book was £1.4 billion (2013: £1.2 billion). Of this, 29% was public sector, 19% was in regulated industries and 52% was in the private sector. Importantly, 56% of our order book is in frameworks. Construction's order book increased to £3.0 billion following the acquisition of Miller Construction.

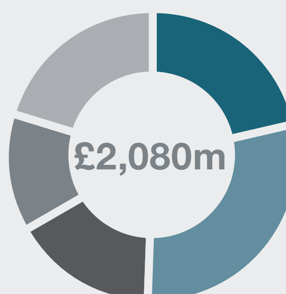
On 9 July 2014 we acquired the Miller Construction business. Miller Construction is a UK only contractor, which delivers building and infrastructure projects to both the public and private sectors. The acquired business has a strong strategic fit and accelerates our strategy of growth into an improving marketplace. In the year to 31 December 2013, Miller Construction reported revenue of £409 million.

Order Book[1]

£3.0bn

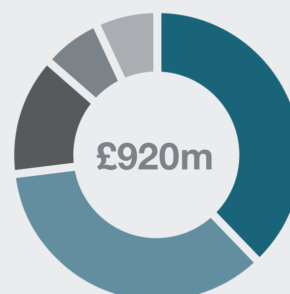
1. Includes Miller Construction.

Building



- Commercial £446m
- Education £609m
- Facilities management £335m
- Health £271m
- Other £419m

Infrastructure



- Water £349m
- Transport £325m
- Utilities £122m
- Other civil engineering £62m
- Other £62m

Focusing on major projects

Reflecting our major project capabilities, we are part of the consortium constructing the Queensferry Crossing, a new three-tower cable-stayed bridge in Scotland between Fife and Edinburgh. Work remains on track to complete the bridge by the end of 2016.

Sector strength

We have considerable experience in leisure and hotels. Current projects include Hotel Football, next to Manchester United's stadium. Exciting features include a terrace with a 16 metre by 12 metre pitch and retractable roof.

Leading large-scale infrastructure

The South Devon Link Road is a prime example of our capabilities in delivering large-scale infrastructure schemes. It will improve access to Torbay and South Devon, helping to create nearly 8,000 jobs in the area.

Building

	2014	2013
Revenue (£m)	458.3	406.4
Profit from operations (£m)	3.0	6.5
Operating profit margin (%)	0.7	1.6
Order book (£m)	820	635

During the year, Building secured or was appointed preferred bidder for a number of key projects. These included:

- in education, the £48 million appointment by hub South East Scotland to develop two new high schools in Kelso and Newbattle;
- in commercial, construction of the Forbury Place office project in Reading for M&G Real Estate and Bell Hammer (£38 million); and
- in health, the first phase of the £41 million redevelopment of the Royal Edinburgh Hospital.

In addition, Building was appointed to both regional segments of the new four-year Education Funding Agency contractors' framework. We are one of ten contractors appointed and one of eight on both the North and South sectors. The framework is potentially worth £4 billion in total and will be the primary means of government bodies procuring major capital works for academies, free schools and the capital-funded element of the Priority Schools Building Programme.

Infrastructure

	2014	2013
Revenue (£m)	374.6	416.3
Profit from operations (£m)	5.0	6.4
Operating profit margin (%)	1.3	1.5
Order book (£m)	555	579

Our infrastructure business continued to deliver work for regulated businesses and has a number of major UK projects in progress. In particular, our four-party consortium constructing the new Queensferry Crossing is on programme, with the critical marine based bridge pier foundation work complete. The business has been appointed as a framework contractor to both Lots 1 and 2 of the Midlands Highway Alliance framework.

Yorkshire Water appointed our joint venture with AECOM Design Build to continue as a contractor for its AMP6 framework. The framework will run from 2015 to 2020 and we expect it to be worth at least £110 million to Galliford Try over this period. The framework is similar in value and scope to the current AMP5 contract.

We also won our first contract in the airport sector, for Manchester Airports Group. The contract, worth £80 million, is part of the client's £500 million Capital Delivery Programme, which we were appointed to in June 2013. This is a difficult sector to enter and we expect to win further work based on this success.

Divisional review: Construction

Outlook

We are seeing increased opportunities across our construction business. The division is winning work with appropriate margin and inflation protection and continues its focus on risk management and cash.

We have a well-balanced business with strong sectoral capabilities. The diversity of our order book continues to support us and helps to protect us from weakness in any particular market. The acquisition of Miller Construction in July 2014 provides access to new frameworks and more than doubled the size of our order book.

Supply chain conditions remain challenging, particularly in our building business, and we continue to manage them. We expect to hold our construction margin steady during 2015.

Working in partnership

Delivered under hub South East Scotland, the Wester Hailes Healthy Living Centre in Edinburgh is a state-of-the-art facility that allows local people to access a vast range of health and social care services, under one roof.

Protecting the built environment

We are experts in delivering flood alleviation schemes. The scheme we are constructing in Elgin, Scotland, will be able to cope with 190 tonnes of floodwater per second – an occurrence expected only once every 200 years.

PPP Investments

Performance

	2014	2013
Revenue (£m)	15.1	6.7
Loss from operations (£m)	(1.8)	(3.2)
Directors' valuation (£m)	1.8	4.5

PPP Investments continued to provide good opportunities for our construction, Partnerships and maintenance businesses during the year. To date, we have arranged and financed 31 projects, with a total funding requirement in excess of £1.3 billion.

The director's valuation of our PPP portfolio was £1.8 million at 30 June 2014, compared with a value invested of £1.1 million (2013: valuation £4.5 million; value invested £2.9 million). We use discounted cash flows to value our portfolio.

We are particularly active in Scotland, where there are a number of PPP projects in progress. We are part of the Alliance Community Partnerships consortium on the South West Scotland hub initiative, and are also part of the South East Scotland hub. During the year, our construction business in Scotland won a number of contracts to build or refurbish schools and hospitals through these hub initiatives.

Together with our infrastructure business, we secured, as part of the Connect Roads Consortium, preferred bidder status for the design, build, finance and operation of the £745 million Aberdeen Western Peripheral Route.

Together with Galliford Try Partnerships, we were confirmed as preferred bidder and reached financial close on the Kent 'Excellent Homes for All' project, which includes a £38 million construction contract and associated facilities management services.

Outlook

In the short term, the market for PPPs in England is expected to remain subdued, while Scotland continues to provide a pipeline of projects.

Looking further out, we expect to see more opportunities to partner with the public sector across the UK, applying the concept of the Scottish hubs. This will provide us with a pipeline of work, rather than requiring us to bid for individual projects. Our collaborative approach will allow public bodies disposing of assets to benefit from the skills in our PPP Investments business.

Investing in regeneration

We are part of the consortium delivering the Brunswick regeneration scheme, which will create more than 500 new homes and refurbish 650 council houses in East Manchester, as well as providing jobs and training for local people.

Creating sustainable communities

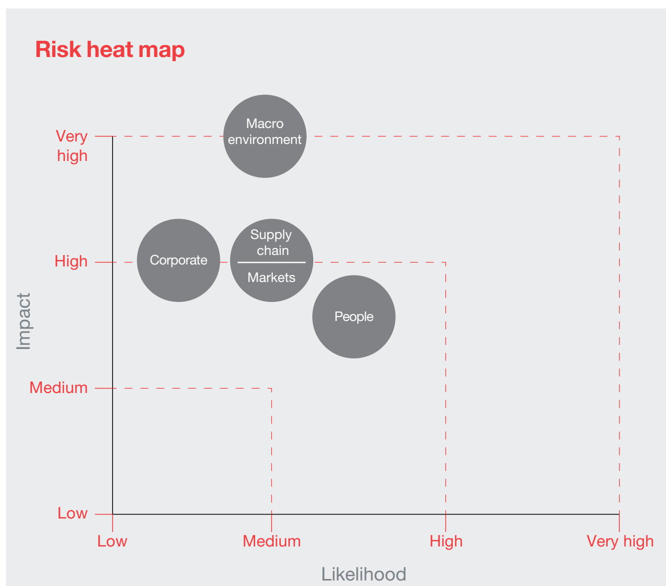
Our approach to building the Pickaquoy Centre, part of the Orkney Schools Investment Programme, won us a Considerate Constructors Scheme bronze award for exceptional community relations and a positive site image.

Principal risks

Management of risk

Identifying, evaluating and managing our principal risks and uncertainties is integral to the way we do business.

Risk heat map



Thematic risk	Primary area of impact
People	• Health, safety and environment (HSE) • Human resources (HR)
Supply chain	• Financial position of project subcontractors • Materials availability • Specialist subcontractor expertise availability • Integration: processes and standards
Macro environment	• UK housing sector • Economic cycle and interest rates • Level of public sector spending • Confidence and availability of project finance
Markets • Housebuilding • Construction	• Availability of development land • Housing and planning • Affordable housing funding and investment • New housing market funding models • Securing construction contracts • Outlook and visibility
Corporate	• Continued availability of financing • Project delivery • Sustainability • Reputation and brand management • Other Group factors

Strategic implications	Mitigating actions
• All HSE incidents are vitally important • Significant HSE failings can have a direct reputational and financial impact on the business and our management resources • Attracting, developing and retaining talented individuals at all levels is critical to our success • People identified as a key risk to our 2018 Group strategy	• We prioritise the need to provide a safe working environment • We promote HSE performance • Comprehensive policies and frameworks manage these risks • We have an established HR strategy, supported by policies based on the Investors in People principles, and we appointed Jane Davies as HR director with effect from 9 September 2013 • We are refining our approach to succession planning, training and development, to strengthen our commitment to our people's careers and to recruit high calibre staff
• Supply chain issues that can arise over housing development lifecycles, and through the scope and/or valuation of construction contracts, make their ultimate outcome uncertain, and could lead to financial or reputational damage • Some of our construction contracts take significant time to complete, which means that the cost of supplies may rise or suppliers may become insolvent while the project is in progress	• We have business information systems providing profit margin and cash forecasting by contract • We monitor construction progress against programme, in order to replan and reassess resources where applicable, and select our supply chain carefully • We are increasingly working with our supply chain to better integrate them with our internal processes and standards, to drive improvements
• The state of the global economy and the global financial system affect consumer confidence and the housing market • This influences the price that our home purchasers are willing to pay; the availability, cost and terms under which our purchasers can secure mortgage finance; and the price and terms under which the Group purchases land for development • Similarly, the level of public sector spending, the investment programmes of regulated infrastructure sectors and the availability of development or project finance are macro-dependent	• We monitor Government and industry data on housing prices, sales volumes and construction data, together with published statistics on mortgage approvals and lending • This enables us to anticipate market changes and adjust our land acquisition plans, development and build programmes, sales releases and purchaser incentives accordingly • We also monitor other influences on the mortgage market, such as Government incentives to improve mortgage availability and affordability, and the spending programmes of our major clients • We then adapt our approach to those sectors and clients where we see the best opportunities
• Acquiring land at the wrong price, or underestimating development or project costs, affects our financial returns • Similarly, the speed at which we are able to secure planning approvals, and the availability of affordable housing funding, affect our ability to deliver housing developments to market • We take commercial risk on each construction contract, which includes credit and counterparty risk, pricing and technical ability to deliver • Failing to secure construction contracts at a price and on terms that deliver an acceptable return for the risk undertaken could cause potentially serious financial and resource allocation issues • We require a pipeline of suitable opportunities and need to ensure that we reach financial and contractual agreements without significant delays	• We maintain a landbank that balances plots with full planning consent, outline consent and zoned for residential development • We also have strategic land held primarily under options to purchase in the future • We monitor public sector planning strategies, both nationally and locally, and adjust our development plans accordingly • We also have rigorous pre-acquisition site appraisal processes, with strict authority levels covering purchase, construction and sales, which enable us to alter our plans and adapt to changes • Our construction management team have a rigorous approach to contract selection through an authorities matrix linking our capabilities and resources, as well as the terms under which we carry out the work. Further specific risk management assessments are undertaken for all major infrastructure projects • We gather published and informal intelligence on our markets and closely monitor our order book and pipeline of opportunities • Our business planning process forecasts market trends, enabling us to match resources to projected workloads
• The Group requires expertise to deliver developments and projects to the required time, quality or budget • The Group is committed to meeting stakeholder expectations regarding sustainability performance, primarily through meeting related regulations on homes for sale, and delivering sustainable solutions for construction clients • A strong, identifiable brand and sound commercial processes at Group level intrinsically contribute to corporate value	• Funding is provided by equity and bank borrowings • The successful refinancing of the Group's core revolving credit facility in February 2014 means that the Group has a stable funding platform and improved visibility through to 2018 • We refocused our approach to sustainability during the year, with our director of health and safety taking responsibility for driving our commitment • We constantly monitor the marketplace to ensure no contravention of our intellectual property rights or misuse of our brands • The Group's central functional teams have policies and procedures designed to identify and manage risks appropriate to their remit, and thereby support delivery of Group strategy • The Group also operates contingency and disaster recovery policies to mitigate any potential financial or reputational damage • We have created a new Risk Committee chaired by the finance director

Sustainability

Constructing a sustainable future

Galliford Try's long-term future and strategy for disciplined growth rely on us positively managing the fundamentals of sustainable business. We recognise six fundamental responsibilities, which aim to ensure we are economically sustainable, whilst embracing our duty to society and the environment.

Health and safety

P34

We place the highest priority on health and safety

Accident Frequency Rate (target of 0.13[1])

0.14[1]

1. Against our more stringent internal definition of accidents resulting in more than three days' absence.

The health and safety of our people and those who come into contact with our sites is our top priority. Our behavioural safety programme 'Challenging Beliefs, Affecting Behaviour' reinforces that message and helps to shape a culture of care, maintaining that nothing we do is so important that we cannot take the time to do it safely.

> "My role as a safety coach is to encourage everyone to take responsibility for safer working practices."

Costa Chikamba
Assistant site manager, Galliford Try Partnerships

Environment and climate change

P35

We aim to protect the environment and plan for its improvement

Carbon footprint (tonnes) per £100,000 revenue (target of 2.83)

2.25

We recognise that our projects have an impact on the environment and we remain committed to providing sustainable solutions. We therefore place increasing importance on cutting carbon emissions, managing waste and improving the environment through careful selection and efficient use of both materials and fuel, in addition to embracing sustainable construction methods where possible.

> "As a carbon champion, I can make a difference by making us more efficient and by reducing our impacts."

Stephen Mundy
Business development manager, Galliford Try Building South West

Our people

P36

Training days delivered (target of two days per employee)

2.05[1]

1. Equivalent to 9,044 training days in total.

We are committed to developing our people by investing in their careers

People are our competitive advantage and a committed and engaged workforce delivers better results. We place great importance on nurturing talent through our training and development whilst attracting recruits to help us achieve our goals. We promote diversity and equality and protect the rights of our employees. We build long-term loyalty through engagement.

"We recognise that the key to Galliford Try's success lies in the talent and commitment of our employees."

Jane Davies
Human Resources director, Galliford Try

Customers

P39

Linden Homes customer satisfaction (target of 90%)

86.4%

We give total commitment and high standards to all our customers

The continued success of our business depends on our ability to deliver products and services that our customers value. We take pride in the projects we build, ensuring the highest of standards. This is reflected in the long-term partnerships we have nurtured in our construction business and our satisfaction scores in our housebuilding business.

"The Linden Way will help us to improve our customers' journeys from the start, until they move in, and beyond."

Emma Jane Rice
National customer service director, Linden Homes

Community

P38

CCS Score (target of 35/50)

37

Our objective is to make a positive impact in the communities in which we operate

We are an associate member of the Considerate Constructors Scheme and have pledged to project a positive image of our industry. We achieve this by engaging with communities, listening to their needs and applying our knowledge to ensure we deliver homes, schools, health facilities and infrastructure networks that will meet the needs of those they serve.

"I work to create and maintain excellent relationships on projects for the wider community, our clients and Galliford Try."

Tracey Waygood
Public liaison officer, Galliford Try Infrastructure

Supply chain

P40

Timber – FSC/PEFC compliant (target of 100%)

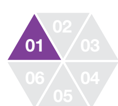
91%

We actively engage with our supply chain, to promote our principles and practices

Our supply chain is an integral part of our business. Strong, stable trading relationships are crucial to our vision of constructing a sustainable future. We promote our principles and practices to our supply chain and build on our existing relationships through engagement and the Supply Chain Sustainability School.

"Galliford Try has demonstrated a commitment to building strong and sustainable supply chain partnerships."

Ian Heptonstall
Director, Supply Chain Sustainability School



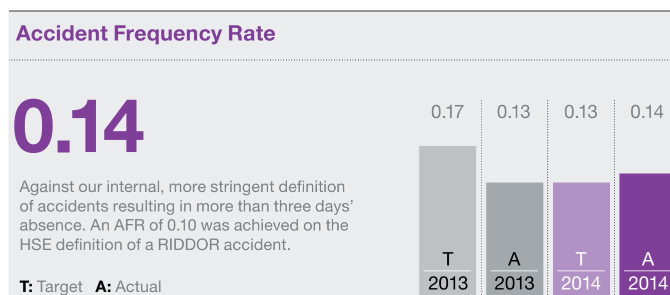
Health and safety

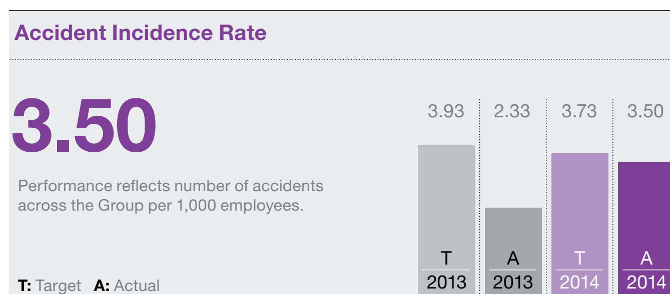
Measuring safety

Galliford Try measures its Accident Frequency Rate (AFR) in two ways: firstly, by using the more recent RIDDOR definition of accidents as incidents resulting in more than seven days' absence; and, secondly, against the former industry standard of three days' absence, which has been our internal benchmark for many years. Our internal measure identifies more accidents that could have caused serious harm, moving us to a culture where no accidents are acceptable and everyone has the right to go home safely.

Our internal target AFR, capturing accidents leading to more than three days' absence, was 0.13. This year our internal AFR rose for the first time in over five years, increasing to 0.14 from 0.13. This is still significantly below the all industry average published by the HSE. Our health and safety team continues to tackle the root causes of all accidents, to influence the behavioural elements of safe working practices.

To 30 June 2014, we received no prosecutions, prohibitions or enforcements from the HSE, thereby achieving our target.





Encouraging safer working

Our new Group health and safety development manager has introduced enhanced training, so more frontline employees know how to encourage safer working practices. This reinforces and develops our safe working practices and our culture of care.

We extended the number of trained safety coaches in both our business and subcontractor network. We now have 742, up by 212 on last year. Safety coaches play a vital site-level role in our main health and safety programme, 'Challenging Beliefs, Affecting Behaviour', by encouraging their colleagues to recognise an activity's risks and find safe ways to do it.

Coaches tend to be foremen, assistant site managers and regular subcontractors. They need to be persuasive, enthusiastic about safety and strong enough to address contentious issues. Coaches have an important role in influencing how our site teams operate, by constantly reinforcing the message about safer ways of working, and by embedding a culture where everyone manages their own, and their colleagues' safety. One way of achieving this is their delivery of Safe Behaviour Discussions.

We achieved our target of 60,000 Safe Behaviour Discussions, which identify good and bad on-site practice through open discussion with operational personnel. This is a change from the enforcement approach to managing safety, and leads to a more positive and sustained approach to health and safety at all levels.

Gauging employee awareness

We gauge awareness of health and safety across our workforce, including office-based employees. Following extended awareness training, 86% of employees understand our 'Challenging Beliefs, Affecting Behaviour' programme and their role in it (2013: 82%). We also held a significant number of safety shutdowns across our operations, to take 'time out' to reflect on both good and bad safety practices and ensure the highest standards are maintained across our sites. Although the percentage of employees who believe we give health and safety a high priority dropped slightly, from the target of 95% to 93%, the awareness figure remains high and we continue to prioritise improving employee awareness.

Providing leadership for health and safety

Everyone employed by us or working on our behalf is responsible for health and safety. However, leadership drives home the need for vigilance. Our executive team therefore committed to carry out 80 site safety visits during the year and achieved 67. Our business unit managing directors and leaders exceeded their target of 500 site assessment visits.

Environment and climate change

Climate change presents risks and opportunities for our business. For example, extreme weather can disrupt building programmes and we can expect increasing requirements to make developments resilient to climate change and to mitigate its impact. This may make delivering our projects on time and to target costs more challenging. Conversely, we may also see more flood defence structures being required, which could create more opportunities for our infrastructure business due to its significant delivery expertise.

In our housebuilding business, resource efficiency and cost are drivers for continued improvement in building techniques. We aim to deliver energy and water efficient homes and during 2014, more than 50% of all the homes we built complied with Level 3 of the Code for Sustainable Homes or equivalent, thereby exceeding our target. Our 'fabric first' approach is the most cost-effective and easily replicated way to deliver energy efficient homes. Complicated operating systems can help reduce energy use but we feel that attention to specification and robust building details are better.

Cutting energy and carbon

We have divisional carbon reduction plans, which respond to the needs of each division's sectors and clients. These are supported by our Group Carbon Task Force, comprising the chief executive, carbon champions with specialist divisional knowledge, and the Group sustainability manager. Its role is to challenge performance and set aspirational goals across all divisions.

Through this task force we have again reduced our emissions, to 2.25 tonnes of carbon dioxide per £100,000 of revenue.

These emissions are those defined in Scope 1 and 2 of the Greenhouse Gas Protocol, covering direct use of fuels, fugitive emissions (for example, from air-conditioning units), and emissions associated with consumed electricity. We have included emissions from our offices and all operational sites, including joint ventures. For joint ventures where we have operational control, we report all emissions. Where we do not have operational control, we apportion emissions using our equity share. All emissions defined here are assessed and measured in line with the DEFRA guidance.

We have started to record and report Scope 3 emissions, which are those outside our direct control, such as those arising from waste, material deliveries, subcontract movements to site, hotel stays and water consumption. Scope 3 emissions are far more significant than Scope 1 and 2, estimated to be around 135,000 tonnes of carbon dioxide, and will be an area of continued focus as we look to deliver the commitment of the Government's infrastructure plans.

Carbon dioxide emissions in Scope 1 and 2

Year[1]	Fleet	Site and office energy[2]	Site and office electricity	Total emissions	Intensity[3]
2013	7,456	24,935	6,257	38,648	2.25
2012	10,074	22,566	8,143	40,783	2.83
2011	9,039	30,150	7,773	46,962	3.41
2010	10,036	22,904	11,656	44,596	3.63
2009	10,907	27,877	10,205	48,989	3.74

1. Calendar year.
2. Excluding electricity.
3. Metric tonnes of carbon dioxide per £100,000 of revenue.

Our improved score in the Carbon Disclosure Project (rising from 68% to 73%) and our inclusion in the FTSE Low Carbon Economy Index evidence our improved performance.

Managing waste

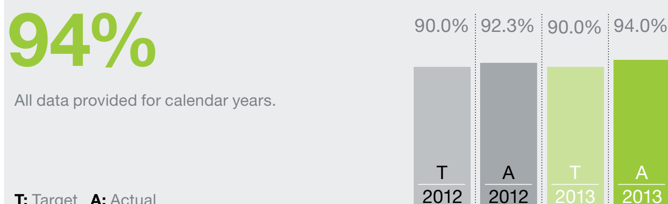
We continue to focus on reusing or recycling waste on-site and using transfer stations with high recycling rates. We have improved performance in recent years and in 2013, we diverted 94% of waste from landfill and reused or recycled 1.17 million tonnes on-site.

Reducing waste to landfill drives business efficiency and cuts costs.

Waste diverted from landfill excluding soil and stone

94%

All data provided for calendar years.



T: Target **A:** Actual

Our other environmental impacts

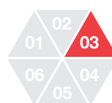
We have committed to recording, reporting and increasing the proportion of timber we use from certified sources. We gather this information on a quarterly basis and report it to our divisional and executive boards. We also report this information to the UK Contractors Group (UKCG) along with other environmental data on waste, carbon and water, and are one of the leading UKCG members in doing so.

During the year we continued to develop our approach to issues such as water conservation, which has processes and key performance indicators embedded in our ISO 14001 compliant management system that are reported to our management boards.

Our projects must create environment plans, which recognise and set strategies for dealing with fauna and flora. Working with the UKCG, we have recommended a preferred industry process for engaging ecologists, requiring them to identify habitat enhancement opportunities. We were also instrumental in launching the CIRIA BIG Challenge 'Do one thing', encouraging contractors to find opportunities for projects to leave a positive biodiversity legacy.

Waste per £100,000 revenue (tonnes)

Our people



Creating the right culture for growth

Galliford Try aims to grow significantly during the period to 2018. Having the right people is key to this, so we continue to focus on developing our existing staff and sourcing additional talent in the marketplace.

Developing employees' skills to support our growth relies on a robust review process for performance and skills, and encouraging the next generation of employees by offering high quality training and apprenticeships. Our target is for trainees to make up at least 2% of our workforce and we have achieved a proportion of 4.2% during the year.

We support our people through The Galliford Try Academy, which enables all our employees to access management programmes, structured on-the-job training and a wide range of learning resources. Our aim is to offer an average of two days' training per employee. During the year, we achieved 9,044 days' training, which is equivalent to 2.05 days per employee.

Training days delivered[1]

1. Equivalent to 2.05 days per employee.

With the economy showing signs of recovery and our success as a business, our employees are becoming increasingly desirable. As a result, we are seeing an increased churn rate, from 11.45% last year to 15.69% this year. We have reviewed the reasons why people leave and consider 15% to be the maximum acceptable churn rate for our business, reflecting our need to retain talent while bringing in new people and new ideas.

Measuring success

Our employee engagement survey had a response rate of nearly 70%, including site-based staff, giving us a comprehensive picture of our people's views on working for the Group. We continue to score above the benchmark in most areas. 78% of staff are proud to work for the Group and 68% were satisfied or very satisfied with their job, up by 1% from last year.

During the year, we launched a new employee engagement initiative to help our employees understand the actions we will take in response to the survey. 'You said, We will' is a process through

which our HR team, business unit leaders and managing directors presented the results and asked teams how we should respond. This included a Group-wide e-book, in which our divisional leaders responded to the survey results and committed to take action.

Promoting diversity and equality

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, age, colour, disability or marital status. We value everyone as an individual, recognising that everyone is different and has different needs at work. We respect people's differences and treat everyone with dignity and respect. We create a culture in which everyone feels valued as an individual and is motivated to give their best in their jobs.

People from minority backgrounds are underrepresented in construction, and this imbalance is greater at more senior levels in our business. We capture data for five of the nine protected characteristics and performance against these metrics is regularly reviewed at divisional and Executive Board level. Our aim is to achieve a workforce that is more representative of society, while employing the right candidate for each position. The challenge for us and many of our peers lies in promoting the opportunities to, and encouraging, a wider range of candidates.

Gender		Diversity		Gender		Diversity	
Entire company		Entire company		Senior grades[1]		Senior grades[1]	
Female	Male	BME[2]	White	Female	Male	BME[2]	White
23%	77%	4%	96%	8%	92%	2%	98%

1. Senior management grades are defined as levels 1-3 on our scale which encompasses directors, heads of discipline and business leaders.
2. Black and Minority Ethnic.

The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. We carry out regular workplace assessments, and provide occupational health checks and advice to support both employees and line managers. Appropriate arrangements are made for the continued training and employment, career development and promotion of disabled persons. If members of staff become disabled, the Group endeavours to continue employment, either in the same or alternative position, with appropriate retraining being given if necessary.

We continue to support the UKCG's Equality Working Group and its Respect initiative, which challenges preconceptions about working in the industry through a targeted communication and information campaign.

Protecting human rights

We are committed to protecting the human rights of our employees and of people engaged with our business. There have been no related issues during the financial year.

For our Group, the most significant areas of focus are:

- respecting the diversity of our staff, and in particular ensuring their health and safety, and working conditions;
- contributing to the well-being and sustainability of the communities in which we operate;
- selecting suppliers who evidence prioritising the rights and welfare of their staff, and monitoring their performance against internal guidelines;
- maintaining robust policies and procedures for dealing with bribery and corruption, supported by mandated training and awareness; and
- allowing our employees the right to freedom of association and providing avenues for employee representation.

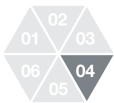
As a responsible business, we predominantly deal with reputable UK-based companies and consider that sourcing goods from them minimises the risk of negative social impact. Where we source materials or project expertise from businesses based overseas, we undertake reasonable assessments to ensure that appropriate welfare standards are maintained.

Apprenticeships

A skills shortage and decline in new entrants feature across the construction industry. Through the Linden Homes Apprentice Programme, we have encouraged 139 new entrants into the industry over the last three years.

Our chief executive, Greg Fitzgerald, began his career as an apprentice. To outline the benefits of providing apprenticeships, he was a key speaker at the Apprenticeship, Skills and Employment event in Exeter, held as part of the National Apprenticeship Week.

Community

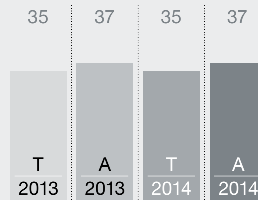


We view community as a defined group of people and organisations with a specific connection to, or interest in, a particular geographical location. We expect, as a general rule, that any community will have a shared interest in improving or maintaining quality of life and the local environment. As a major housebuilding and construction company with hundreds of active sites, we both create and participate in communities every day. Our responsibility is to help communities realise their ambitions through the homes, housing developments and the wider built environment we deliver. Our construction projects are driven and shaped by the needs of communities, reflected by the public sector contracts we win and deliver, and through our work for private clients.

Considerate Constructors Scheme score[1]

37

1. At the end of 2012, the CCS scoring system was changed to the current 50 point scale. 2013 data is based on the six months to June 2013.



T: Target **A:** Actual

Considerate Constructors Scheme (CCS)

The CCS is an independent organisation devoted to promoting best practice on construction projects, from how we manage and operate sites and treat our employees and supply chain partners, through to our engagement with local communities. We are an associate member and register all our sites of more than six weeks' duration with the scheme.

Registered sites receive independent monitoring visits that assess performance. Sites that achieve a score of 7/10 in each of five sections achieve best practice. Our Group target is therefore to achieve or exceed 35/50. This year we achieved an average score of 37 on 178 registered sites, which received a total of 349 compliance visits. 19 of our sites won CCS awards for performance beyond compliance during the year.

Encouraging volunteering

We recognise that employees support good causes connected with their employment and that they volunteer in their communities. We also know that encouraging and enabling employees to volunteer can increase loyalty and job satisfaction, and help employees to develop new skills and benefit others. We launched our volunteering policy at the start of the year, which allows employees to take up to two days of paid special leave per year. By the end of the financial year, 25 volunteering days had been requested.

Our national approach to community engagement is through our support for CRASH, the homelessness charity established by the construction industry. As a patron, we offer financial support to enable CRASH to run its operations. However, CRASH's real value is in discovering the needs of the many smaller homelessness organisations it works with, then enabling its supporting organisations to deliver the professional services needed. This allows the smaller organisations to deliver projects that would otherwise have significant financial costs. During the year, we supported three projects by providing surveying, estimating and technical skills.

At a local level, individual project teams donate to good causes in support of employees or local interests, and gift time and resources. Giving money is beneficial but it is often more valuable to provide the resources and skilled time needed to deliver projects. We targeted delivering 4,000 hours of time to good causes during the year and delivered 6,047 hours, equivalent to around £136,050 of support in kind. Coupled with charitable and materials donations, our total community support amounted to £347,680.

Contribution from financial donations[1]

£347,680

- Value of time £136,050
- Value of materials/resources donated £65,640
- Donations and sponsorships £145,990

1. Based on direct contributions, time and materials donated.

Open Doors

Last year, 16 of our sites welcomed schoolchildren and students, to provide an experience of what happens on major construction sites and outline the career opportunities on offer. Many UKCG members support this initiative, which showcases careers in construction and the fantastic work completed on our sites. Open Doors aligns with our ambition to make a positive impact in communities and we will support the next event in 2015.

Customers

Linden Homes

Linden Homes has continued to follow The Linden Way, its approach to providing an excellent customer experience. This initiative embraces the Group's values of excellence, passion, integrity and collaboration and aims to capture and share best practice across our regional businesses. This should ensure that wherever someone is buying one of our homes, they receive the highest standard of customer service.

This enhanced customer experience is aimed at increasing customer satisfaction, reducing defects, enabling Linden Homes to progress from its current four star status to become a 'Five Star Home Builder' under the Home Builders Federation Star Rating Scheme, and increasing revenue whilst minimising cost.

During the year, we revised our approach to measuring customer satisfaction. We were using an independent company and our customers were also being approached by NHBC for its survey. This led to survey overload and customer fatigue. We have now adopted the NHBC system. We retained our target from the previous satisfaction survey of 90% and returned a rate of 86.4% from NHBC. This shows that we still have work to do to improve the customer experience and achieve our Five Star status.

The Linden Way

The customer must be at the forefront of every decision we make, from land acquisition to planning, from design to construction, and sales to aftercare. The Linden Way embraces this idea and aims to revolutionise the customer experience, by improving our culture and working practices.

Housebuilding customer satisfaction score (2013: 93%)

86.4% Target of 90%.

Construction client satisfaction score (2013: 83%)

83% Target of 80%.

During the year, Linden Homes changed the methodology used to calculate a net promoter score, and reset the target to 23.5%, in line with the industry average. We achieved 15.5% using the new methodology, which brings our customer satisfaction and net promoter scores together under the NHBC monitoring regime. This allows us to directly compare our performance to that of our peers. We will continue to review how we can improve our performance.

Our defects per plot measure fell significantly, from 0.46 to 0.29 this year. A continued focus on the final stages of building and handing over homes will see us move closer to our target of 0.25.

Construction

To win new clients, it is crucial that we understand their needs and that they understand what we can deliver for them. We do this by continuing to develop our long-term sustainability plans. Our infrastructure business was the first to complete its review and set out its strategic aims to 2025. Our other businesses are also reviewing their plans and have adopted an initial set of requirements as part of our ISO 9001 compliant Business Management System.

A number of key indicators help us to understand how our construction division is performing. We gauge customer satisfaction against our target of 80% and achieved 83% during the year. This is a very consistent performance over the last few years and we will continue to target a minimum of 80% across the division.

We also measured our net promoter score for the first time, which was 34%. This is based on dividing customers into three categories: promoters, passives, and detractors.

Finally, we assess repeat business, which we treat as having completed another project for a client we have worked for in the last 24 months. During the year, this percentage was 53%. This includes Partnerships, which was part of the construction division at the start of the year. Next year, given the transfer of Partnerships to our housebuilding division, this data will be recast.

Supply chain

Delivering projects to achieve our customers' requirements and our aspirations relies on us having the best possible partners. Achieving targets for improving the performance of our business on many social, environmental and economic performance indicators is only possible if we work with organisations that share our commitment.

We work with hundreds of suppliers and contractors, with around 12,000 people on our sites every day, and an even greater number are involved in manufacturing and supplying the materials we need. We already have robust procedures to select supply chain partners, to minimise the risks to our projects. We manage subcontractors locally through regional procurement teams but take a different approach with major suppliers of materials and have established relationships with around 50 preferred suppliers. This enables us to set standards for materials and equipment supplied to us. We also encourage subcontractors to purchase materials from our preferred suppliers.

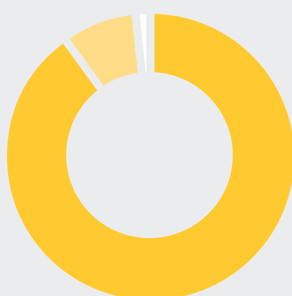
Sustainable Timber

Galliford Try is committed to sourcing all of its timber from legal and sustainable sources, with an appropriate standard in place to evidence this. 91% of timber products received from our preferred suppliers complied with either Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forests Certification (PEFC). Overall 99.4% was verified as coming from legal and sustainable sources.

Timber supplied with certification

91%

- Certified 91%
- Other legal and sustainable sources 8.4%
- Other sources 0.6%



Supply Chain Business Briefing

Our Supply Chain Business Briefing was hosted by our chief executive, Greg Fitzgerald, and outlined our plans for Galliford Try over the next four years. This allowed us to consult our partners on initiatives which will improve how we engage with our Group supply chain partners, including prompt payment and sustainable procurement.

The Supply Chain Sustainability School

Our projects encounter a range of social and environmental issues. Whilst our larger supply chain partners already have commitments in these areas and support their employees in delivering them, many smaller partners cannot access the resources they need to become more sustainable businesses and, in making that transition, help us to be more sustainable too.

Given the number of businesses we work with, delivering awareness training and helping to develop our partners' skills is not straightforward. Our approach is a new Supply Chain Sustainability School, which we financially support along with 14 other construction partners. Our commitment allows the School to offer free support to companies that join and gives them access to:

- a detailed benchmarking service across ten themes of sustainable business;
- strength and weakness analysis; and
- the resources and learning opportunities to improve performance.

The School helps us and our partners to improve performance and provides more general support across the industry. It is a real example of the strength that comes from major construction companies working together.

Over 700 companies we work with are already signed up and have taken the opportunity to assess and understand their scores. It is encouraging that our partners score above the industry average. We are targeting our preferred group suppliers for even better performance during this calendar year.

Our sustainability activities

Key performance indicators 2014

	Target	Achieved	Comment
1. Health and safety			
Accident Frequency Rate	0.13	0.14	An AFR of 0.10 was achieved on the HSE RIDDOR definition of accidents which matches that achieved last year. An AFR of 0.14 on our internal, more stringent definition was achieved this year. This is against a target of 0.13, the rate achieved last year. This is the first increase in our accident statistics in five years.
Accident Incidence Rate	3.73	3.50	We exceeded our target.
Reportable accidents	N/A	51	Against our internal stringent standard of >3 days' absence.
Executive led safety assessments	80	67	This includes our extended executive team, with responsibility for leading the business.
Safe behaviour discussions	60,000	75,463	We aim to maintain a year-on-year increase.
Safety coaches trained	600	742	The coaching programme will continue to deliver training, to keep improving our level of performance on health and safety.
Employee survey health and safety question: 'My business gives health and safety a high priority'.	95%	93%	This was a slight decrease from last year but remains the highest response across the survey.
Employee survey health and safety question: 'I understand the Group's initiative "Challenging Beliefs, Affecting Behaviour" and my part in it'.	85%	86%	An improvement which is due, in part, to extended training on our 'Challenging Beliefs, Affecting Behaviour' programme.
2. Environment and climate change			
Waste diverted from landfill (excluding soil and stones)	90%	94%	Results are for the 2013 calendar year. We will maintain these targets for the coming year.
Total waste (tonnes) (excluding soil and stones) per £100,000 revenue	<20	12.2	We exceeded our target.
Carbon footprint (tonnes) per £100,000 revenue	2.83	2.25	A further reduction achieved and data has been verified for the 2013 calendar year.
Number attending environmental training (IOSH)	N/A	109	This has increased from 56 last year, partly due to increased funding being made available.
3. Our people			
Employees attending chief executive's roadshow	40%	43%	1,873 employees attended the roadshow. We aim to improve attendance but we recognise that our operational sites need to maintain a certain staffing level to ensure they function safely.
Training days per employees	2	2.05	The investment to deliver this training, including employees' time, is £2.13m. We exceeded our target and delivered a total of 9.044 training days.
Trainees/graduates as % of workforce	>2	4.2%	184 of our employees were trainees or graduates in the year. This compares with 3.7% last year.
Churn rate	A maximum of 15%	15.7%	Managing churn is a challenge in a recovering construction market.
4. Community			
Number of subcontractor apprentices recruited	500 by 2016	139	From the Linden Homes scheme. A new partner has been appointed to accelerate the recruitment and placing of apprentices to achieve our target.
Charitable donations	N/A	£347,680	This is from direct donations, and donations in kind of time and materials.
Considerate Constructors Scheme score	35/50	37	We exceeded our target.
5. Customers			
Linden Homes – defects per plot	0.25	0.29	Our defects per plot measure fell significantly from 0.46 to 0.29. A continued focus on the final stages of building and handing over homes via The Linden Way will see us move closer to our target of 0.25.
Linden Homes – customer satisfaction	90%	86.4%	Target 90% of our customers would recommend us to a friend as assessed by an independent survey.
Linden Homes – net promoter score	23.5%	15.5%	During the year, we changed the methodology used to calculate a net promoter score, and reset the target to 23.5%, in line with the industry average. See page 39 for more information.
Construction – client satisfaction	80%	83%	We have maintained a stable figure of 83% and begun to measure net promoter score.
Construction – forward order book	N/A	£1.4 billion	Increased to £3.0 billion following the acquisition of Miller Construction in July 2014.
Construction – repeat work	N/A	53%	With Partnerships now part of our housebuilding division this will be reviewed.
6. Supply chain			
Timber supplied with FSC/PEFC	100%	91%	Results are for the 2013 calendar year.
Engagement process to identify best performing preferred Group suppliers	Begin process in 2013	Yes	Galliford Try is a partner in the Supply Chain Sustainability School and is using its resources to encourage its supply chain partners to improve their awareness and understanding of sustainable procurement.

Directors and Executive Board

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* Member of the Executive Board.

** Member of the Remuneration, Nomination and Audit Committees.

‡ Member of both the Remuneration and Nomination Committees.

† Member of both the Remuneration and Audit Committees.

1 Ian Coull‡
Non-executive chairman

Ian Coull was appointed to the Board on 8 November 2010 and became chairman on 1 July 2011. Until 28 April 2011 Ian was chief executive of SEGRO plc. He was previously a main board director of J Sainsbury plc and a non-executive director of Pendragon plc. He is a non-executive director of London Scottish International, a senior adviser to Oaktree Capital Management and Stonehaven Search, a member of the Government's Property Advisory Panel and a member of the Duchy of Lancaster Council from 1 January 2014. Ian has been appointed as a non-executive director of Grainger plc with effect from 23 September 2014 and will be proposed as its chairman at its annual general meeting. Age 64.

2 Greg Fitzgerald*
Chief executive

Greg Fitzgerald was appointed to the Board in July 2003 and was managing director of the housebuilding division before being appointed chief executive on 1 July 2005. He was a founder of Midas Homes in 1992 and its managing director when it was acquired in 1997, subsequently chairing Midas Homes and Gerald Wood Homes. He is a non-executive director of the National House Building Council. Age 50.

3 Graham Prothero*
Finance director

Graham Prothero joined Galliford Try as finance director on 1 February 2013. He was previously with Development Securities plc, a listed property developer and investor in the UK, where he was finance director from November 2008. From 2001 until 2008, Graham was a partner with Ernst & Young. Graham is a member of the Institute of Chartered Accountants and had previously held the position of finance director with Blue Circle Properties and Taywood Homes. Age 52.

4 Peter Rogers CBE LLB FCA**
Non-executive director

Peter Rogers was appointed to the Board in July 2008. He is currently chief executive of Babcock International Group plc. Prior to joining Babcock in 2002, he was a director of Acordis plc, having earlier held senior executive positions in the Ford Motor Company. Age 66.

5 Amanda Burton**
Non-executive director and senior independent director

Amanda Burton was appointed to the Board in July 2005 and retired in September 2014. She is currently chief operating officer at Clifford Chance LLP. She was previously a non-executive director of Fresca Group Limited, and a director of Meyer International plc and chairman of its timber group. Amanda is also a trustee of Battersea Dogs and Cats Home. On 4 June 2014, Amanda was appointed as a non-executive director of Monitise plc. Age 55.

6 Andrew Jenner**
Non-executive director

Andrew Jenner was appointed to the Board in January 2009. He is currently group chief financial officer of Serco Group plc. Prior to joining Serco in 1996 he worked for Unilever and Deloitte & Touche LLP. Age 45.

7 Ken Gillespie FRICS*
Construction division chief executive

Ken Gillespie joined the Group and its Executive Board in March 2006 on the acquisition of Morrison Construction, of which he was managing director. He joined Morrison in 1996 having spent the previous 13 years holding senior positions with George Wimpey. Previously managing director for construction, with effect from 1 March 2013 Ken was appointed to his current role as construction division chief executive and as an executive director of Galliford Try plc. Ken was appointed as chairman and director of the Scottish Contractors Group Limited in 2013. Age 49.

8 Ishbel Macpherson†
Non-executive director

Ishbel Macpherson was appointed to the Board on 1 February 2014. Ishbel has been chair of Speedy Hire plc since January 2011, having been a non-executive director since July 2007, chaired its remuneration committee and acted as senior independent director. Ishbel has over 20 years' experience in investment banking with Dresdner Kleinwort Wasserstein, Hoare Govett and Barclays. She is a non-executive director of Dignity plc and senior independent director of both Dechra Pharmaceuticals plc and Bonmarché Holdings plc, having previously served as non-executive director of GAME Group plc, MITIE Group plc, Synthomer plc, May Gurney Integrated Services plc and Hydrogen Group plc. Age 54.

9 Terry Miller†
Non-executive director

Terry Miller was appointed to the Board on 1 February 2014. Terry was most recently general counsel for The London Organising Committee of the Olympic Games and Paralympic Games, and as such was directly responsible for all legal aspects of the planning and delivery of the Games in 2012. Terry was awarded Legal Business Lawyer of the Year 2013 in recognition of her contribution to the Games. In June 2014, Terry was appointed as an independent non-executive director of the British Olympic Association. Prior to her LOCOG appointment, Terry spent 17 years as International General Counsel for Goldman Sachs, based in London. Age 62.

10 Kevin Corbett CEng MICE MIStructE*
General counsel and company secretary

Kevin Corbett joined the Executive Board of Galliford Try plc on 1 February 2012 and was appointed general counsel and company secretary on 1 March 2012. Kevin was previously chief counsel global for AECOM. Age 54.

11 Andrew Richards*
Managing director, housebuilding

Andrew Richards was appointed managing director of the housebuilding division and joined the Executive Board in July 2013. He was promoted from managing director of the investments division, having joined the Group through the acquisition of Morrison Construction in March 2006, which he joined in 2000 having previously worked for investment bank Dresdner Kleinwort from 1997. Age 42.

Governance

High standards across the Group

I am pleased to report on the continued high standards of governance across the Group. The year has been characterised by stability and gradual evolution, as the Board has adapted to the improved prospects for the Group's markets, particularly in housebuilding.

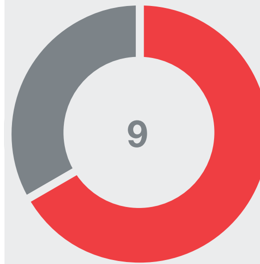
The strong performance of the Group's operational businesses, the improvements to profitability made by the housebuilding division, and the response of the construction division to its challenging market backdrop, have given the Board increased confidence in its governance and risk management processes. That increased confidence is particularly reflected in the decision to reduce the number of formal Board meetings from ten to eight, with additional ad hoc meetings held as necessary.

While cognisant of improved prospects for the Group, the Board has previously acknowledged that there remain specific areas identified for further improvement. I was therefore delighted that we were able to welcome Ishbel Macpherson and Terry Miller to the Board as non-executive directors in February this year. The Board is already benefiting from Ishbel and Terry's considered opinion and insight, and we look forward to moving forward together as a group into the next financial year.

At the presentation of half year results, the Group announced a revised corporate strategy for the years to 2018, in response to the improved prospects for its key markets, in particular housebuilding, and the strengthening UK economy. The Board was necessarily closely involved in the formulation and approval of the strategy, which the executive team is now tasked with delivering for shareholders and stakeholders. We are pleased that 2014 has been another strong year of delivery against strategy, and similarly of full compliance with the requirements of the UK Corporate Governance Code.

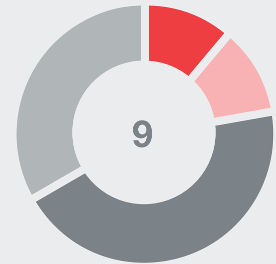
Board composition

Balance of non-executive and executive directors



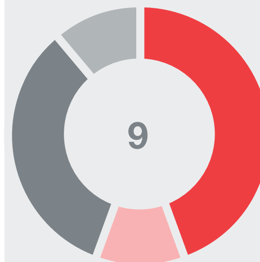
Non-executives	6
Executive directors	3

Board membership



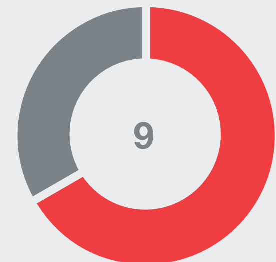
Chairman	1
Senior independent director	1
Other non-executives	4
Executive directors	3

Length of appointment



0–2 years	4
2–5 years	1
5–10 years	3
10+ years	1

Diversity



Male	6
Female	3

Ian Coull, chairman

Board composition

Biographical summaries for each of the directors, their respective Committee responsibilities and their external directorships are set out on page 43.

All continuing directors will stand for re-election at the 2014 annual general meeting and all continue to demonstrate commitment to their roles.

Ishbel Macpherson and Terry Miller were both appointed as non-executive directors with effect from 1 February 2014. Amanda Burton retired from the Board on 16 September 2014, after a nine year appointment. Greg Fitzgerald has indicated his intention to retire in 2015. There have been no other changes to the Board, either during or since the end of the financial year.

Chairman and chief executive

The chairman and chief executive continue to work closely together on all aspects of the Group's performance and strategy. Their roles within the Group remained unchanged from the summary disclosed in previous governance reports.

Senior independent director

Amanda Burton was the Group's senior independent director until 16 September 2014 and was available to shareholders in accordance with the UK Corporate Governance Code. She was not contacted during the year. Peter Rogers has assumed the position of senior independent director on Amanda's stepping down from the Board.

Non-executive directors

Other than the changes referenced, the roles and responsibilities of each of the non-executives, which are detailed in their individual letters of appointment, have not changed from the previous financial year. The letters of appointment are available for inspection on request at the Company's registered office and will be available for inspection immediately prior to the annual general meeting.

2013/14 Governance review

Governance action	Explanation	Governance implications	Result
Appointment of additional non-executive directors	Ishbel Macpherson and Terry Miller were formally appointed as non-executive directors on 1 February 2014. Ishbel and Terry have joined the Audit and Remuneration Committees. Both appointments strengthen the independence and diversity of the Board, and addressed succession planning for Amanda Burton's retirement from the Board in 2014.	The ratio of independent non-executive directors improved from 57% to 66% on the appointments taking effect. The Board gender diversity ratios similarly improved from 14% to 33% from February onwards, with this ratio falling to 25% on Amanda Burton stepping down from the Board.	Both appointments have successfully refreshed the Board's composition, independence and diversity. Both Ishbel and Terry have completed effective inductions, and are contributing strongly to the Board and its Committee work and strategic formulation. The appointments should mean the Board is adequately composed and resourced in the short and medium term.
Group brokerage review and retender	The Executive Board initiated a thorough review of its existing brokers, and in parallel conducted a comprehensive market tender in 2013. Through the tender process, three additional brokers were invited to present to the Executive Board alongside both incumbents. All completed follow up actions. As a result of the tender, the Executive Board recommended to the Board the appointment of HSBC Corporate Broking in addition to its existing adviser Peel Hunt.	Having established strong working relationships with both incumbent brokers over engagements spanning many years, the Executive Board took the opportunity in October 2013 to review and benchmark service levels. The tender process was extremely beneficial in reaffirming existing areas of strength, and identifying potential areas for service improvement and adoption of new market initiatives.	Both appointed brokers continue to work effectively to deliver an improved service to the Group, following completion of the tender process. The selected brokers complement each other to ensure that a premium service is received across the agreed broking remit.
External audit review and retender	The Group committed to complete a tender of the external audit engagement in 2014, in line with the rotation date of the previous lead partner, Pauline Campbell. The decision reflects the latest guidance of the UK Corporate Governance Code and EU Competition Commission.	PricewaterhouseCoopers LLP were originally appointed as the Group's external auditor in January 2001, and completion of the external tender sought to market test and reaffirm whether their continuing appointment was in the best interests of the Group and its stakeholders, given the requirements of the UK Corporate Governance Code.	In itself a valuable exercise, the review and tender process established that PricewaterhouseCoopers LLP continue to offer a market competitive external audit proposition. Their experience of working across the Group's operations offers continuity, which will be strengthened by the appointment of a new audit partner from October 2014.
Establishment of Executive Partnerships Divisional Board	A key component of the Group's revised 2018 strategy is the refocusing of the Group's affordable housing business, Galliford Try Partnerships. From 1 January 2014, Partnerships has transferred to form part of the housebuilding division, with a refocused management team expected to drive a significant increase in both mixed tenure revenues and the size of the contracting business.	Previously a business unit within construction, with divisional board representation at that level and organised with an operational management board beneath, the strategic change has necessitated establishment of a new Executive Partnerships Divisional Board, to drive strategy and performance.	The Executive Partnerships Board was formed for the 2014 calendar year, and continues to operate effectively. The divisional managing director for Partnerships chairs meetings, which are attended by the chief executive, finance director, construction division chief executive, and general counsel and company secretary in advisory capacities, to ensure appropriate resourcing. This board reports directly to the Executive Board, with the chief executive responsible for operational performance.

Diversity

In line with our stated commitment and addressing the expectations of Lord Davies' report 'Women on Boards', the Group improved the ratio of female Board members during the financial year. The gender balance at Board level accordingly improved, from 14% to 33%, reflecting Ishbel Macpherson and Terry Miller's appointments as non-executive directors in February. The ratio will be 25% upon Amanda Burton stepping down from the Board.

Notwithstanding the diversity related improvements in 2014, the Nomination Committee undertakes to actively consider a diverse range of candidates, including those from other societal groups not currently represented at Board level, for positions as and when they become available, whilst always basing any recruitment decision on merit. Further diversity disclosures can be found in the Strategic Report on page 37.

Jane Davies was appointed as HR director with effect from 9 September 2013, with specific responsibility for strategic HR planning. Jane attends Executive Board meetings as a member of the senior management team.

Board: attendance

Meetings were led by the chairman, including a specific performance assessment day at which individual appraisals were completed. The company secretary was in attendance. The senior independent director separately led a meeting of the non-executives to assess performance of the chairman, without him being present.

Board: remit

There is a formal schedule of matters reserved for prior authorisation by the Board, the specifics of which have not materially changed from those disclosed in previous years. The Board held its annual strategy away day in October 2013 and specifically approved the Group business plan for 2014 to 2018.

Calendar of 2013/14 Board activities and areas of focus

Month	Activity or area of focus
July 2013	Site visit – The Queensferry Crossing, Firth of Forth Approval of 2013/14 Group budget
September	Presentation and review: Galliford Try Partnerships Full year results statement and Annual Report
October	Strategy meeting
November	Annual general meeting
December	Health, safety and environment performance review Presentation and review: affordable housing and regeneration Approval of Group business plan for 2014 to 2018
February 2014	Half year results statement and report Presentation and review: Galliford Try Infrastructure and International
April	Site visit – Gloucestershire County Cricket Club, Bristol Housebuilding divisional presentation and review
May	Presentation and review: Group sustainability Presentation and review: Group risks and internal control framework

The Board continues to benefit from its established reporting mechanisms, which ensure crucial management and project specific information, and all significant Group-wide developments, are reported quickly and accurately. The reporting mechanisms facilitate prompt approval of further actions. Throughout the year the Board also received regular Group, divisional and business unit specific presentations, covering all aspects of the Group's operations.

2013/14 Board attendance table

	Board	Executive Board	Audit Committee	Nomination Committee	Remuneration Committee
Number of meetings	8	12	3	2	3
Ian Coull Chairman	8	n/a	by invitation	2	2
Amanda Burton Senior independent director	8	n/a	3	2	3
Peter Rogers Non-executive	8	n/a	3	2	3
Andrew Jenner Non-executive	8	n/a	3	2	2
Ishbel Macpherson[1] Non-executive	2	n/a	1	n/a	n/a
Terry Miller[1] Non-executive	3	n/a	2	n/a	n/a
Greg Fitzgerald Chief executive	8	12	by invitation	n/a	by invitation
Graham Prothero Finance director	8	12	by invitation	n/a	n/a
Ken Gillespie Construction division chief executive	8	12	n/a	n/a	n/a
Kevin Corbett General counsel and company secretary	8	11	3	2	3

1. Ishbel Macpherson and Terry Miller joined the Board on 1 February 2014.

Board: information, advice, evaluation, insurance and indemnity

Well-established Board procedures covering timely provision of information in advance of all Board and Committee meetings, and for the provision of independent professional advice, remained in operation throughout the financial year.

All directors have access to the advice and services of the general counsel and company secretary. No director sought independent advice during the financial year.

As reported in the 2013 Annual Report and Financial Statements, an external performance evaluation of the Board was completed in 2013 using the services of Armstrong Bonham Carter LLP, a recognised independent consultant. An internal Board performance evaluation was therefore completed in 2014, using the Group's well-established processes and augmented by input from Armstrong Bonham Carter LLP's related recommendations. The 2014 evaluation focused on risks to the Group's revised 2018 corporate strategy and sought opinion on current operations, performance, governance and strategy. Consideration was given to the aggregate time commitments of the non-executive directors. The findings and recommendations were presented to, and approved by, the Board in May 2014.

The Group maintains appropriate directors and officers liability insurance on behalf of, and provides individual indemnities to, the directors and general counsel and company secretary, which complies with the provisions of section 234 of the Companies Act 2006.

Executive Board report

Membership of the Executive Board is detailed on page 43. Executive management is the responsibility of the chief executive. He chairs the Executive Board, which in turn takes responsibility for the operational management of the Group, under terms of reference delegated by the main Board. The Executive Board also has further delegated responsibility for making recommendations to the main Board on all items included in the formal schedule of matters reserved for main Board authorisation. There are regular performance and operational related reports and presentations from divisional management. The assistant company secretary acts as secretary to the Executive Board.

The Executive Board meets on a monthly basis, and additional meetings are convened when necessary to consider and authorise specific operational or project matters.

Introduction: Andrew Jenner
Audit Committee chair

The Audit Committee has focused its attention on key projects in 2014 relating to the review and tender of the external audit, and also establishing fair, balanced and understandable review processes for the Annual Report and Financial Statements, in line with the requirements of the UK Corporate Governance Code.

Audit Committee report 2014

The Committee has continued to monitor and review the Group's risk management and internal control framework, in the context of an improving outlook for the Group's markets, and in particular in UK housebuilding.

Although the thorough review and tender of the external audit completed this year resulted in the reappointment of PricewaterhouseCoopers LLP (PwC), shareholders and stakeholders can be reassured that the review was extremely beneficial in benchmarking PwC's service levels and engagement. The decision to reappoint PwC followed a detailed and comprehensive audit review and tender process, and was based on merit, as well as reflecting PwC's long standing involvement with, and knowledge of, the Group and its operations.

The Committee looks forward to continuing to work with the audit team closely under the newly appointed partner, Jonathan Hook.

Having specifically established revised procedures, I am pleased to confirm on behalf of the Committee that the 2014 Annual Report and Financial Statements are considered fair, balanced and understandable in terms of the form and content of the strategic, governance and financial information presented therein. The Group has evolved the format of the Annual Report and Financial Statements over recent financial years to ensure that this Annual Report complies in full with requirements of new regulations covering narrative and remuneration reporting, applying to the Group for the first time this financial year.

We have welcomed the appointment of both Ishbel Macpherson and Terry Miller as Committee members and the Committee is already benefiting from their considered insight and opinion in the short period since their appointment. We look forward to working together as a group into the next financial year.

Audit Committee: composition and attendance

Membership of the Audit Committee is detailed on page 43. The chairman, chief executive and finance director attend all Committee meetings by invitation. Andrew Jenner, who is Committee chair, has a strong financial background which satisfies the UK Corporate Governance Code requirement that the Committee's membership has recent and relevant financial experience. The general counsel and company secretary acts as secretary to the Committee.

Audit Committee: remit

The Committee meets at least three times a year, this number being deemed appropriate to the Audit Committee's role and responsibilities. The Committee's delegated authorities and calendar of prioritised work have not changed substantially from those disclosed in previous years. The key responsibilities of the Committee are: delegated responsibility from the Board for financial reporting; monitoring external audit, internal audit, risk and controls; and reviewing instances of whistleblowing. The terms of reference of the Committee are available on the Group's website.

The authorities and calendar of work remain in line with the requirements of the UK Corporate Governance Code. At each meeting, Committee members took time, in the absence of the executive directors, to separately review and discuss any issues meriting their attention. The Committee also met informally several times during the financial year, in connection with the external audit tender project completed in July 2014. The table on page 49 summarises the key activities during the financial year.

The Committee also continues to meet with the internal and external audit teams, in the absence of executive management.

Calendar of 2013/14 Committee activities and areas of focus

Month	Activity or area
September 2013	Committee review of 2012/13 full year results 2012/13 external audit presentation 2012/13 going concern review Risk and internal audit report to the Committee Whistleblowing report
February 2014	Committee review of 2013/14 half year results 2013/14 half year external audit presentation 2013/14 half year going concern review External audit engagement review Annual review of provision of non-audit services Risk and internal audit report to the Committee Whistleblowing report
May 2014	Approval of 2014 full year audit plan 'Fair, Balanced and Understandable' review Early stage review of Strategic Report content and disclosures

During the financial year, the risk and internal audit team focused on delivering their agreed calendar of audit reviews, under their rolling three-year internal audit plan, and also providing commercial and risk management support across the Group at the request of the Committee, the Executive Board and senior management. Further information regarding their activities during the year can be found on page 50.

As disclosed in note 5 to the financial statements, no significant non-audit related services were provided by PwC during the financial year, although the Group did receive non-audit related advice and services covering general corporate matters. Policies and review mechanisms governing the provision of material non-audit services, and safeguarding the objectivity and independence of the external auditor, remained in force throughout the financial year. A market tender of the external audit was completed during the financial year, in line with the guidance of the UK Corporate Governance Code. The Committee is satisfied that the incumbent external auditor, PwC, remains fully independent, and accordingly has recommended to the Board that a resolution to reappoint PwC is proposed at the 2014 annual general meeting.

The Committee reviewed the integrity of the Group's financial statements and all formal announcements relating to the Group's financial performance. This included an assessment of Partnerships' segmental reporting and each critical accounting policy, as set out on pages 77 and 78, as well as review and debate over the following areas of significance:

- contract revenue and provisions: in conjunction with the annual audit, the Committee reviewed a paper setting out key judgements in respect of revenue recognition and contract provisions, in relation to individually significant long-term construction contracts;
- reporting exceptional items: the Committee reviewed and considered the FRC's press notice of December 2013 in relation to the reporting of exceptional items;
- going concern: the Committee assessed the available banking facilities, and the associated covenants and sensitivities. The related paper also considered other commercial and economic risks to the Group's going concern status. The Committee reported to the Board on its findings; and
- goodwill impairment review: during the year, the Committee considered the judgements made in relation to the valuation methodology adopted by management and the model input used, as well as the sensitivities used by management and the related disclosures.

Introduction: Peter Rogers CBE
Nomination Committee chair

Nomination Committee report 2014

Nomination Committee: composition and attendance

Membership of the Nomination Committee is detailed on page 43. The Committee was chaired by Peter Rogers, an independent non-executive director, throughout the financial year. Ian Coull will chair the Nomination Committee following the appointment of Peter Rogers as senior independent director in September 2014. The general counsel and company secretary acts as secretary to the Committee.

Nomination Committee: remit

The terms of reference of the Committee can be found on the Group's website. The authorities delegated to the Committee by the Board comprise:

- reviewing the size, structure and composition of the Board;
- evaluating the balance of skills, knowledge and experience on the Board, including the impact of new appointments;
- overseeing and recommending the recruitment of any new directors;
- ensuring appointments are appropriately made against objective criteria; and
- keeping the leadership and succession requirements of the Group under review.

The Committee took direct responsibility for the processes which led to the appointment of Ishbel Macpherson and Terry Miller as non-executive directors in February 2014. A detailed job specification was prepared by the Committee and external consultants were appointed to provide advice on the availability of suitable external candidates. The Committee then commenced a formal, rigorous and transparent selection process, which included considering a diverse shortlist of candidates, before recommending the final appointments to the Board. Further background to both appointments, together with the Board's agreed position on diversity in accordance with the requirements of the UK Corporate Governance Code, can be found on pages 45 and 46.

In accordance with best practice and the latest guidance issued by the Institute of Chartered Secretaries and Administrators, the new non-executive directors received a formal and thorough induction programme covering, amongst other things: Board policies and procedures; share dealing restrictions; financial, strategic and operational summaries; governance processes; introductory meetings with senior management and advisers; and other Group specific information and training.

The Committee continues to review Board composition and progress made by potential internal candidates for key executive roles.

The Committee remains wholly independent in accordance with the requirements of provision B.2.1 of the UK Corporate Governance Code. External consultants, The Zygos Partnership (Zygos), have been engaged to advise on all prospective Board appointments, and the appropriateness of open advertising and other recruitment methodologies. There is no other connection between Zygos and the Group.

Remuneration Committee report 2014

Remuneration Committee: composition and attendance

Membership of the Remuneration Committee is detailed on page 43. The Committee was chaired by Amanda Burton throughout the financial year. Ishbel Macpherson chairs the Committee on Amanda Burton's stepping down from the Board.

Remuneration Committee: remit

The authorities delegated to the Committee by the Board have not materially changed from those disclosed in the 2013 Annual Report and Financial Statements. Further information regarding the work of the Committee during the financial year can be found on pages 52 to 63, which address the requirements of the Directors' Remuneration Reporting Regulations effective from 30 September 2013 as issued by the Department of Business, Innovation & Skills.

Governance policies

The Group continues to operate a suite of governance and risk management policies, procedures and training programmes, all of which address obligations arising under the relevant legislation. The Group Corporate and Finance Manuals, which summarise the policies, procedures and authority matrices by which the central functions and divisions operate, were refreshed and updated during the financial year.

Shareholder relations

The Company continues to prioritise maintaining effective relationships with all its shareholders and accordingly seeks to engage appropriately with all interested parties. The Board, and in particular the chairman, chief executive and finance director, continue to organise a range of meetings with existing and prospective institutional shareholders. Specific reports regarding shareholder views generally are regularly provided to the Board for analysis and discussion. The Board continues to actively engage with institutional shareholders in line with the expectations of the UK Stewardship Code, whether on key matters of specific relevance to the Group and its operations or general market themes. The Board, the senior independent director and other non-executive directors, are available to attend meetings with shareholders and address any significant concerns stakeholders may have.

During the year, the Company completed a standard postal consultation with all registered shareholders regarding the proposed implementation of e-communications. Consultation responses were such that only 19% of registered shareholders elected to continue to receive hard copy mailings from 2014 onwards.

The Group's annual general meeting, held in November each year, continues to be a popular means for private shareholders to receive personal updates on performance from Board members and share opinions on progress. All directors of the Company were in attendance at the 2013 annual general meeting and all arrangements for the meeting followed the requirements of the UK Corporate Governance Code and related best practice.

Reporting, risk, internal audit and controls

The governance review commencing on page 44 details the specific actions undertaken by the Group during the financial year, including those with a risk management focus. The Board's approach to risk and internal audit, including its systems in relation to the preparation of consolidated accounts, and the material controls of the Group's established internal control framework have not changed substantially from those disclosed in detail in the 2013 Annual Report and Financial Statements.

The Group's governance reporting structure shown on page 51 clarifies the effective Group, divisional and operational board structures upon which the delegated authorities matrices and Corporate and Finance Manuals are overlaid, and reflects changes made in 2014.

During the financial year, a programme of 17 internal audits was completed across the Group's operations and progress checks were completed against previous recommendations. All significant internal control failings or weaknesses, including compliance with the provisions of the Group Corporate and Finance Manuals, have been rectified either during the financial year or to the date of this Annual Report.

Compliance statement

The Group believes that the highest standards of corporate governance are integral to the delivery of its strategy, providing the means by which the Board manages the expectations of stakeholders to optimise sustainable performance as summarised in this Annual Report.

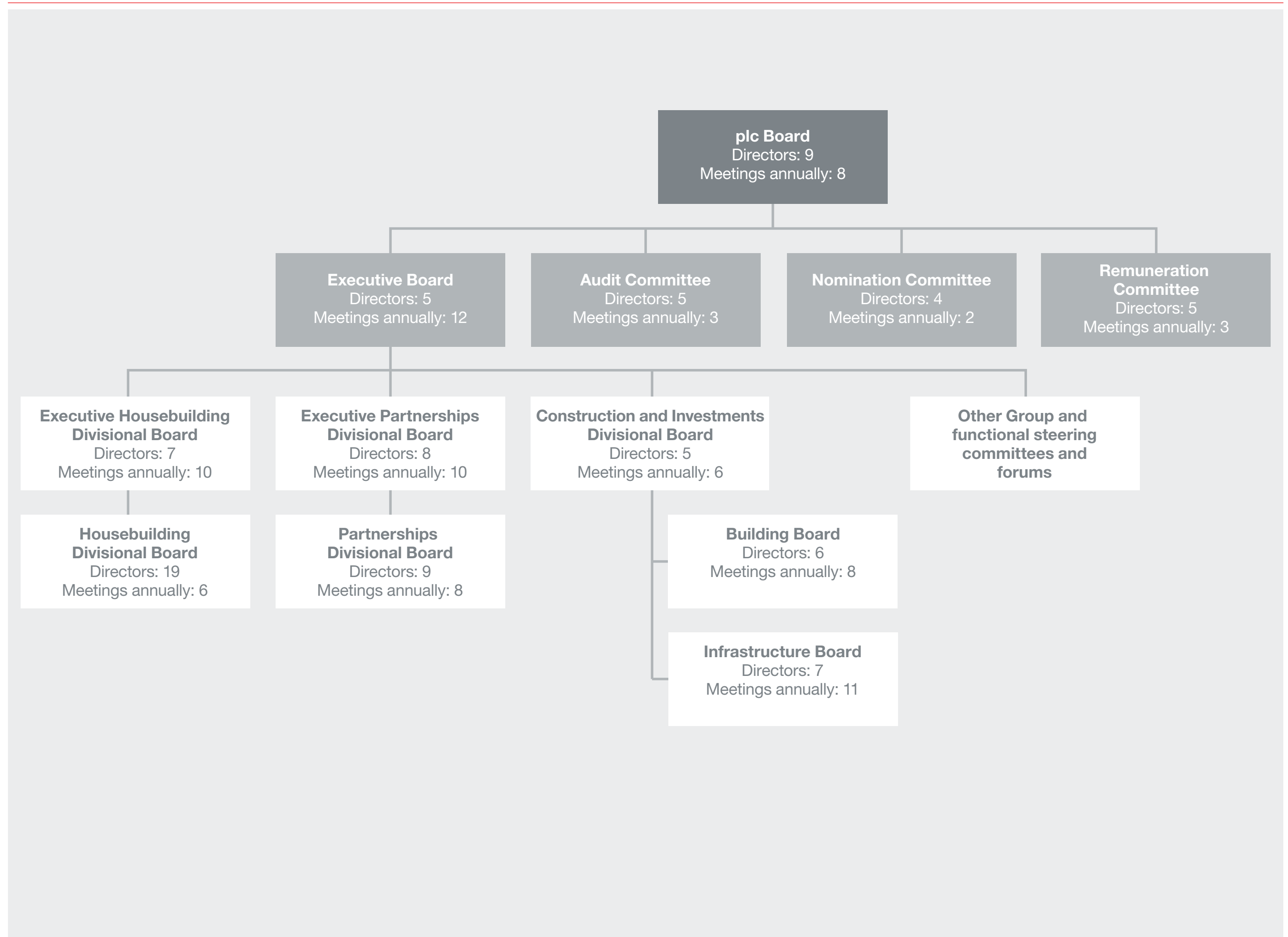
The UK Corporate Governance Code (the Code), applicable to all premium listed companies, is the governance code to which the Group is subject. The Group remains compliant with the UK Listing Authority's Disclosure and Transparency Rule 7.2.6 and related information can be found in the Directors' Report on pages 64 and 65.

As a member of the FTSE 250, Galliford Try has committed to complying in full with all provisions of the Code and in doing so seeks to both support and foster the highest standards of corporate governance. The Group complied in full with all provisions of the Code throughout the financial year.

For and on behalf of the Board

Kevin Corbett
General counsel and company secretary

Group governance reporting structure 2014



Remuneration policy and report

Policy, framework and implementation

Introduction: Amanda Burton
Chair of the Remuneration Committee

There have not been any significant changes to the Remuneration Policy in 2013/14. This year the Committee has focused on the ongoing review of the appropriateness of the Remuneration Policy, the annual cycle of salary review and incentive plan activity, and preparing for the transition to a new Committee chair on my stepping down from the Board.

Committee chair's annual statement

This is the first year that the new regulations published by the Department of Business, Innovation & Skills (BIS) formally apply to the Group, and I am pleased to confirm that following changes made in last year's Annual Report, ahead of implementation, the Group complies in full with the new requirements. As a result, the changes to this year's Annual Report are more subtle than the revised and largely compliant structure adopted last year.

The Group has again performed strongly in the context of an improvement across the listed housebuilding sector, and continues to clearly outperform its construction sector peers. The revised 2018 strategy announced in February 2014, Group performance, and the future direction of the Group, give the Committee renewed confidence that its Remuneration Policy is aligned with both corporate strategy and delivery by the executive team. We were therefore happy to approve the reward packages received by the chief executive and his executive team during the financial year, and in particular the variable elements of pay.

Further details regarding the specific variable elements of pay received by the executive directors, to recognise their outstanding annual performance delivered for shareholders, including profit in excess of plan and success on a number of strategic fronts, such as accelerated land acquisition, can be found in the Directors' Remuneration Report on pages 58 to 63. All variable elements of pay were specifically approved in line with the Remuneration Policy.

The Committee continues to monitor and review pay and conditions across the Group, and in particular the wider executive population immediately beneath the senior team. Pay increases above inflation were awarded to all staff on review in July 2014, with discretionary merit-based increases for those performing exceptionally. Further details regarding the salary increases awarded to Greg Fitzgerald, Graham Prothero and Ken Gillespie can be found in the Directors' Remuneration Report.

As reported last year, the Group will offer shareholders a binding vote on the Remuneration Policy by way of a separate resolution at this year's annual general meeting. This is in addition to the standing advisory vote on this Directors' Remuneration Report. Following my departure from the Board, Ishbel Macpherson will be available to shareholders to discuss matters of significant concern.

There has been a smooth transition to Ishbel Macpherson, who will assume responsibility for the Committee from me. I have enjoyed overseeing remuneration matters on behalf of the Board, in what latterly has been an exciting period of growth for the Group and the housebuilding industry generally. I wish the executive team continued success as they move towards their goals for 2018.

Amanda Burton
Chair of the Remuneration Committee

Foreword by Ishbel Macpherson, Committee chair designate

Whilst I formally take responsibility for the Committee on Amanda stepping down from the Board in September, having worked with her and been a member of the Committee since my appointment in February, I wanted to take this opportunity to thank Amanda for her considerable contribution to the successful remuneration framework installed and overseen by the Committee. I would also emphasise to both shareholders and stakeholders that I do not anticipate any significant changes to that policy in the short and medium term.

That said, there remains a great deal of work to be completed to ensure ongoing compliance with the new regulatory environment and best practice expectations, and I look forward to further improvement as the Group moves into 2015 and beyond.

Ishbel Macpherson
Chair designate of the Remuneration Committee

Remuneration policy and report

Remuneration Policy

Remuneration Policy

Remuneration: strategy
The Group's remuneration strategy is to appropriately incentivise future executive performance, reward successful performance delivery and to ensure that we recruit and retain our most talented and experienced executives.

Remuneration: policy
During the year, the Committee reviewed and maintained the policy which, subject to confirmation at the 2014 annual general meeting, is to:

- ensure that remuneration packages are structured so that they can attract, retain and motivate the executives required to achieve the Group's strategic objectives;
- engender a performance culture which will position Galliford Try as an employer of choice and deliver shareholder value;
- deliver a significant proportion of total executive pay through performance-related remuneration and in share-based form;
- position performance related elements of remuneration so that upper quartile rewards may be achieved in circumstances where outstanding results and peer sector outperformance have been delivered; and
- ensure that failure is not rewarded.

The policy necessarily extends to include the specific detail outlined throughout this Remuneration Policy.

The policy is shaped by environmental, social and governance factors, which help determine the design of incentive structures to ensure that responsible behaviour is encouraged. Furthermore, recognising that even well designed incentives cannot cater for all eventualities, should any unforeseen issues arise that would make any payments unjustifiable, the Committee can use its discretion to address such outcomes by scaling back payments. The Committee operates clawback provisions within both the Annual Bonus Plan and Long Term Incentive Plan (LTIP), which facilitate the retrieval of payments made to directors and executive management in circumstances of error, financial misstatement or misconduct.

Considerations in setting the Remuneration Policy
To ensure executive remuneration is considered in the context of the Group as a whole, the Committee reviews the policy on the pay and benefit structure, including bonus schemes, for all Group employees. The views of divisional and business unit management across the Group are sought as a matter of process, when completing the Group's annual salary review.

The Board has delegated to the Committee the responsibility for making recommendations about the remuneration of senior management immediately below the executive directors.

All-employee schemes
All staff throughout the Group participate in an annual bonus scheme, with targets linked to performance of their particular responsibilities or business unit. The scope and extent of these schemes vary between levels of management and business sector. All bonus schemes throughout the Group are subject to a 50% reduction in payment if Group profit before tax does not meet a pre-determined threshold, whatever the performance of the individual businesses may have been. The non-financial targets applying to the executive directors apply to all bonus schemes covering staff across the Group.

There are, however, some differences in the structure of the Remuneration Policy for the executive directors (as set out below) compared to that for the broader employee base within the Group, which the Committee believes are necessary to reflect the differing levels of seniority and responsibility. The Remuneration Policy for the executive directors places a greater weight on performance-based variable pay through the LTIP. This ensures the remuneration of the executives is aligned with the performance of the Group and therefore the interests of shareholders.

Employees have not been consulted formally on directors' remuneration but the Committee will keep this under review.

Performance measures and targets
The Committee selects financial and strategic measures (such as profit and cash flow) for the annual bonus that are key performance indicators for the business. The Committee will select for long-term incentives a combination of measures that provide a good focus on the outcomes of Group strategy, together with sustainable improvements in long-term profitability.

The Committee sets appropriate and demanding targets for variable pay in the context of the Group's strategic objectives and trading environment. The targets for the Annual Bonus Plan will be set each year with reference to the budget and strategic plan. The Committee approves these targets as the most effective means of aligning the Group's short-term executive incentive with improving the Group's key financial metrics in the financial year. Further information on targets for 2013/14 is set out on page 59.

The Committee will review the performance metrics and targets for awards under the LTIP each year, prior to awards being made. Consideration is given to the Group's internal planning, business environment and market forecasts, for example, to determine whether the TSR (Total Shareholder Return) peer group and range of EPS (Earnings Per Share) performance targets remain appropriate. Should there be a material change in the Group's performance conditions (for example, the introduction of additional performance metric) appropriate dialogue with the Company's major shareholders would take place, along with a full explanation in the Directors' Remuneration Report to support any such change.

The metrics for awards granted under this Remuneration Policy are set out in the Directors' Remuneration Report from page 58.

Remuneration policy and report continued

Components of executive reward

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
Salary To provide a competitive and appropriate level of basic fixed pay, sufficient to attract, motivate and retain directors of high calibre, able to develop and execute the Group's strategy.	Normally reviewed annually, with any changes typically taking effect from 1 July. Set taking into consideration pay and employment conditions across the Group, the economic environment, the responsibilities and accountabilities of each role, the experience of each individual, his or her marketability and the Group's key dependencies on the individual. Reference is also made to salary levels amongst relevant housebuilder and construction peers and other companies of equivalent size and complexity. The Committee reserves the right to reduce salary levels (and has done so in the past) if the circumstances warrant it.	There is no prescribed maximum. The Committee's policy on salary increases for executive directors is for increases to be broadly in line with the average across the workforce, unless there is a promotion or material change in role or business circumstances, in which case increases may be higher. Last year's salaries are set out in the Directors' Remuneration Report.	When reviewing salaries, both Group and individual performance are considered.
Benefits To provide cost-effective and market-competitive benefits.	Benefits provided to executive directors currently comprise entitlements to a company car or cash equivalent allowance, private medical and permanent health insurance, and life assurance. The benefits provided may be subject to minor amendment from time to time by the Committee within the Remuneration Policy.	The cost of benefit provision varies from year to year, depending on the cost to the Group, and there is no prescribed maximum limit. Benefit costs are monitored and controlled to ensure that they remain appropriate and represent a small element of total remuneration costs.	n/a
Pension To provide a market-competitive retirement benefit.	The executive directors may each receive contributions to a money purchase pension scheme or salary supplements in lieu of company pension contributions.	20% of basic salary.	n/a
Annual Bonus Plan Rewards the achievement of stretching annual goals that support the Group's annual and strategic objectives. Compulsory deferral of part of the bonus into shares provides alignment with shareholders.	Executive directors and a selected senior management population, subject to invitation and approval by the Committee, may participate in the Annual Bonus Plan. Where the bonus earned and payable equates to over 50% of the recipient's basic salary in any one financial year, two thirds of the bonus earned in excess of that 50% salary threshold is required to be deferred into restricted shares. Although beneficially held by the participants, the restricted shares are legally retained by the trustee of the Galliford Try Employee Benefit Trust (EBT) for three years, and are subject to forfeiture provisions, unless otherwise agreed by the Committee in certain clemency situations. Subject to continued employment, the restricted shares are legally transferred to participants on the third anniversary of allocation. The Committee operates clawback provisions within the Annual Bonus Plan, which facilitate the retrieval of payments made to directors and executive management in circumstances of error, financial misstatement or misconduct.	150% of salary for the chief executive and 100% of salary for other executive directors. At least half of the annual bonus opportunity may be earned for on-target performance. Bonuses start to be earned from 0% of salary for achieving threshold performance.	Dependent on the achieving specified financial (no less than 50% of the bonus) and strategic targets, the bonus may be scaled back if certain non-financial targets are not achieved. Last year's performance measures are described in the Directors' Remuneration Report on page 59.

Components of executive reward continued

Component and link to strategy	Operation	Maximum opportunity	Framework to assess performance
Long Term Incentive Plan Rewards the achievement of sustained long-term financial and operational performance and is therefore aligned with the delivery of value to shareholders. Facilitates share ownership to provide further alignment with shareholders. Making of annual awards aids retention.	Under the rules of the 2006 LTIP, the Committee is authorised to recommend that the trustee of the EBT grant provisional share allocations to invited participants annually. The vesting of any award depends on the achievement of performance conditions linked to specific grants over an associated three-year plan cycle. The Committee operates clawback provisions within the LTIP, which facilitate the retrieval of payments made to directors and executive management in circumstances of error, financial misstatement or misconduct.	The maximum value of a base award that may be granted in any financial year to any individual will not exceed 100% of their basic annual salary as at the award date, except in the event of outstanding performance where there is the potential to achieve vesting of up to 200% of the base award. The minimum level of vesting that may occur is 7.5% of basic salary. Dividends may accrue on LTIP awards over the vesting period and, subject to the discretion of the Committee, be paid out either as cash or shares on vesting, in respect of the number of shares that have vested.	Measures are currently based on EPS growth and relative TSR, measured against two unweighted industry peer groups. The Committee may vary the measures and targets that are included in the plan and the weightings between them from year to year. Any material changes to the measures would be subject to prior consultation with the Company's major shareholders. Details of performance conditions are provided on page 60.
All-employee schemes To encourage employee share participation.	The Group may from time to time operate tax-approved share plans (such as an approved Sharesave scheme for the benefit of all staff) for which executive directors could be eligible.	The schemes are subject to the limits set by HM Revenue & Customs (HMRC).	n/a
Shareholding guidelines To ensure the interests of the executive directors are aligned to those of shareholders.	The Group's share retention policy requires executive directors to build and maintain a shareholding over a five-year period equivalent in value to at least 100% of basic salary or, in the case of the chief executive, at least 150% of basic salary.	n/a	n/a
Non-executive fees To provide a competitive and appropriate level of fees sufficient to attract, motivate and retain a chairman and non-executive directors of high calibre.	The chairman is paid a single fixed fee. The non-executives are paid a basic fee. The chairs of Board Committees and the senior independent director are paid an additional fee to reflect their extra responsibilities. The level of these fees is reviewed periodically by the Committee and chief executive for the chairman and by the chairman and executive directors for the non-executive directors. Fees are set taking into consideration market levels in comparably sized FTSE companies and relevant housebuilder and construction peers, the time commitment and responsibilities of the role and the experience and expertise required. The chairman and the non-executive directors are entitled to reimbursement of reasonable expenses. Non-executive directors cannot participate in any of the Group's annual bonus or share plans and are not eligible for any pension entitlements from the Group. The chairman is eligible to participate in the Group's medical assurance plan.	The Committee is guided by the general pay increase for the broader employee population, but on occasions may need to recognise, for example, changes in responsibility or time commitments. Current fee levels are disclosed on page 63.	n/a

Discretions retained by the Committee in operating incentive plans

The Committee operates the Group's various incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure efficient administration of these plans, the Committee may apply certain operational discretions such as: determining the extent of vesting based on the assessment of performance; determining 'good leaver' status and, where relevant, the extent of vesting of share based plans; making appropriate adjustments required in certain circumstances (such as rights issues or corporate restructurings); or the annual review of and weighting of performance measures, and setting targets for annual bonus plan and discretionary share plans from year to year.

The Committee may adjust the targets or set different measures and alter weightings for the incentive plans if, for example, an event occurs which causes the Committee to reasonably consider that the performance conditions would not achieve their original purpose without alteration. Any changes and the rationale for those changes will be set out clearly in the Directors' Remuneration Report in respect of the year in which they are made.

Directors' service contracts and policy for payments to departing executive directors

The service contracts and letters of appointment for the Board directors serving at the date of this Annual Report are detailed in the following table:

	Contract date	Notice period (months)
Non-executive directors		
Ian Coull	8 November 2010	6
Amanda Burton	1 July 2005	6
Peter Rogers	1 July 2008	6
Andrew Jenner	1 January 2009	6
Ishbel Macpherson	1 February 2014	6
Terry Miller	1 February 2014	6
Executive directors		
Greg Fitzgerald	1 July 2003	12
Graham Prothero	18 June 2012	12
Ken Gillespie	19 February 2013	12

1. Contract dates shown are the directors' initial contract as an executive director or non-executive director of the Group. Executive directors have a rolling notice period as stated. Non-executive appointments are reviewed after a period of three years and their appointment is subject to a rolling notice period as stated. All serving directors (apart from Amanda Burton) will stand for re-election at the 2014 annual general meeting.
2. There are no contractual provisions requiring payments to directors on loss of office or termination, other than payment of notice periods. The Remuneration Committee may seek to mitigate such payments where appropriate.
3. Subject to the discretion of the Nomination Committee, the Group's practice is to agree notice periods of no more than six months for non-executive directors and no more than 12 months for executive directors.

Executive directors' service contracts are available for inspection at the Company's registered office during normal business hours and will be available for inspection at the annual general meeting.

For executive directors, at the Group's discretion, a sum equivalent to 12 months' salary and benefits may be paid in lieu of notice. In the contracts of Graham Prothero and Ken Gillespie there are mitigation provisions to pay any such lump in monthly instalments, subject to offset against earnings elsewhere. This will also be the case for any future appointments.

For the proportion of the financial year worked, bonuses may be payable pro rata at the discretion of the Committee. Depending upon the circumstances, the Committee may consider additional non-statutory payments in respect of an unfair dismissal award, outplacement support and assistance with legal fees.

An executive director's service contract may be terminated summarily without notice and without any further payment or compensation, except for sums accrued up to the date of termination, if they are deemed to be guilty of gross misconduct or for any other material breach of the obligations under their employment contract.

The Group may suspend executive directors or put them on a period of garden leave during which they will be entitled to salary, benefits and pension.

Any share-based entitlements granted to an executive director under the Group's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death in service, serious illness, injury, disability, retirement or other circumstances 'good leaver' status can be applied at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure).

For 'good leavers', awards may vest at the normal time (other than by exception) to the extent that the performance conditions have been satisfied. The level of vested awards will be reduced pro rata, based on the period of time after the grant date and ending on the date of cessation of employment relative to the three-year performance period, unless the Committee, acting fairly and reasonably, decides that such a scaling back is inappropriate in any particular case. Deferred bonus shares vest early.

The overriding principle will be to honour contractual remuneration entitlements and determine on an equitable basis the appropriate treatment of deferred and performance-related elements of remuneration, taking into account the circumstances. Failure will not be rewarded.

Policy on recruitment

In cases where the Group recruits a new executive director, the Committee will align the new executive's remuneration with the approved Remuneration Policy. In arriving at a value for individual remuneration, the Committee will take into account the skills and experience of the candidate, the market rate for a candidate of that experience, as well as the importance of securing the preferred candidate. In exceptional circumstances the Committee reserves the right to award additional remuneration (in cash and/or shares) in excess of Remuneration Policy at appointment, exclusively to replace lost rewards or benefits. The Committee may also agree to meet certain other incidental expenses (for example, relocation costs) to secure recruitment of preferred candidates. Further details of the recruitment policy are set out in the following table on page 57.

Element	General policy	Specifics
Salary	At a level required to attract the most appropriate candidate.	Discretion to pay lower base salary with incremental increases, as new appointee becomes established in the role.
Pension and benefits	In line with policy for executive directors.	
Bonus	In line with existing schemes.	Specific targets could be introduced for an individual where necessary within the annual bonus limit (150% of base salary for chief executive and 100% for other directors). Pro rating applied as appropriate for intra-year joiners.
Long Term Incentive Plan	In line with Group policies and LTIP rules.	An award may be made in the year of joining or the award can be delayed until the following year. Targets would normally be the same as for awards to other directors.
Other share awards	The Committee may make an incentive award to replace deferred pay forfeited by an executive leaving a previous employer.	Awards would, where possible, be consistent with the awards forfeited in terms of structure, value, vesting periods and performance conditions.

The Committee may, in exceptional and appropriate circumstances, make use of the flexibility provided in both the Listing Rules and the approved Remuneration Policy, to make awards outside the existing parameters of the LTIP, if it deems such an award to be appropriate to replace forfeited deferred variable pay, in order to secure the preferred candidate.

For internal promotions to executive director positions, the Committee's policy is for legacy awards or incentives to be capable of vesting on their original terms or, at the discretion of the Committee, they may be amended to bring them into line with the policy for executive directors.

For a new chairman or non-executive director, the fee arrangement would be set in accordance with the approved Remuneration Policy at that time.

Legacy arrangements

For the avoidance of doubt, in approving this Remuneration Policy, authority is given to the Group to honour any commitments entered into with current or former directors (such as the payment of a pension or vesting and exercise of a past LTIP award) that have been disclosed to shareholders in previous Directors' Remuneration Reports.

Reward, potential and mix

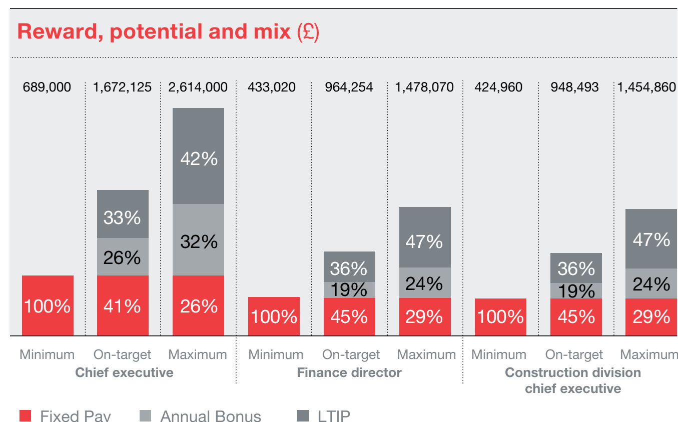
The Committee's objective is to design performance-related elements of pay that account for a significant proportion of total pay, at a targeted level of performance.

The individualised potential executive reward charts for 2014/15 set out below have been prepared using the following assumptions:

- for minimum remuneration: only fixed salary, benefits and pensions payments have been included;
- for on-target remuneration: fixed salary, benefits and pension plus on-target (52.5%) vesting of the Annual Bonus Plan and 50% of the LTIP (face value) awards have been included; and
- for maximum remuneration: fixed salary, benefits and pension plus full vesting of the Annual Bonus Plan and super vesting (maximum 200%) of the LTIP (face value) awards have been included.

The chart below is indicative only, as share price movement and dividend accrual have been excluded. Salary levels are based on those applying on 1 July 2014. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 30 June 2014. Executive directors can participate in all employee share schemes on the same basis as other employees but, for simplicity, the value that may be received from participating in these schemes has been excluded.

Reward, potential and mix (£)



External directorships

With prior written approval of the Board in each case, executive directors are permitted to accept external appointments as non-executive directors and retain any associated fees.

Policy: shareholder consultation and voting analysis

The Committee actively consults with relevant institutional shareholders regarding, and in advance of, substantial changes to Remuneration Policy or individual executive salary packages. It has not been necessary to approach shareholders during the year.

The Directors' Remuneration Report from page 58 onwards has been subject to audit.

Directors' Remuneration Report

Committee: composition

The Remuneration Committee was chaired by Amanda Burton until her departure. During the financial year the other members comprised Peter Rogers, Andrew Jenner and the chairman, Ian Coull. In February 2014, Ishbel Macpherson joined the Committee as chair designate. Terry Miller also joined the Committee. The company secretary acts as secretary to the Committee and the chief executive has a standing invitation to attend all Committee meetings. No director, or the company secretary, is present when his or her own remuneration is being considered.

During the financial year, the Committee prioritised the calendar of key activities and areas of focus set out below.

Calendar of 2013/14 Committee activities and areas of focus

Month	Activity or area of focus
July 2013	Update on TSR performance to 30 June 2013 Preparatory approval of 2013/14 Annual Bonus Plan targets and metrics Consideration of chief executive Annual Bonus Scheme Update on final BIS regulations regarding remuneration reporting
September 2013	Approval of 2013 grant under the Annual Bonus and LTIP Consideration of 2013 Directors' Remuneration Report
May 2014	Group and senior management remuneration review Review of Annual Bonus Scheme for the year ending 30 June 2014 Review of 2013 LTIP performance conditions Consideration of EBT shareholdings and market purchases Consideration of disclosure requirements and key issues in relation to 2014 Directors' Remuneration Report

Remuneration advice and advisers

The Committee is informed of key developments and best practice in the field of remuneration and regularly obtains advice from independent external consultants, when required, on individual remuneration packages and on executive remuneration practices in general.

New Bridge Street (NBS) is the Committee's sole remuneration consultant, having been appointed in January 2011. Services provided to the Committee by NBS encompassed remuneration guidance, regulatory guidance and share plan related consultancy. Fees paid to NBS for services provided to the Committee during the financial year were £28,551.

NBS do not provide any other services to the Group, although NBS is part of Aon plc. Aon continue to provide advice to the Group specifically relating to private medical insurance policies. The Committee is satisfied that these services do not impinge on the independence of NBS. Furthermore, NBS is a signatory to the Remuneration Consultants' Code of Conduct which requires that its advice be objective and impartial.

The general counsel and company secretary also advises the Committee as necessary and makes arrangements for the Committee to receive independent legal advice at the request of the Committee chair.

Performance

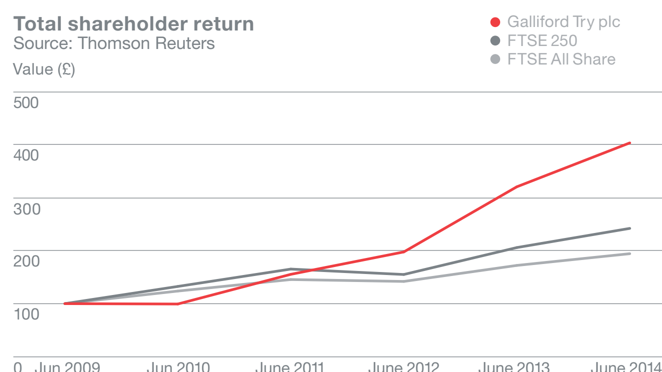
The Group has continued the strong financial performance established in recent years. The closing mid-market quotation for the Company's shares on 30 June 2014 was £11.42 (2013: £9.34). The high and low during the year were £13.54 and £9.53 respectively (2013: £9.99 and £6.06).

Comparative TSR performance across the financial year, reflecting share price movements plus dividends reinvested, ranked the Company as 3.1% and 15% above median, respectively, equivalent to between second and third, and third and fourth places against its dual comparator groups drawn from the housebuilding and construction industries.

The FTSE 250 index was chosen as an index which includes companies of a comparable size and complexity and the FTSE All Share Index was chosen as a broader index which gives a wider perspective of performance.

The Company's TSR over the last five financial years, based on the 30 trading day average values, is shown below:

Total shareholder return
Source: Thomson Reuters



This graph shows the value, by 30 June 2014, of £100 invested in Galliford Try Plc on 30 June 2009, compared with £100 invested in the FTSE 250 Index or the FTSE All Share Index on the same date. The other points plotted are the values at intervening financial year-ends.

The chief executive's total gross remuneration, and the percentage achieved of the maximum Annual Bonus Plan and LTIP awards, is shown below for the last five financial years:

	Year ending 30 June				
	2010	2011	2012	2013	**2014**[1]
Total Remuneration (£000)	1,020	2,559	2,468	4,114	**3,137**
Annual Bonus (% of max)	98%	94%	88%	94%	**97%**
LTIP (% of max)	0%	75%	93%	87%	**63%**

1. LTIP value estimated based on average share price of £11.87 in the last quarter of the financial year (1 April 2014 to 30 June 2014).

Profit before tax, earnings per share and total dividend per share growth for the 2013/14 financial year was 28%, 32% and 43% against the prior year respectively. Those increases compare to a 6.1% annualised increase in total Group remuneration to £204.2 million, for the year ended 30 June 2014.

Directors' remuneration and single figure annual remuneration

The remuneration of the directors serving during the financial year was as follows (together with 2013 comparative figures):

	Salary and fees £000		Annual bonus £000		Taxable benefits[2] £000		Pension[3] £000		LTIP[4] £000		Sharesave £000		**Total £000**	
Director	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Executive directors														
Greg Fitzgerald	**535**	511	**777**	754	**29**	28	**107**	102	**1,674**	2,719	**15**	–	**3,137**	4,114
Graham Prothero[1]	**338**	140	**327**	116	**15**	2	**68**	28	**–**	–	**–**	–	**748**	286
Ken Gillespie	**333**	332	**253**	266	**13**	13	**67**	58	**1,093**	1,774	**–**	–	**1,759**	2,433
Non-executive directors														
Ian Coull	**150**	105	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**150**	105
Amanda Burton	**48**	44	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**48**	44
Peter Rogers	**44**	40	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**44**	40
Andrew Jenner	**44**	40	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**44**	40
Ishbel Macpherson[1]	**17**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17**	–
Terry Miller[1]	**17**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17**	–

1. Graham Prothero joined the Group on 1 February 2013. Ishbel Macpherson and Terry Miller joined the Group on 1 February 2014. Their remuneration has been pro rated accordingly.
2. Includes benefits such as car allowance and medical insurance.
3. This is a salary supplement paid to the directors in lieu of direct pension contributions.
4. Estimate based on average price of £11.87 for the last quarter of the financial year (1 April 2014 to 30 June 2014). Pursuant to the 2011 LTIP, 141,032 and 92,042 shares respectively will vest to Greg Fitzgerald and Ken Gillespie on 22 September 2014.

Performance-related remuneration

Annual Bonus Plan

For the financial year to 30 June 2014, Group targets were based 70% on profit at both half and full year, and 30% attributable to monthly, half year and full year cash management targets. The construction division chief executive's targets were based on 20% Group targets and 80% construction division targets. Senior management have been subject to similar targets, which were applied to their respective divisional or business unit performance. The bonus outcome was subject to a scale back if certain non-financial targets in relation to health and safety, and HR were not achieved.

The target range is considered by the Board to be commercially sensitive information and has not been disclosed. The Committee will review whether these target ranges are capable of disclosure prior to publication of next year's Directors' Remuneration Report.

The performance outcome against the Group targets (before deductions for health and safety, and HR) set for the Annual Bonus Plan in 2013/14 was as follows:

	% of bonus				
Measure	Threshold	On-target	Maximum	Actual performance	Payout % of bonus
Profit	10%	37%	70%	Above maximum	70%
Cash management	0%	15%	30%	Above maximum	28%
Total	**10%**	**52%**	**100%**		**98%**

The Committee determined that in respect of the year to 30 June 2014, the resulting Annual Bonus Plan awards were as follows:

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2013/14 (% of salary)	Actual bonus payable for 2013/14 (£000)	Cash (£000)	Shares (£000)
Greg Fitzgerald	78%	150%	145%	777	438	339
Graham Prothero	52%	100%	97%	327	221	106
Ken Gillespie	52%	100%	76%	253	196	57

The Committee considered the performance against targets set at the start of the year for profit before tax, cash flow and other performance metrics, and looked at a broader assessment of management, key strategic decisions taken during the year and business performance. The profit and cash targets were exceeded, although monthly cash targets were affected by the decision, approved by the Board, to accelerate investment in land.

Two thirds of the bonus earned in excess of the 50% salary threshold is required to be deferred into restricted shares. Although beneficially held by the participants, the allocated restricted shares are legally retained by the trustee of the EBT for a period of three years, and are subject to forfeiture provisions, unless otherwise agreed by the Committee in certain clemency situations. Subject to continued employment, the restricted shares are legally transferred to participants on the third anniversary of allocation.

Long Term Incentive Plan performance conditions

Date of grant	Performance conditions	Comparator group
September 2010	• Vesting based on TSR and EPS performance over the three years to 30 June 2013. • Vesting of up to 50% of the base award subject to EPS performance. 15% vests for aggregate EPS of 126 pence over the period, increasing to 50% vesting for aggregate EPS of 154 pence. • Vesting of up to 75% is subject to TSR performance relative to the housebuilding comparator group. 7.5% of the award vests if the Company's TSR is median, increasing to 25% vesting if TSR is upper quartile. Vesting can increase to a maximum of 75% of the base award for 100th percentile performance, although any vesting above 25% also requires maximum EPS to have been achieved. • Vesting of up to 75% is subject to TSR performance relative to the construction comparator group, on the same basis as for housebuilding companies.	**Housebuilding:** Barratt Developments plc; Bellway plc; The Berkeley Group Holdings plc; Bovis Homes Group plc; Persimmon plc; Redrow plc; and Taylor Wimpey plc. **Construction:** Balfour Beatty plc; Carillion plc; Costain Group plc; Henry Boot plc; Keller Group plc; Kier Group plc; M J Gleeson Group plc; and Morgan Sindall Group plc.
September 2011	• Vesting based on the same 2010 performance conditions, except that the minimum aggregate EPS target is 171 pence and the maximum EPS target is 209 pence for the three years to 30 June 2014. • Actual performance achieved for the 2011 LTIP performance period ending on 30 June 2014 was: EPS of 227.2 pence and TSR as reported on page 58. This resulted in vesting of 125% of base awards.	Same as the September 2010 grant above, except that M J Gleeson Group plc was re-classified as a member of the housebuilding comparator group in 2013.
September 2012	• Vesting based on TSR and EPS performance over the three years to 30 June 2015. • Vesting of up to 50% of the base award will be based on EPS performance. 15% will vest for aggregate earnings per share of 203 pence over the period, increasing to 50% vesting for aggregate EPS of 248 pence. • Vesting of up to 75% of the base award will be based on achieving: 7.5% for median performance against the housebuilding comparator group, increasing to 25% vesting if the Company's TSR is 24% (8% per annum) higher than that of the median ranked comparator company. Vesting can increase to a maximum of 75% of base award (25% per annum) for achieving a TSR that is 75% (25% per annum) higher than the median ranked comparator company. Any vesting above 25% also requires the maximum EPS target to have been achieved.	**Housebuilding:** Barratt Developments plc; Bellway plc; The Berkeley Group Holdings plc; Bovis Homes Group plc; M J Gleeson plc; Persimmon plc; Redrow plc; and Taylor Wimpey plc. **Construction:** Balfour Beatty plc; Carillion plc; Costain Group plc; Henry Boot plc; Keller Group plc; Kier Group plc; and Morgan Sindall Group plc.
September 2013	• Vesting based on TSR and EPS performance over the three years to 30 June 2016. • Vesting of up to 50% of the base award will be based on EPS performance. 15% will vest for aggregate EPS of 287 pence over the period, increasing to 50% vesting for aggregate EPS of 315 pence. Vesting of up to 75% of the base award based on the same TSR and EPS conditions for 2012 awards.	Same as for the September 2012 grant with the addition of Crest Nicholson Holdings plc to the housebuilding comparator group.
September 2014	• Vesting based on TSR and EPS performance over the three years to 30 June 2017. • Vesting of up to 50% of the base award will be based on EPS performance. 15% will vest for aggregate EPS of 334 pence over the period, increasing to 50% vesting for aggregate EPS of 408 pence. Vesting of up to 75% of the base award based on the same TSR and EPS conditions for the 2013 awards.	Same as for the September 2013 grant.

Directors' share plan interests

Further detail regarding the proportion of LTIP awards subject to the three-year performance period ending 30 June 2014, and vesting in September 2014, is given in the preceding table on page 60. Outstanding awards held by executive directors are detailed in the table below.

Executive director	Plan	Date	Share price at grant[2]	Base award quantum at 1 July 2013	Awarded	Vested (174.9% of base awards for LTIP)	**Base award quantum at 30 June 2014**	Value of awards vested during financial year £000	Actual or anticipated vesting date
Greg Fitzgerald	Long Term Incentive Plan[1]	28.09.10	£3.02	149,170	–	260,898	**–**	2,719	28.09.13
	Long Term Incentive Plan	22.09.11	£4.21	112,826	–	–	**112,826**	–	22.09.14
	Long Term Incentive Plan	26.09.12	£6.67	73,013	–	–	**73,013**	–	26.09.15
	Long Term Incentive Plan	30.09.13	£10.40	–	51,690	–	**51,690**	–	30.09.16
	Annual Bonus Plan	28.09.10	£3.04	47,286	–	47,286	**–**	–	28.09.13
	Annual Bonus Plan	22.09.11	£4.57	30,117	–	–	**30,117**	–	22.09.14
	Annual Bonus Plan	26.09.12	£7.10	17,133	–	–	**17,133**	–	26.09.15
	Annual Bonus Plan	30.09.13	£10.40	–	32,571	–	**32,571**	–	30.09.16
	Sharesave	19.11.10	Exercise price £2.71	1,700	–	1,700	**–**	15	02.01.14[3]
Graham Prothero	Long Term Incentive Plan[1]	01.02.13	£6.67	40,458	–	–	**40,458**	–	26.09.15
	Long Term Incentive Plan	30.09.13	£10.40	–	32,690	–	**32,690**	–	30.09.16
	Annual Bonus Plan	30.09.13	£10.40	–	2,971	–	**2,971**	–	30.09.16
Ken Gillespie	Long Term Incentive Plan[1]	28.09.10	£3.02	97,355	–	170,273	**–**	1,774	28.09.13
	Long Term Incentive Plan	22.09.11	£4.21	73,634	–	–	**73,634**	–	22.09.14
	Long Term Incentive Plan	26.09.12	£6.67	47,646	–	–	**47,646**	–	26.09.15
	Long Term Incentive Plan	30.09.13	£10.40	–	32,202	–	**32,202**	–	30.09.16
	Annual Bonus Plan	28.09.10	£3.04	23,317	–	23,317	**–**	–	28.09.13
	Annual Bonus Plan	22.09.11	£4.57	13,834	–	–	**13,834**	–	22.09.14
	Annual Bonus Plan	26.09.12	£7.10	6,942	–	–	**6,942**	–	26.09.15
	Annual Bonus Plan	30.09.13	£10.40	–	6,866	–	**6,866**	–	30.09.16
	Sharesave	19.11.10	Exercise price £2.71	2,876	–	–	**2,876**	–	01.01.16 to 30.06.16

1. Each LTIP award is a provisional allocation of a number of shares which is equal in value as at the date of grant to 100% of the individual's basic salary as at the date of grant. The award is subject to performance conditions over a three-year period as described on page 60.
2. The face values of the LTIP awards are (to the nearest thousand): for Greg Fitzgerald, £450,000 (2010), £475,000 (2011), £487,000 (2012), and £538,000 (2013); for Graham Prothero, £270,000 (2012) and £340,000 (2013); and for Ken Gillespie, £294,000 (2010), £310,000 (2011), £318,000 (2012), and £335,000 (2013). The face values have been calculated on the basis of the share price at grant of a base award.
3. The Sharesave options were exercised on 2 January 2014 when the mid market close share price was £11.53.

Directors' share interests

As at 30 June 2014, the directors held the following beneficial, legal and unvested bonus share plan interests in the Company's ordinary share capital:

Director	Legally		Beneficially[1]		
	As at 30 June 2013[2]	**As at 30 June 2014**	As at 30 June 2013	**As at 30 June 2014**	Total
Ian Coull	10,000	**10,000**	–	**–**	10,000
Greg Fitzgerald	676,193	**591,229**	94,536	**79,821**	671,050
Graham Prothero	–	**–**	–	**2,971**	2,971
Ken Gillespie	195,596	**223,198**	44,093	**27,642**	250,840
Amanda Burton	17,855	**15,953**	–	**–**	15,953
Peter Rogers	27,083	**27,083**	–	**–**	27,083
Andrew Jenner	13,433	**13,433**	–	**–**	13,433
Ishbel Macpherson	–	**–**	–	**–**	–
Terry Miller	–	**–**	–	**–**	–

1. Greg Fitzgerald's, Ken Gillespie's and Graham Prothero's respective beneficial interests are held by the EBT in connection with the Annual Bonus Plan. Further details in relation to interests in LTIP, Annual Bonus Plan and Sharesave schemes are provided in the share plans table above on page 61.
2. Not applicable for Ishbel Macpherson and Terry Miller as each joined the Group on 1 February 2014.

There were no changes in the directors' interests from 30 June 2014 to the date of this Annual Report.

Remuneration policy and report continued

Compliance with executive shareholding policy

As at 30 June 2014, Greg Fitzgerald and Ken Gillespie were both compliant with the minimum shareholding policy referred to on page 55, having shareholdings in market value on 30 June 2014 representing 1,262% and 765% of their respective base salaries.

Following his appointment in February 2013, Graham Prothero has five years to acquire the required shareholding and has undertaken to retain future shares vesting to him (net of shares sold for tax) under the LTIP for this purpose.

External directorships

During the year, Greg Fitzgerald served as a non-executive director of the NHBC, for which he received and retained an annual fee of £32,124. Ken Gillespie remained a non-fee-earning director of the Scottish Contractors Group, a non-profit industry body.

Implementation of policy on exit payments in year

The Committee has undertaken to disclose in full any exit payments to executive directors triggered during the financial year. None were payable in the 2013/14 financial year.

It was also not necessary for the Committee to operate the clawback provisions integrated into the Group's main executive incentive plans during the financial year.

Percentage change in remuneration of chief executive and across workforce for 2013/14

% change	Average across workforce	Chief executive
Salary	2.2	4.7[1]
Bonus	50.0[2]	3.1
Benefits	(2.7)[3]	3.6

1. The chief executive received a salary increase on 1 January 2013 but received no salary increase in the last financial year. The figure reflects the increase in salary actually paid for the last financial year (£535,000) over salary actually paid for the year ending 30 June 2013 (£511,000 as pro rated following the 1 January 2013 increase).
2. Based on comparison of average aggregate bonus awards divided by average numbers of staff.
3. Based on comparison of cost to the Company of benefits for the tax years ending in April 2013 and April 2014.

Relative importance of spend on pay

	2012/13	**2013/14**	% change
Total overall spend on pay (£m)	192.5	**204.4**	6
Dividend (£m)	30.2	**43.6**	44
Share buyback (£m)	–	**–**	–
Group profit before tax (£m)	74.1	**95.2**	28
Group income tax expense (£m)	15.9	**18.0**	13
Effective tax rate (%)	21.5	**18.9**	(12)

The equivalent total overall spend on pay in 2014 is disclosed in note 3 to the financial statements. The total overall spend on pay equates to average remuneration per staff member of £49,800 per annum as at 30 June 2014 (2013: £48,500).

Payments for loss of office and payments to former directors

In the year to 30 June 2014, the Group made no payments to directors for loss of office. Pursuant to the terms of the 2011 LTIP, for which the performance conditions concluded on 30 June 2014, 38,907 shares will vest on 22 September 2014 to Frank Nelson, who retired from the Board in September 2012.

Forward looking implementation of policy

Base salaries

At the 2014 salary review completed in May, the directors carefully scrutinised pay and employment conditions across the Group. The backdrop of an improving economy and a need to retain key operational staff to deliver the revised 2018 strategy meant that average salary increases of 3.75% were accordingly approved for all staff across the Group's divisions and central functions. The overall pay budget increased by 4%, with discretionary increases above the average pay increase of 3.75% awarded to selected staff, to reflect market adjustments and promotions.

With effect from 1 July 2014, Greg Fitzgerald, Graham Prothero and Ken Gillespie were each awarded annual salary increases of £15,000 (to £550,000), £10,150 (to £348,500) and £10,000 (to £343,300) respectively.

Annual bonus

The Committee has decided that for the financial year to 30 June 2015, the existing bonus structure remains broadly appropriately aligned to corporate strategy. It will therefore remain in its current form, subject to adjustment of targets, with an opportunity of 150% of salary for the chief executive and 100% of salary for the other executive directors.

The level of award will be based on performance against a combination of Group targets for profit (60%), cash management (30%) and margin enhancement (10%). In the case of the construction division chief executive, these targets will be based on 50% Group and 50% construction division performance. The outcome may be subject to a scale back if certain non-financial targets in relation to health and safety, and HR are not achieved, and the Committee retains discretion to amend targets if house price inflation is higher than anticipated.

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year, as these include items which the Committee considers commercially sensitive. Information on the level of bonuses earned will be disclosed next year.

LTIP

The base award levels under the LTIP for the 2014/15 financial year continue to be 100% of base salary, with a stretch vesting opportunity of 200% of the base award.

Vesting is based on TSR and EPS performance over the three years to 30 June 2017:

- Vesting of up to 50% of the base award will be based on EPS performance. 15% will vest if aggregate EPS is 334 pence over the period, increasing to 50% vesting for aggregate EPS of 408 pence.
- Vesting of up to 75% of the base award will be based on the same TSR and EPS conditions as the 2013 awards. The peer groups will be the same as for the September 2013 grant.

All-employee schemes

The Group operates a HMRC approved Sharesave scheme for the benefit of all staff. The Group is planning a further grant under the scheme later in 2014, to which the directors intend to apply a 20% option discount.

Chairman and non-executive fees

The chairman, Ian Coull, received a fee of £150,000 for the 2013/14 financial year. Ian received no benefits in connection with his position, other than membership of the Group's medical assurance plan. The standard non-executive fee was increased from £33,000 to £40,000 per annum with effect from 1 February 2014. Amanda Burton received a £4,000 fee supplement in recognition of her appointment as the Group's senior independent director, unchanged throughout the financial year.

The chairman's fee and the standard non-executive fee will remain unchanged for 2014/15. The fee supplement for the three chairs of Board Committees, which includes the senior independent director, is £7,500.

It is anticipated that the supplements paid to various non-executive directors will further change in the 2014/15 financial year, reflecting changes to Committee and other responsibilities arising from Amanda Burton stepping down from the Board.

Employee benefit trust and dilution

The EBT is the primary mechanism by which shares required to satisfy the executive incentive plans are provided. During the financial year, the EBT purchased a further 680,061 shares in the market at an average price of £10.95, which resulted in a balance held at 30 June 2014 of 678,180 shares.

Including the purchase of shares, the Group provided net additional funds to the EBT during the financial year of £14.4 million, by extending the existing EBT loan facility.

In only issuing 407,110 new shares during or since the financial year, the Company has complied with the dilution guidelines of the Association of British Insurers. The increase in the year reflects the satisfaction of grants vesting under the Group's Sharesave plan in January 2014. Applying the guidelines, the Group has 7.49% headroom against 'the ten percent in ten years' rule and 4.1% headroom against the 'five percent in ten years' rule for discretionary plans.

Shareholder voting on the Directors' Remuneration Report

The Committee similarly takes account of annualised shareholder voting trends in connection with the Directors' Remuneration Report advisory vote. Votes cast in support of the annual resolution to approve the Directors' Remuneration Report over the previous five years are: 98.52% (2013), 99.16% (2012), 87.66% (2011), 95.38% (2010) and 97.10% (2009). Votes withheld in each of those years represented 3.16% (2013), 2.78% (2012), 1.91% (2011), 0.08% (2010) and 2.69% (2009) of the total votes cast.

Companies and Groups (Accounts and Reports) Regulations (Amended) 2013 and the Financial Conduct Authority's Listing Rules

The Directors' Remuneration Report has been prepared in accordance with the Directors Remuneration Regulations 2013, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations (Amended) 2013 and the Financial Conduct Authority's Listing Rules. The auditors are required to report on the remuneration data disclosed in the Directors' Remuneration Report section and state whether, in their opinion, that part of the report had been properly prepared in accordance with relevant provisions of the Companies Act 2006 (as amended).

The Committee is governed by formal terms of reference agreed by the Board and is composed solely of non-executive directors, each of whom the Board considers are independent. The latest terms of references are available on the Group's website.

For and on behalf of the Board

Amanda Burton
Chair of the Remuneration Committee
16 September 2014

Directors' report

and other statutory information 2014

The directors present their Annual Report and audited financial statements for the Group for the year ended 30 June 2014.

Principal activities

Galliford Try is a housebuilding and construction group, primarily operating in the United Kingdom. Galliford Try plc, registered in England and Wales with company number 00836539, is the Group Parent Company. More detailed information regarding the Group's activities during the year under review, and its future prospects, is provided on pages 1 to 31. The principal subsidiaries and joint ventures operating within the Group's divisions are shown in notes 12 and 13 to the financial statements.

Strategic Report

The Group is required by section 414A of the Companies Act 2006 to present a Strategic Report in the Annual Report. The Strategic Report can be found on pages 1 to 41.

The Corporate Governance Report on pages 42 to 66 is a statement for the purposes of Disclosure and Transparency Rule 7.2.1.

The Annual Report and Financial Statements use financial and non-financial key performance indicators wherever possible and appropriate.

Further information on the Group's employees and employment practices, including its policies on equal opportunities for disabled employees and employee involvement, and its approach to environmental, social and community matters, including a consideration of the impact of the Group's business on the environment, is provided in the Strategic Report on pages 32 to 41.

Results and dividends

The profit for the year, net of tax, of £77.2 million is shown in the consolidated income statement on page 72. The directors have recommended a final dividend of 38 pence per share, which together with the interim dividend of 15 pence declared in February, results in a total dividend for the financial year of 53 pence. The total dividend for the financial year will distribute a total of £43.6 million. Subject to approval by shareholders in general meeting, the final dividend will be payable on 28 November 2014, to shareholders on the register at close of business on 17 October 2014.

Share capital, authorities and restrictions

The Company has one class of ordinary share capital, having a nominal value of 50 pence. The ordinary shares rank pari passu in respect of voting and participation and are listed for trading on the London Stock Exchange. At 30 June 2014, the Company had 82,274,395 ordinary shares in issue (2013: 81,870,095).

The directors are authorised on an annual basis to issue shares, to allot a limited number of shares in the Company for cash other than to existing shareholders, and to make market purchases of shares within prescribed limits. Resolutions to be proposed at the 2014 annual general meeting (AGM) will renew all three of the directors' standing authorities relating to share capital, which are further explained in the Notice of AGM sent separately to shareholders. Other than usual activity in connection with the Group's share plans, no shares have been issued or purchased by the Company under the relevant authorities either during the financial year or to the date of this Annual Report.

There are no restrictions on the transfer of the Company's shares, with the exceptions that certain shares held by the EBT are restricted for the duration of the applicable performance periods under relevant Group share plans, and directors and persons discharging managerial responsibilities are periodically restricted in dealing in the Company's shares under the Group Dealing Code, which reflects the requirements of the Model Code published by the UK Listing Authority under its Listing Rules. In certain specific circumstances, the directors are permitted to decline to register a transfer in accordance with the Company's articles of association. There are no other limitations on holdings of securities, and no requirements to obtain the approval of the Company, or other holders of securities in the Company, prior to the share transfer. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or voting rights.

There are no securities carrying specific rights with regard to control of the Company, with the exception that the EBT holds shares in the Company in connection with Group share plans which have rights with regard to control of the Company that are not exercisable directly by the employee. The EBT abstains from voting in respect of any shares so held. The EBT currently holds 0.82% of the issued share capital of the Company for the purposes of satisfying employee share options or share awards (2013: 1.32%).

Articles of association

The Articles of Association, adopted in 2009 to reflect the Companies Act 2006, set out the internal regulations of the Company, and define various aspects of the Company's constitution including the rights of shareholders, procedures for the appointment and removal of directors, and the conduct of both directors and general meetings.

In accordance with the Articles, directors can be appointed or removed either by the Board or shareholders in general meeting. Amendments to the Articles require the approval of shareholders in general meeting expressly by way of special resolution. Copies of the Articles are available by contacting the company secretary at the registered office.

Significant direct and indirect holdings

As at 16 September 2014, being the date of this Annual Report, the Company had been made aware, pursuant to the FCA's Disclosure & Transparency Rules, of the following beneficial interests in 3% or more of the Company's ordinary share capital:

Shareholder	Interest	% capital
Standard Life Investments	8,994,316	10.93
F&C Asset Management	4,976,447	6.08
Aberforth Partners	3,535,408	4.32
Norges Bank	3,306,435	3.97

There were no material changes in any of the significant holdings between the financial year end and the date of this Annual Report.

Change of control provisions

There has been no change in the Group's contractual change of control provisions during the financial year (although the Group's banking facility has increased to £400 million), and further related information can be found in the related disclosure on page 58 of the 2012 Annual Report and Financial Statements.

Board and directors' interests

Summary biographies of the Board directors as at the date of this Annual Report are on page 43. Ishbel Macpherson and Terry Miller were both appointed as non-executive directors with effect from 1 February 2014 and there have been no other changes to the Board, either during or since the financial year end, except that Greg Fitzgerald has indicated his intention to retire in 2015 and Amanda Burton has stepped down from the Board.

The interests of the directors in the share capital of the Company are set out in the Directors' Remuneration Report on pages 58 to 63, where details of executive directors' service contracts and non-executive directors' letters of appointment can also be found.

The Company operates a formal ongoing procedure for the disclosure, review and authorisation of directors' actual and potential conflicts of interest, in accordance with the Companies Act 2006. In addition, conflicts of interest are reviewed, and as necessary further authorised, by the Board on an annual basis.

Significant agreements

Except for the agreements underpinning the Group's refinancing of its revolving credit facility in February 2014, there are no persons with which it has contractual or other arrangements which are essential to its business.

Charitable and political donations

For information regarding charitable donations please refer to the Strategic Report on page 38.

It is Group policy to avoid making political donations of any nature and accordingly none were made during the year. However, the Group notes the wide application of Part 14 of the Companies Act 2006, but does not consider the housebuilding and construction industry bodies of which it is a member to be political organisations for the purposes of the Act.

Creditor payment policy

Group policy regarding creditor payment is to agree payment terms contractually with suppliers and land vendors, 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. In November 2013, the Group became a signatory to the Prompt Payment Code which contains, amongst other, commitments to pay suppliers within agreed contract terms.

Financial instruments

Further information regarding the Group's financial instruments, related policies and a consideration of its liquidity and other financing risks can be found in the financial review from page 14, and in note 25 to the financial statements.

Important developments since year end

There have been no material events or developments affecting the Company or any of its operating subsidiaries since 30 June 2014 except that the chief executive, Greg Fitzgerald, has indicated his intention to retire in 2015. Also on 9 July 2014 the Group acquired Miller Construction, a UK construction business which delivers building and infrastructure projects to both the public and private sectors and which reported revenue of £409 million for the year ended on 31 December 2013.

Going concern

In accordance with the Financial Reporting Council's Guidance on Going Concern and Liquidity published in 2009, the requirements of the UK Corporate Governance Code and Listing Rule 9.8.6R(3), the directors have conducted a rigorous and proportionate assessment of the Group's ability to continue in existence for the foreseeable future. This has been reviewed during the financial year, taking into account the Group's refinancing of its core revolving credit facility agreed in February 2014, and the directors have concluded that there are no material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Furthermore, the Group has adequate resources and visibility as to its future workload, as explained in this Annual Report. It is therefore justified in using the going concern basis in preparing these financial statements.

Independent auditor

Each of the directors at the date of approval of this Annual Report confirms that:

- so far as the director is aware, there is no relevant audit information of which the auditor is unaware; and
- the director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

A resolution is to be proposed at the forthcoming AGM for the reappointment of PricewaterhouseCoopers LLP as auditor of the Company, at a rate of remuneration to be determined by the Audit Committee.

AGM

The AGM will be held at the offices of Royal Bank of Scotland, 3rd Floor Conference Centre, 250 Bishopsgate, London EC2M 4AA, on 7 November 2014 at 11 am. The notice convening the AGM, sent to shareholders separately, explains the items of business which are not of a routine nature.

Fair, balanced and understandable

In accordance with the principles of the UK Corporate Governance Code and as further described on pages 48 and 49, the Group has arrangements in place to ensure that the information presented in this Annual Report is fair, balanced and understandable. The directors consider, on the advice of the Audit Committee, that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approval of report

This Directors' Report, including by reference the Strategic Report on page 1 to 41 and the Corporate Governance and Directors' Remuneration Reports on page 42 to 66, was approved by the Board of Directors on 16 September 2014.

For and on behalf of the Board

Kevin Corbett
General counsel and company secretary
16 September 2014

Directors' report

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 Group and the Company and of the profit or loss of the Group for that period.

In preparing those 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the 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 disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the Group financial statements comply with both the Companies Act 2006 and Article 4 of the International Accountancy Standards Regulation; and that the Parent Company financial statements and the Directors' Remuneration Report 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.

Each of the directors whose names and functions are listed on page 43, confirms that to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained in pages 1 to 41 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Ian Coull
Chairman
16 September 2014

Forward looking statements

Forward looking statements have been made by the directors in good faith using information up until the date on which they approved this Annual Report. Forward looking statements should be regarded with caution due to uncertainties in economic trends and business risks. The Group's businesses are generally not affected by seasonality.

Independent auditors' report to the members of Galliford Try plc

Report on the financial statements

Our opinion

In our opinion:

- Galliford Try plc's group financial statements and Parent Company financial statements (the financial statements) give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2014 and of the Group's profit, and the Group's and the Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

Galliford Try plc's financial statements comprise:

- the consolidated and Parent Company balance sheets as at 30 June 2014;
- the consolidated income statement and statement of comprehensive income for the year then ended;
- the consolidated and Parent Company statements of cash flows for the year then ended;
- the consolidated and Parent Company statements 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.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach

Overview

- Overall Group materiality: £4.5 million which represents 5% of profit before tax.
- We conducted an audit of complete financial information at four reporting units across the UK.
- Our audit scope addressed 87% of Group revenue and 100% of Group profit before tax.
- Risk of fraud in revenue recognition and contract accounting.
- Valuation of housebuilding developments.
- Valuation of amounts recoverable on construction contracts.

The scope of our audit and our areas of focus

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

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "Areas of focus" in the table on page 68 together with an explanation of how we tailored our audit to address these specific areas. This is not a complete list of all risks or areas of focus identified by our audit.

Independent auditors' report to the members of Galliford Try plc continued

Area of focus	How our audit addressed the area of focus
Risk of fraud in revenue recognition and contract accounting See note 1 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and note 2 for further information around the segmental split of revenues. Most businesses face a risk of fraud in revenue recognition. Construction contract accounting is inherently complex and we focussed on this area because there is judgement involved in estimating the costs to complete of projects. Revenue from fixed price construction contracts is recognised based upon management's assessment of the value of works carried out considering 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. Profit is not recognised until the outcome of the contract is reasonably certain. We also focussed on the timing of recognition of housebuilding revenue where private housing sales are only recognised once legal completion has been achieved.	• We performed data analysis to identify potentially unusual manual journal entries impacting revenue and performed testing on those items. • We identified and assessed key judgements inherent in the estimation of significant construction contract projects, particularly around validating stage-of-completion and costs to completion on significant projects, as well as evaluating the final outcome on projects completed in the year in relation to previous estimates made. • We agreed revenue recognised on a sample of major projects to supporting documentation such as customer contracts and signed variations. • We tested the timing of construction contract revenue recognition, taking into account contractual obligations, the percentage of the contract completed, third-party certifications and the timing of cash receipts. • For housebuilding revenue, we tested a sample of sales by examining legal completion documents and by checking the level of remedial work carried out after the year end to confirm that the building work was complete. We also considered the third-party release of mortgage finance, where appropriate, to check building work was complete.
Risk that housebuilding developments may not be valued appropriately See pages 30–31 and note 16 to the financial statements. The valuation of developments is dependent upon the correct estimation and allocation of common costs on housebuilding sites. Common costs are allocated proportionately across the site using projected site margin to give a common gross profit margin on all units on that site. Older or slower-moving developments can be an indication of potential impairment.	• We identified and tested the operating effectiveness of key controls around the estimation and allocation of common costs on sites, estimation of costs to complete and calculation of projected site margins. • We compared management's assumptions on future sales prices for a site to completed sales and available industry data. • We identified and assessed key judgements inherent in estimates of site and project margins, particularly around the allocation of common costs on sites and working relationships with subcontractors. • We evaluated the ageing of developments and investigated large and older items.
Risk that amounts recoverable on construction contracts may not be valued appropriately See pages 30–31, and notes 1 and 17 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates. The valuation of amounts recoverable on construction contracts is dependent on judgements around stage-of-completion and remaining costs to complete, as well as the associated provisions.	• We tested the operating effectiveness of key controls around stage-of-completion, costs to complete and forecast margin calculations. • We identified and assessed key judgements inherent in estimation of significant projects, particularly around stage-of-completion, costs to complete and provisions on loss-making contracts through our testing of contract review meetings, review of correspondence and testing of audit evidence on customer/supplier disputes and insurance claims. • We reviewed the final outcome on projects completed in the year in relation to previous estimates made to assess the reliability of management's estimates. • We tested whether valid contractual agreements or other documentation was in place to support recognised balances. • We identified and assessed unusual fluctuations in significant project margins.

How we approached the audit scope
In identifying these areas of focus and in ensuring that we performed enough work to be able to give an opinion on the financial statements as a whole, we took into account: the divisional structure of the Group; the accounting processes and controls; and the industry in which the Group operates, and tailored the scope of our audit accordingly.

The Group is structured in two principal divisions, being housebuilding (comprising Linden Homes and Partnerships) and construction (comprising building and infrastructure). The Group financial statements are a consolidation of six reporting units in total, comprising the four operating entities within these two divisions, PPP Investments and centralised Group functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at reporting units. Of the Group's six reporting units, we identified that Linden Homes, building, infrastructure and centralised Group functions, in our view, required an audit of their entire financial information, either due to their size or their risk characteristics. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

The Group consolidation, financial statement disclosures and a number of complex items were audited by the Group engagement team at the head office. These included valuation of goodwill and legacy defined benefit pension scheme balances.

Taken together, our audit work performed at individual business unit locations and at the head office addressed 87% of Group revenue and 100% of Group profit before tax.

Materiality
The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality:	£4.5 million (2013: £3.7 million)
How we determined it:	5% of profit before tax
Rationale for benchmark applied:	We have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be more appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £230,000 (2013: £150,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
Under the Listing Rules we are required to review the directors' statement, set out on page 65, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.

Independent auditors' report to the members of Galliford Try plc continued

Other required reporting

Consistency of other information

Companies Act 2006 opinions

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; and
- the information given in the Corporate Governance Statement set out on pages 44 to 51 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

• Information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Parent Company acquired in the course of performing our audit; or – is otherwise misleading.	We have no exceptions to report arising from this responsibility.
• the statement given by the directors on page 65, in accordance with UK Corporate Governance Code (the Code) Provision C.1.1, that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• the section of the Annual Report on pages 48 to 49, as required by Code Provision C.3.8, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Directors' Remuneration Report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Parent Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with nine provisions of the Code. We have nothing to report having performed our review.

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 66, 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 Parent 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

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 Group's and the Parent 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.

Pauline Campbell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 September 2014

Notes:

1. The maintenance and integrity of the Galliford Try plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement
for the year ended 30 June 2014

	Notes	2014 £m	2013 £m
Group revenue	2	**1,767.8**	1,467.3
Cost of sales		**(1,545.6)**	(1,288.4)
Gross profit		**222.2**	178.9
Administrative expenses		**(119.3)**	(105.4)
Share of post tax profits from joint ventures	13	**3.1**	6.9
Profit before finance costs		**106.0**	80.4
Profit from operations	2	**110.5**	83.6
Share of joint ventures' interest and tax		**(3.2)**	(2.7)
Exceptional items	5	**0.3**	0.5
Amortisation of intangibles	9	**(1.6)**	(1.0)
Profit before finance costs		**106.0**	80.4
Finance income	4	**3.7**	4.0
Finance costs	4	**(14.5)**	(10.3)
Profit before income tax	5	**95.2**	74.1
Income tax expense	6	**(18.0)**	(15.9)
Profit for the year	29	**77.2**	58.2
Earnings per share			
– Basic	8	**94.6p**	71.7p
– Diluted	8	**93.0p**	69.8p

Consolidated statement of comprehensive income
for the year ended 30 June 2014

	Notes	2014 £m	2013 £m
Profit for the year		**77.2**	58.2
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Actuarial (losses) recognised on retirement benefit obligations	30	**(5.3)**	(6.5)
Deferred tax on items recognised in equity that will not be reclassified	6	**1.1**	1.7
Current tax through equity	6	**1.4**	–
Total items that will not be reclassified to profit or loss		**(2.8)**	(4.8)
Items that may be reclassified subsequently to profit or loss			
Movement in fair value of derivative financial instruments:			
– Movement arising during the financial year	25	**0.8**	0.2
– Reclassification adjustments for amounts included in profit or loss	25	**0.3**	0.3
Reclassification adjustment for gains on available for sale financial assets		**–**	(0.5)
Deferred tax on items recognised in equity that may be reclassified	6	**–**	0.3
Total items that may be reclassified subsequently to profit or loss		**1.1**	0.3
Other comprehensive (expense) for the year net of tax		**(1.7)**	(4.5)
Total comprehensive income for the year		**75.5**	53.7

Balance sheets
at 30 June 2014

	Notes	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Assets					
Non-current assets					
Intangible assets	9	**13.1**	13.4	**–**	–
Goodwill	10	**115.0**	115.0	**–**	–
Property, plant and equipment	11	**12.2**	9.7	**–**	–
Investments in subsidiaries	12	**–**	–	**196.2**	195.9
Investments in joint ventures	13	**4.6**	6.0	**–**	–
Financial assets					
– Available for sale financial assets	14	**23.4**	26.8	**–**	–
Trade and other receivables	18	**55.4**	45.2	**–**	–
Retirement benefit asset	30	**1.0**	0.5	**–**	–
Deferred income tax assets	24	**4.8**	2.7	**2.1**	2.7
Total non-current assets		**229.5**	219.3	**198.3**	198.6
Current assets					
Inventories	15	**0.3**	0.4	**–**	–
Developments	16	**847.2**	748.2	**–**	–
Trade and other receivables	18	**415.0**	300.6	**76.0**	78.1
Current income tax assets		**–**	–	**3.1**	1.6
Cash and cash equivalents	19	**140.4**	57.9	**428.4**	349.9
Total current assets		**1,402.9**	1,107.1	**507.5**	429.6
Total assets		**1,632.4**	1,326.4	**705.8**	628.2
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	22	**–**	(72.3)	**–**	(73.1)
Trade and other payables	20	**(803.3)**	(648.6)	**(212.0)**	(186.9)
Current income tax liabilities		**(12.6)**	(6.6)	**–**	–
Provisions for other liabilities and charges	21	**(0.5)**	(0.6)	**–**	–
Total current liabilities		**(816.4)**	(728.1)	**(212.0)**	(260.0)
Net current assets		**586.5**	379.0	**295.5**	169.6
Non-current liabilities					
Financial liabilities					
– Borrowings	22	**(145.5)**	–	**(170.5)**	–
– Derivative financial liabilities	25	**–**	(1.1)	**–**	(1.1)
Deferred income tax liabilities	24	**(2.4)**	(2.1)	**–**	–
Other non-current liabilities	23	**(131.5)**	(91.2)	**–**	–
Provisions for other liabilities and charges	21	**(2.4)**	(2.5)	**–**	–
Total non-current liabilities		**(281.8)**	(96.9)	**(170.5)**	(1.1)
Total liabilities		**(1,098.2)**	(825.0)	**(382.5)**	(261.1)
Net assets		**534.2**	501.4	**323.3**	367.1
Equity					
Ordinary shares	26	**41.1**	40.9	**41.1**	40.9
Share premium	26	**191.8**	190.9	**191.8**	190.9
Other reserves	28	**4.8**	4.8	**3.0**	3.0
Retained earnings	29	**296.5**	264.8	**87.4**	132.3
Total equity attributable to owners of the Company		**534.2**	501.4	**323.3**	367.1

The financial statements on pages 72 to 110 were approved by the Board on 16 September 2014 and signed on its behalf by:

Greg Fitzgerald
Chief executive

Graham Prothero
Finance director

Galliford Try plc
Registered number: 00836539

Consolidated statement of changes in equity
for the year ended 30 June 2014

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
At 1 July 2012		40.9	190.8	5.3	241.4	478.4
Profit for the year		–	–	–	58.2	58.2
Other comprehensive (expense)		–	–	(0.5)	(4.0)	(4.5)
Total comprehensive (expense)/income for the year		–	–	(0.5)	54.2	53.7
Transactions with owners:						
Dividends	7	–	–	–	(26.9)	(26.9)
Share-based payments	27	–	–	–	3.8	3.8
Purchase of own shares	29	–	–	–	(7.7)	(7.7)
Issue of shares		–	0.1	–	–	0.1
At 1 July 2013		40.9	190.9	4.8	264.8	501.4
Profit for the year		–	–	–	77.2	77.2
Other comprehensive (expense)		–	–	–	(1.7)	(1.7)
Total comprehensive income for the year		–	–	–	75.5	75.5
Transactions with owners:						
Dividends	7	–	–	–	(32.8)	(32.8)
Share-based payments	27	–	–	–	3.4	3.4
Purchase of own shares	29	–	–	–	(14.4)	(14.4)
Issue of shares	26	0.2	0.9	–	–	1.1
At 30 June 2014		**41.1**	**191.8**	**4.8**	**296.5**	**534.2**

Company statement of changes in equity
for the year ended 30 June 2014

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
At 1 July 2012		40.9	190.8	3.0	159.4	394.1
Profit for the year		–	–	–	3.0	3.0
Other comprehensive income		–	–	–	0.7	0.7
Total comprehensive income		–	–	–	3.7	3.7
Transactions with owners:						
Dividends	7	–	–	–	(26.9)	(26.9)
Share-based payments	27	–	–	–	3.8	3.8
Purchase of own shares	29	–	–	–	(7.7)	(7.7)
Issue of shares		–	0.1	–	–	0.1
At 1 July 2013		40.9	190.9	3.0	132.3	367.1
Loss for the year		–	–	–	(3.6)	(3.6)
Other comprehensive income		–	–	–	2.5	2.5
Total comprehensive (expense)		–	–	–	(1.1)	(1.1)
Transactions with owners:						
Dividends	7	–	–	–	(32.8)	(32.8)
Share-based payments	27	–	–	–	3.4	3.4
Purchase of own shares	29	–	–	–	(14.4)	(14.4)
Issue of shares	26	0.2	0.9	–	–	1.1
At 30 June 2014		**41.1**	**191.8**	**3.0**	**87.4**	**323.3**

Statements of cash flows
for the year ended 30 June 2014

	Notes	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Cash flows from operating activities					
Continuing operations					
Profit/(loss) before finance costs		**106.0**	80.4	**(4.6)**	0.9
Adjustments for:					
Depreciation and amortisation	11 & 9	**4.5**	3.8	**–**	–
Profit on sale of investments in joint ventures and non-current assets held for sale	13	**(2.0)**	–	**–**	–
Profit on sale of available for sale financial assets	14	**(2.4)**	(0.8)	**–**	–
Share-based payments	27	**3.4**	3.8	**3.1**	3.5
Share of post-tax profits from joint ventures	13	**(3.1)**	(6.9)	**–**	–
Movement on provisions		**(0.2)**	(0.7)	**–**	–
Other non-cash movements		**1.8**	(1.8)	**–**	(6.7)
Net cash generated from/(used in) operations before pension deficit payments and changes in working capital		**108.0**	77.8	**(1.5)**	(2.3)
Deficit funding payments to pension schemes	30	**(6.1)**	(7.3)	**–**	–
Net cash generated from/(used in) operations before changes in working capital		**101.9**	70.5	**(1.5)**	(2.3)
Decrease in inventories		**0.1**	–	**–**	–
(Increase) in developments		**(99.0)**	(28.4)	**–**	–
(Increase)/decrease in trade and other receivables		**(124.6)**	(28.3)	**–**	–
Increase/(decrease) in trade and other payables		**193.2**	(3.8)	**(0.6)**	1.3
Net cash generated from/(used in) operations		**71.6**	10.0	**(2.1)**	(1.0)
Interest received		**2.0**	2.0	**–**	–
Interest paid		**(10.3)**	(8.6)	**–**	–
Income tax (paid)/received		**(11.3)**	(9.2)	**1.5**	1.3
Net cash generated from/(used in) operating activities		**52.0**	(5.8)	**(0.6)**	0.3
Cash flows from investing activities					
Dividends received from joint ventures	13	**3.5**	6.3	**–**	–
Acquisition of available for sale financial assets	14	**(0.4)**	(0.6)	**–**	–
Proceeds from investments in joint ventures	13	**3.0**	–	**–**	–
Proceeds from available for sale financial assets	14	**6.2**	2.9	**–**	–
Purchase of intangible assets	9	**(1.3)**	(2.6)	**–**	–
Capital contribution to subsidiary companies		**–**	–	**–**	3.0
Loan from subsidiary companies		**–**	–	**25.7**	37.7
Loans to subsidiaries		**–**	–	**2.1**	(15.9)
Acquisition of property, plant and equipment	11	**(5.5)**	(3.2)	**–**	–
Proceeds from sale of property, plant and equipment		**0.1**	0.7	**–**	–
Net cash generated from investing activities		**5.6**	3.5	**27.8**	24.8
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital	26	**1.1**	–	**1.1**	–
Purchase of own shares	29	**(14.4)**	(7.7)	**(14.4)**	(7.7)
Increase in/(repayment of) borrowings	22	**71.0**	(1.0)	**97.4**	0.6
Dividends paid to Company shareholders	7	**(32.8)**	(26.9)	**(32.8)**	(26.9)
Net cash generated from/(used in) financing activities		**24.9**	(35.6)	**51.3**	(34.0)
Net increase/(decrease) in cash and cash equivalents		**82.5**	(37.9)	**78.5**	(8.9)
Cash and cash equivalents at 1 July	19	**57.9**	95.8	**349.9**	358.8
Cash and cash equivalents at 30 June	19	**140.4**	57.9	**428.4**	349.9

Notes to the consolidated financial statements

1 Accounting policies

General information

Galliford Try plc (the Company) is a public limited company incorporated, listed and domiciled in England and Wales. The address of the registered office is Galliford Try plc, Cowley Business Park, Cowley, Uxbridge, UB8 2AL. Galliford Try is a construction and housebuilding group (the Group).

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. The amounts stated are denominated in millions (£m).

Basis of accounting

These consolidated financial statements have been prepared in accordance with EU adopted International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale investments, retirement benefit obligations, share-based payments and financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and IFRIC and endorsed by the EU, relevant to its operations and effective on 1 July 2013.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company income statement and statement of comprehensive income. The loss for the parent company for the year was £3.6 million (2013: profit £3.0 million).

New amendments to standards that became mandatory for the first time for the financial year beginning 1 July 2013 are listed below. The new amendments had no significant impact on the Group's results other than certain revised disclosures.

- IFRS 13 'Fair value measurement'
- IAS 19 (revised 2011) 'Employee benefits'
- Amendment to IAS 12 'Income taxes' on deferred tax
- Amendment to IFRS 1 'First time adoption'
- Amendment to IFRS 7 on 'Financial instruments: asset and liability offsetting'
- IFRIC 20 'Stripping costs in the production phase of a surface mine'
- Other changes recommended in 'Annual Improvements 2011'

New standards, amendments and interpretations issued but not effective or yet to be endorsed by the EU are as follows:

- IFRS 9 'Financial instruments' and the amendment on general hedge accounting (effective 1 January 2018)
- IFRS 10 'Consolidated financial statements' (effective 1 January 2014)
- IFRS 11 'Joint arrangements' (effective 1 January 2014)
- IFRS 12 'Disclosures of interests in other entities' (effective 1 January 2014)
- IFRS 14 'Regulatory deferral accounts' (effective 1 January 2016)
- IAS 27 (revised 2011) 'Separate financial statements' (effective 1 January 2014)
- IAS 28 (revised 2011) 'Associates and joint ventures' (effective 1 January 2014)
- Amendments to IFRS 10, 11 & 12 on transition guidance (effective 1 January 2014)
- Amendments to IFRS 10, 12 & IAS 27 on consolidation for investment entities (effective 1 January 2014)
- Amendment to IAS 32 on 'Financial instruments: asset and liability offsetting' (effective 1 January 2014)
- Amendment to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' (effective 1 January 2016)
- Amendment to IAS 36 'Impairment of Assets' (effective 1 January 2014)
- Amendment to IAS 39 'Financial Instruments: Recognition and measurement' (effective 1 January 2014)
- Other changes recommended in 'Annual Improvements 2012' and 'Annual Improvements 2013' (effective 1 July 2014)

IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The Group is yet to assess IFRS 9's full impact. However, initial indications are that it may affect the Group's accounting for its available for sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity or certain debt investments that are not held for trading. Fair value gains and losses on available for sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

The Group has yet to assess the full impact of the remainder of these new standards and amendments. Initial indications are that they will not significantly impact the financial statements of the Group.

Critical accounting estimates and judgements

The preparation of the consolidated 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.

1 Accounting policies continued

Material estimates and assumptions are made in particular with regards to establishing the following policies:

(i) Impairment of goodwill and intangible assets

The determination of the value of any impairment of goodwill and intangible assets requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires an estimate of the future cash flows expected from these cash-generating units, including the anticipated growth rate of revenue and costs, and requires the determination of a suitable discount rate to calculate the present value of the cash flows. Details of the goodwill impairment review calculations and sensitivity analysis performed are included in note 10.

(ii) Estimation of costs to complete and contract provisions

In order to determine the profit and loss that the Group is able to recognise on its developments and construction contracts in a specific period, the Group 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, Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual contract basis.

(iii) Retirement benefit obligation valuations

In determining the valuation of defined benefit schemes' assets and liabilities, a number of key assumptions have been made. The key assumptions, which are given below, are largely dependent on factors outside the control of the Group:

- return on plan assets;
- inflation rate;
- life expectancy;
- discount rate; and
- salary and pension growth rates.

The Group is exposed to risks through its defined benefit schemes if actual experience differs to the assumptions used and through volatility in the plan assets. Details of the assumptions used, and associated sensitivities, are included in note 30.

(iv) Shared equity receivables

Shared equity receivables largely have variable repayment dates and amounts, and are provided as part of the sales transaction secured by a second legal charge on the related property. They are stated at fair value as described in note 14. In determining the fair value, the key assumptions, which are largely dependent on factors outside the control of the Group are:

- date of final repayment of the receivable;
- house price inflation; and
- discount rate.

Details of the sensitivity analysis carried out in respect of the shared equity receivables are set out in note 25.

Basis of consolidation

The Group financial statements incorporate the results of Galliford Try plc, its subsidiary undertakings and the Group's share of the results of joint ventures. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed to the income statement. The identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date, irrespective of any non-controlling interest. The excess of cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of acquired subsidiaries are changed where necessary, to ensure consistency with policies adopted by the Group.

In addition to total performance measures, the Group discloses additional information including profit from operations and, if applicable, performance before exceptional items and adjusted earnings per share. The Group believes that this additional information provides useful information on underlying trends. This additional information is not defined under IFRS and may therefore not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measures of profit.

1 Accounting policies continued

Exceptional items

Material non-recurring items of income and expense are disclosed in the income statement as exceptional items. Examples of items which may give rise to disclosure as exceptional items include gains and losses on the disposal of businesses, investments and property, plant and equipment, cost of restructuring and reorganisation of businesses, asset impairments and pension fund settlements and curtailments. In light of the Financial Reporting Council's press release of December 2013 the Group has classified certain inventory provision reversals as exceptional, as set out in note 5.

Segmental reporting

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

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 Group are eliminated. Revenue also includes the Group's proportion of work carried out under jointly controlled operations.

Revenue and profit are recognised as follows:

(i) Housebuilding and land sales

Revenue from private housing sales 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) 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.

(iii) 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. Revenue and profit are not recognised in the income statement until the outcome of the contract is reasonably certain. Adjustments arise from claims by or against customers or third parties in respect of work carried out for variations on the original contract. Provision for claims against the Group is made as soon as it is believed that a liability will arise, but claims and variations made by the Group 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 construction contracts and payments on account on construction contracts 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.

Housing grants and government funding

Grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. The grants are recognised in the Income Statement over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Interest bearing loans received from the government, for example under the Homes & Communities Agency (HCA) programmes, are recorded at proceeds plus accrued interest and reported within Financial Liabilities - Borrowings.

Grants and government funding received by the Group in the year to 30 June 2014 include direct capital grant funding awards under the HCA's Affordable Homes Programme; infrastructure loan finance under the Large Sites Infrastructure Fund; and equity loans provided to house buyers under the Help to Buy home ownership initiative.

1 Accounting policies continued

Bid costs for PFI/PPP contracts

Bid costs relating to PFI/PPP projects are not carried in the balance sheet as recoverable until the Group 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. Costs that are carried on the balance sheet are included within amounts recoverable on construction contracts, within trade and other receivables.

Rent receivable

Rental income represents income obtained from the rental of properties and is credited to the income statement within revenue on a straight-line basis over the period of the operating lease.

Interest income and expense

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

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.

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. 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 provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when there is an intention to settle the balances on a net basis.

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 or to equity, when it is charged or credited there.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the net assets acquired. It is recognised as an asset and reviewed for impairment at least annually or when there is a triggering event, by considering the net present value of future cash flows. For purposes of testing for impairment, the carrying value of goodwill is compared to its recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Any impairment is charged immediately to the income statement.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts, following impairment tests. Goodwill written off to reserves under UK GAAP prior to 1998 has not been restated.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Intangible assets

Intangible assets include brands, customer contracts and customer relationships acquired on acquisition of subsidiary companies, and computer software developed by the Group. The intangible assets are reviewed for impairment at least annually or when there is a triggering event. Intangible assets are stated at cost less accumulated amortisation and impairment. Cost is determined at the time of acquisition as being directly attributable costs or, where relevant, by using an appropriate valuation methodology.

Intangible assets are being amortised over the following periods:
(a) Brands – on a straight line basis over four to ten years.
(b) Customer contracts – in line with expected profit generation, varying from one to nine years.
(c) Customer relationships – on a straight line basis over three years.
(d) Computer software – once the software is fully operational, amortisation is on a straight line basis over up to ten years.

At 30 June 2013 and 30 June 2014 the Group's only intangible assets related to computer software and brands.

1 Accounting policies continued

Property, plant and equipment

All 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. Land and buildings mainly comprise offices.

Depreciation is calculated to write off the cost of each asset to its estimated residual value over its expected useful life. Freehold land is not depreciated. The annual rates of depreciation are as follows:

Freehold buildings	2% on cost
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 its 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.

Joint ventures

A joint venture is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control with third parties and these parties have rights to the net assets of the arrangement. The Group's interest in joint ventures is accounted for using the equity method. Under this method the Group's share of profits less losses after taxation of joint ventures is included in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet. Where the share of losses exceeds the Group's interest in the entity and there is no obligation to fund these losses, the carrying amount is reduced to nil and recognition of further losses is discontinued. Future profits are not recognised until unrecognised losses are extinguished. Accounting policies of joint ventures have been changed on consolidation where necessary, to ensure consistency with policies adopted by the Group. Where joint ventures do not adopt accounting periods that are coterminous with the Group's, results and net assets are based upon unaudited accounts drawn up to the Group's accounting reference date.

Joint operations

A joint operation is a joint arrangement that the Group undertakes with third parties, whereby those parties have rights to the assets and obligations of the arrangement. The Group accounts for joint operations by recognising its share of profits and losses in the consolidated income statement. The Group recognises its share of associated assets and liabilities in the consolidated balance sheet.

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 other comprehensive income, until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the net profit or loss for the period.

The Group operates schemes under which part of the agreed sales price for a residential property can be deferred for up to 25 years. The fair value of these assets is calculated by taking into account forecast inflation in property prices and discounting back to present value using the effective interest rate. Provision is also made for estimated default, to arrive at the initial fair value. The unwinding of the discount included on initial recognition at fair value is recognised as finance income in the year.

Leases

Leases in which a significant proportion 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 and developments 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. On initial recognition, land is included within developments at its fair value, which is its cost to the Group. Land inventory is recognised at the time a liability is recognised, which is generally after the exchange of conditional contracts once it is virtually certain the contract will be completed.

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 Group anticipates selling a development in its current state, then net realisable value is taken as its open market value at the balance sheet date less any anticipated selling costs.

1 Accounting policies continued

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 Group 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 asset's 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 Group'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. Cash held in escrow accounts is classified as a short term deposit where the escrow agreement allows the balance to be converted to cash, if replaced by a bond repayable on demand.

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. Refinancing 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 and subsequently held at amortised cost. The discount to nominal value is amortised over the period of the credit term and charged to finance costs using the effective interest rate. Changes in estimates of the final payment due are taken to developments (land) and, in due course, to cost of sales in the Income Statement.

Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Group has a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

Derivative financial instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provision of the instrument.

The Group uses derivative financial instruments to manage its exposure to interest rate risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments that are designated and effective as cash flow hedges, comprising interest rate swaps, are measured at fair value. The effective portion of changes in the fair value is recognised directly in reserves. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged items will affect profit or loss. Any gains or losses relating to an ineffective portion are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs.

1 Accounting policies continued

Derivative financial instruments that do not qualify for hedge accounting are initially accounted for and measured at fair value at the point the derivative contract is entered into and subsequently measured at fair value. The gain or loss on remeasurement is taken to the income statement.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Retirement benefit obligations

For defined contribution schemes operated by the Group, amounts payable are charged to the income statement as they accrue.

For defined benefit schemes, the cost of providing benefits is calculated annually by independent actuaries using the projected unit method. The retirement benefit obligation recognised in the balance sheet represents the excess of the fair value of the schemes' assets over the present value of scheme liabilities, with a net asset recognised to the extent that the employer can gain economic benefit as set out in the requirements of IFRIC 14. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses are recognised in full in the period in which they occur, in the statement of comprehensive income. Gains and losses arising on curtailment and settlements are taken to the income statement as incurred.

Accounting for the Employee Share Ownership Plan

Own shares held by the Galliford Try Employee Share Trust (the Trust) are shown, at cost less any permanent diminution in value, as a deduction from retained earnings. The charge made to the income statement for employee share awards and options is based on the fair value of the award at the date of grant, spread over the performance period. Where such shares subsequently vest to the employees under the terms of the Group's share option schemes or are sold, any consideration received is included in equity.

Share-based payments

The Group 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 over the vesting period. 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 Group 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. The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution.

Dividend policy

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

Equity instruments

Equity instruments, such as ordinary share capital, issued by the Company are recorded at the proceeds received net of directly attributable incremental issue costs. Consideration paid for shares in the Company held by the Trust are deducted from total equity.

Investments in subsidiaries

The Company's investments in subsidiaries are recorded in the Company's balance sheet at cost less any impairment. The directors review the investments for impairment annually.

2 Segmental reporting

Segmental reporting is presented in the consolidated financial statements in respect of the Group's business segments, which are the primary basis of segmental reporting. The business segmental reporting reflects the Group's management and internal reporting structure. Segmental results include items directly attributable to the segment, as well as those that can be allocated on a reasonable basis. As the Group has no material activities outside the UK, segment reporting is not required by geographical region.

The chief operating decision-makers (CODM) have been identified as the Group's chief executive and finance director. The CODM review the Group's internal reporting in order to assess performance and allocate resources. As set out in the financial review, in the year to 30 June 2014 the Group has reviewed its internal reporting structure and now reports Galliford Try Partnerships separately to Linden Homes and the construction businesses. Accordingly, management has determined the operating segments as housebuilding, including Linden Homes and Partnerships; construction, including building and infrastructure; and PPP investments. The Group's segmental reporting has been revised, and the comparative disclosures as at 30 June 2013 restated, to reflect the new structure. Further information can be found within the Strategic Report.

2 Segmental reporting continued

The CODM assess the performance of the operating segments based on a measure of adjusted earnings before finance costs, amortisation, exceptional items and taxation. This measurement basis excludes the effects of non-recurring expenditure from the operating segments, such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are included in the result for each operating segment that is reviewed by the CODM. Other information provided to them is measured in a manner consistent with that in the financial statements.

Primary reporting format – business segments

	Housebuilding			Construction					
	Linden Homes £m	Partnerships £m	Total £m	Building £m	Infrastructure £m	Total £m	PPP Investments £m	Central costs £m	Total £m
Year ended 30 June 2014									
Group revenue and share of joint ventures' revenue	**759.6**	**242.8**	**1,002.4**	**458.3**	**374.6**	**832.9**	**15.1**	**0.4**	**1,850.8**
Share of joint ventures' revenue	**(50.4)**	**(8.9)**	**(59.3)**	**(0.1)**	**(11.2)**	**(11.3)**	**(12.4)**	**–**	**(83.0)**
Group revenue	**709.2**	**233.9**	**943.1**	**458.2**	**363.4**	**821.6**	**2.7**	**0.4**	**1,767.8**
Segment result:									
Profit/(loss) from operations before exceptional items and share of joint ventures' profit	**109.3**	**4.4**	**113.7**	**2.9**	**5.0**	**7.9**	**(1.8)**	**(15.6)**	**104.2**
Share of joint ventures' profit	**5.6**	**0.6**	**6.2**	**0.1**	**–**	**0.1**	**–**	**–**	**6.3**
Profit/(loss) from operations[1]	**114.9**	**5.0**	**119.9**	**3.0**	**5.0**	**8.0**	**(1.8)**	**(15.6)**	**110.5**
Exceptional items	**0.3**	**–**	**0.3**	**–**	**–**	**–**	**–**	**–**	**0.3**
Share of joint ventures' interest and tax	**0.9**	**(4.2)**	**(3.3)**	**–**	**–**	**–**	**0.1**	**–**	**(3.2)**
Profit/(loss) before finance costs, amortisation and taxation	**116.1**	**0.8**	**116.9**	**3.0**	**5.0**	**8.0**	**(1.7)**	**(15.6)**	**107.6**
Finance income	**3.2**	**0.1**	**3.3**	**0.3**	**0.5**	**0.8**	**–**	**(0.4)**	**3.7**
Finance (costs)	**(40.6)**	**(0.1)**	**(40.7)**	**–**	**–**	**–**	**(0.1)**	**26.3**	**(14.5)**
Profit/(loss) before amortisation and taxation	**78.7**	**0.8**	**79.5**	**3.3**	**5.5**	**8.8**	**(1.8)**	**10.3**	**96.8**
Amortisation of intangibles									**(1.6)**
Profit before taxation									**95.2**
Income tax expense									**(18.0)**
Profit for the year									**77.2**
Year ended 30 June 2013 (restated)									
Group revenue and share of joint ventures' revenue	632.6	97.0	729.6	406.4	416.3	822.7	6.7	0.4	1,559.4
Share of joint ventures' revenue	(76.8)	–	(76.8)	(0.1)	(10.5)	(10.6)	(4.7)	–	(92.1)
Group revenue	555.8	97.0	652.8	406.3	405.8	812.1	2.0	0.4	1,467.3
Segment result:									
Profit/(loss) from operations before exceptional items and share of joint ventures' profit	74.8	1.4	76.2	6.4	6.3	12.7	(3.4)	(11.3)	74.2
Share of joint ventures' profit	9.2	–	9.2	0.1	0.1	0.2	0.2	–	9.6
Profit/(loss) from operations[1]	83.8	1.4	85.2	6.5	6.4	12.9	(3.2)	(11.3)	83.6
Exceptional items	0.5	–	0.5	–	–	–	–	–	0.5
Share of joint ventures' interest and tax	(2.6)	–	(2.6)	(0.1)	–	(0.1)	–	–	(2.7)
Profit/(loss) before finance costs, amortisation, exceptional items and taxation	81.7	1.4	83.1	6.4	6.4	12.8	(3.2)	(11.3)	81.4
Finance income	3.2	–	3.2	0.7	0.8	1.5	–	(0.7)	4.0
Finance (costs)	(36.4)	(0.1)	(36.5)	–	–	–	(0.1)	26.3	(10.3)
Profit/(loss) before amortisation, exceptional items and taxation	48.5	1.3	49.8	7.1	7.2	14.3	(3.3)	14.3	75.1
Amortisation of intangibles									(1.0)
Profit before exceptional items and taxation									74.1
Income tax expense									(15.9)
Profit for the year									58.2

1. Profit from operations is stated before finance costs, amortisation, exceptional items, share of joint ventures' interest and tax and taxation.

2 Segmental reporting continued

Inter-segment revenue, which is priced on an arm's length basis, is eliminated from Group revenue above. In the year to 30 June 2014 this amounted to £92.6 million (2013: £54.7 million) of which £52.1 million (2013: £26.6 million) was in building, £39.3 million (2013: £25.8 million) was in infrastructure, £Nil million was in PPP Investments (2013: £1.0 million), and £1.2 million (2013: £1.3 million) was in central costs.

		Housebuilding			Construction					
Balance Sheet	Notes	Linden Homes £m	Partnerships £m	Total £m	Building £m	Infrastructure £m	Total £m	PPP Investments £m	Central costs £m	Total £m
Year ended 30 June 2014										
Net cash/(debt)	19	**(536.4)**	**28.4**	**(508.0)**	**98.6**	**52.7**	**151.3**	**2.0**	**349.6**	**(5.1)**
Borrowings	22									**145.5**
Other net assets										**1,502.9**
Total assets										**1,643.3**
Year ended 30 June 2013 (restated)										
Net cash/(debt)	19	(509.1)	7.9	(501.2)	94.8	37.3	132.1	(1.4)	356.1	(14.4)
Borrowings	22									72.3
Other net assets										1,268.5
Total assets										1,326.4

Notes to the consolidated financial statements continued

2 Segmental reporting continued

	Notes	Housebuilding			Construction					
		Linden Homes £m	Partnerships £m	Total £m	Building £m	Infrastructure £m	Total £m	PPP Investments £m	Central costs £m	Total £m
Other segmental information										
Year ended 30 June 2014										
Investment in joint ventures	**13**	**3.4**	**–**	**3.4**	**–**	**–**	**–**	**1.2**	**–**	**4.6**
Contracting revenue		**70.7**	**228.6**	**299.3**	**455.5**	**362.4**	**817.9**	**0.3**	**–**	**1,117.5**
Capital expenditure – Property, plant and equipment	**11**	**–**	**–**	**–**	**0.1**	**2.2**	**2.3**	**–**	**3.2**	**5.5**
Depreciation	**11**	**0.2**	**–**	**0.2**	**–**	**1.5**	**1.5**	**–**	**1.2**	**2.9**
Impairment of receivables	**5**	**0.4**	**–**	**0.4**	**0.1**	**0.2**	**0.3**	**–**	**–**	**0.7**
Share-based payments	**3**	**0.1**	**–**	**0.1**	**0.1**	**0.1**	**0.2**	**–**	**3.1**	**3.4**
Acquisition of intangible assets	**9**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.3**	**1.3**
Amortisation of intangible assets	**9**	**1.0**	**–**	**1.0**	**–**	**–**	**–**	**–**	**0.6**	**1.6**
Year ended 30 June 2013 (restated)										
Investment in joint ventures	13	4.8		4.8	1.0	–	1.0	0.2	–	6.0
Contracting revenue		63.5	90.0	153.5	406.3	405.5	811.8	–	–	965.3
Capital expenditure – Property, plant and equipment	11	0.1	0.1	0.2	–	2.2	2.2	–	0.8	3.2
Depreciation	11	0.2	0.1	0.3	0.1	1.5	1.6	–	0.9	2.8
Impairment of receivables	5	–	–	–	–	–	–	–	–	–
Share-based payments	3	–	–	–	–	–	–	–	3.8	3.8
Acquisition of intangible assets	9	–	–	–	–	–	–	–	2.6	2.6
Amortisation of intangible assets	9	1.0	–	1.0	–	–	–	–	–	1.0

3 Employees and directors

Employee benefit expense during the year	Notes	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Wages and salaries		**169.8**	160.9	**–**	–
Social security costs		**21.0**	18.8	**1.5**	2.1
Other pension costs	30	**13.6**	12.8	**–**	–
Share-based payments	27	**3.4**	3.8	**3.1**	3.5
		207.8	196.3	**4.6**	5.6

Average monthly number of people (including executive directors) employed	Group 2014 Number	Group 2013 Number	Company 2014 Number	Company 2013 Number
By business group:				
Linden Homes	**983**	863	**–**	–
Partnerships	**344**	303	**–**	–
Total Housebuilding	**1,327**	1,166	**–**	–
Building	**1,053**	1,029	**–**	–
Infrastructure	**1,378**	1,468	**–**	–
Total Construction	**2,431**	2,497	**–**	–
PPP Investments	**23**	21	**–**	–
Group	**318**	289	**8**	7
	4,099	3,973	**8**	7

Remuneration of key management personnel

The key management personnel comprise the Executive Board and non-executive directors. The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24, Related Party Disclosures. Further information about the remuneration of individual directors is provided in the audited part of the Directors' Remuneration Report from page 58.

	2014 £m	2013 £m
Salaries and short-term employee benefits	**3.6**	3.8
Retirement benefit costs	**0.2**	0.1
Share-based payments	**1.1**	2.0
	4.9	5.9

4 Net finance costs

Group	2014 £m	2013 £m
Interest receivable on bank deposits	**0.3**	0.4
Interest receivable from joint ventures	**1.3**	1.2
Net finance income on retirement benefit obligations	**0.1**	–
Unwind of discount on shared equity receivables	**1.6**	1.8
Fair value profit on financing activities – interest rate swaps	**–**	0.2
Other	**0.4**	0.4
Finance income	**3.7**	4.0
Interest payable on borrowings	**(12.4)**	(9.5)
Unwind of discounted payables	**(2.0)**	(0.5)
Net finance cost on retirement benefit obligations	**–**	(0.2)
Other	**(0.1)**	(0.1)
Finance costs	**(14.5)**	(10.3)
Net finance costs	**(10.8)**	(6.3)

Interest payable on borrowings in the year ended 30 June 2014 includes a £1.2 million additional non-cash write-off of unamortised loan fees following the renegotiation of the Group's bank facility in February 2014.

5 Profit before income tax

The following items have been included in arriving at profit before income tax:

	Notes	2014 £m	2013 £m
Employee benefit expense	3	**207.8**	196.3
Depreciation of property, plant and equipment	11	**2.9**	2.8
Amortisation of intangible assets	9	**1.6**	1.0
Profit on sale of investments in joint ventures	13	**(2.0)**	–
Operating lease rentals payable		**21.2**	19.0
Inventories recognised as an expense		**10.2**	10.1
Developments recognised as an expense		**571.3**	458.7
Repairs and maintenance expenditure on property, plant and equipment		**1.0**	0.6
Impairment of receivables	18	**0.7**	–
Exceptional items	15	**0.3**	0.5

In addition to the above, the Group incurs other costs classified as cost of sales relating to labour, materials and subcontractors' costs.

In light of the Financial Reporting Council's press release of December 2013 the Group has classified the reversal of inventory provisions as exceptional items to the extent that they relate to provisions previously recognised as exceptional losses.

Services provided by the Group's auditors and network firms

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

	2014 £m	2013 £m
Fees payable to Company's auditor for the audit of Parent Company and consolidated financial statements	**0.2**	0.2
Total audit services	**0.2**	0.2
The audit of financial statements of the Group's subsidiaries	**0.3**	0.3
Services relating to corporate matters	**0.3**	0.1
Services relating to taxation and accounting advice	**0.1**	0.1
Total other services	**0.7**	0.5
Total	**0.9**	0.7

A description of the work of the Audit Committee in respect of auditors' independence is set out in the Governance Report.

6 Income tax expense

Group	Notes	2014 £m	2013 £m
Analysis of expense in year			
Current year's income tax			
Current tax		**21.1**	12.6
Deferred tax	24	**(0.9)**	3.4
Adjustments in respect of prior years			
Current tax		**(2.4)**	(5.6)
Deferred tax	24	**0.2**	5.5
Income tax expense		**18.0**	15.9
Tax on items recognised in other comprehensive income			
Deferred tax (credit) for share-based payments	24	**(0.2)**	–
Current tax (credit) for share-based payments		**(1.4)**	–
Deferred tax expense/(credit) on derivative financial instruments and AFS financial assets		**0.2**	(0.3)
Deferred tax (credit) on retirement benefit obligations	24	**(1.1)**	(1.7)
Tax recognised in other comprehensive income		**(2.5)**	(2.0)
Total taxation		**15.5**	13.9

6 Income tax expense continued

The total income tax expense for the year of £18.0 million (2013: £15.9 million) is lower (2013: lower) than the blended effective rate of corporation tax in the UK of 22.5% (2013: 23.75%). The differences are explained below:

	2014 £m	2013 £m
Profit before income tax	**95.2**	74.1
Profit before income tax multiplied by the blended effective corporation tax rate in the UK of 22.5% (2013: 23.75%)	**21.4**	17.6
Effects of:		
Expenses not deductible for tax purposes	**0.1**	0.1
Non-taxable income	**(0.7)**	(0.2)
Joint ventures	**(0.2)**	(1.4)
Change in rate of current income tax	**(0.3)**	(0.1)
Adjustments in respect of prior years	**(2.3)**	(0.1)
Income tax expense	**18.0**	15.9

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Group's profits for the accounting period to 30 June 2013 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 Group's profits for the accounting period to 30 June 2014 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 rate reduction had been substantively enacted at the balance sheet date and, therefore, the relevant deferred tax balances have been remeasured.

7 Dividends

	2014		2013	
Group and Company	**£m**	**pence per share**	£m	pence per share
Previous year final	**20.5**	**25.0**	17.2	21.0
Current period interim	**12.3**	**15.0**	9.7	12.0
Dividend recognised in the year	**32.8**	**40.0**	26.9	33.0

The following dividends were declared by the Company in respect of each accounting period presented:

	2014		2013	
	£m	**pence per share**	£m	pence per share
Interim	**12.3**	**15.0**	9.7	12.0
Final	**31.3**	**38.0**	20.5	25.0
Dividend relating to the year	**43.6**	**53.0**	30.2	37.0

The directors are proposing a final dividend in respect of the financial year ended 30 June 2014 of 38 pence per share, bringing the total dividend in respect of 2014 to 53 pence per share (2013: 37 pence). The final dividend will absorb approximately £31.3 million of equity. Subject to shareholder approval at the annual general meeting to be held on 7 November 2014, the dividend will be paid on 28 November 2014 to shareholders who are on the register of members on 17 October 2014.

8 Earnings per share

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held by the Employee Share Trust, which are treated as cancelled.

Under normal circumstances, the average number of shares is diluted by reference to the average number of potential ordinary shares held under option in the period. The dilutive effect amounts to the number of ordinary shares which would be purchased, using the aggregate difference in value between the market value of shares and the share option price. Only shares that have met their cumulative performance criteria are included in the dilution calculation. The Group has two classes of potentially dilutive ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year and the contingently issuable shares under the Group's long-term incentive plan. A loss per share cannot be reduced through dilution, hence this dilution is only applied where the Group has reported a profit.

The earnings and weighted average number of shares used in the calculations are set out below.

			2014			2013
	Earnings £m	Weighted average number of shares	Per share amount pence	Earnings £m	Weighted average number of shares	Per share amount pence
Basic EPS						
Earnings attributable to ordinary shareholders	77.2	81,639,900	94.6	58.2	81,184,221	71.7
Effect of dilutive securities:						
Options		1,376,512			2,182,343	
Diluted EPS	77.2	83,016,412	93.0	58.2	83,366,564	69.8

9 Intangible assets

Group	Computer software £m	Brand £m	Total £m
Cost			
At 1 July 2012	6.9	10.8	17.7
Additions	2.6	–	2.6
At 1 July 2013	9.5	10.8	20.3
Additions	1.3	–	1.3
At 30 June 2014	**10.8**	**10.8**	**21.6**
Accumulated amortisation			
At 1 July 2012	–	(5.9)	(5.9)
Amortisation in year	–	(1.0)	(1.0)
At 1 July 2013	–	(6.9)	(6.9)
Amortisation in year	(0.6)	(1.0)	(1.6)
At 30 June 2014	**(0.6)**	**(7.9)**	**(8.5)**
Net book amount			
At 30 June 2014	**10.2**	**2.9**	**13.1**
At 30 June 2013	9.5	3.9	13.4
At 30 June 2012	6.9	4.9	11.8

All amortisation charges in the year have been included in administrative expenses. The previously disclosed balances for customer contracts and customer relationships, which had been fully amortised by 30 June 2010 and 30 June 2009 respectively, have been removed from the disclosure.

The remaining period of amortisation on computer software is nine years six months. The remaining period of amortisation on brand is three years.

10 Goodwill

Group	£m
Cost	
At 1 July 2012, 1 July 2013 and 30 June 2014	115.7
Aggregate impairment at 1 July 2012, 1 July 2013 and 30 June 2014	(0.7)
Net book amount	
At 30 June 2014	**115.0**
At 30 June 2013 and 30 June 2012	115.0

Impairment review of goodwill
Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment.

The goodwill is attributable to the following business segments:

	2014 £m	2013 £m
Linden Homes	**52.2**	52.2
Galliford Try Partnerships	**5.8**	5.8
Building	**17.9**	17.9
Infrastructure	**37.2**	37.2
PPP Investments	**1.9**	1.9
	115.0	115.0

Key assumptions
The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections, based on future financial budgets approved by the Board, based on past performance and its expectation of market developments. The key assumptions within these budgets relate to revenue growth and the future profit margin achievable. Future budgeted revenue is based on management's knowledge of actual results from prior years and latest forecasts for the current year, along with the existing secured works, management's expectation of the future level of work available within the market sector and expected changes in selling volumes and prices for completed houses. In establishing future profit margins, the margins currently being achieved are considered in conjunction with expected inflation rates in each cost category and the current market value of land being acquired.

Cash is monitored very closely on a daily, weekly and monthly basis, for the purposes of managing both treasury and the business as a whole. Details of the Group's treasury management are included within the financial review on pages 14 to 17 of the Annual Report. The assumptions used are reviewed regularly and differences between forecast and actual results are closely monitored, with variances being investigated fully. The knowledge gained from this past experience is used to ensure that the future assumptions used are consistent with past actual outcomes and are management's best estimate of the future cash flows of each business unit.

Cash flows beyond the budgeted three year period are extrapolated using an estimated growth rate of 2% per annum within building, infrastructure and housebuilding. The growth rate used is the Group's estimate of the average long-term growth rate for the market sectors in which the CGU operates. No long term growth rate has been applied to PPP Investments. A pre-tax discount rate of 12.1% (2013: 11.8%) in Linden Homes, 10.2% (2013: 9.8%) in Partnerships, 10.1% (2013: 11.5%) in building and 10.9% (2013: 11.9%) in infrastructure has been applied to the future cash flows, based on an estimate of the weighted average cost of capital of each division.

Sensitivities
The recoverable values of all CGUs are substantially in excess of the carrying value of goodwill. Sensitivity analysis has been undertaken on each goodwill impairment review, by changing the discount rates, profit margins, growth rates and other variables applicable to each CGU. Taking into account current market conditions within the construction and housebuilding markets, none of these sensitivities, either individually or combined, resulted in the fair value of the goodwill being reduced to below its current book value amount.

The detailed sensitivity analysis indicates that an increase of more than 31% (2013: 46%) in the pre-tax discount rate or a reduction of 22% (2013: 45%) in the forecast operating profits of the Linden Homes CGU could give rise to an impairment. The goodwill in the other segments is less sensitive to the detailed assumptions used and hence no additional disclosure is considered necessary.

11 Property, plant and equipment

Group	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2012	3.3	8.0	10.4	21.7
Additions	–	2.2	1.0	3.2
Disposals	(0.7)	(0.2)	(0.1)	(1.0)
At 1 July 2013	2.6	10.0	11.3	23.9
Additions	–	2.2	3.3	5.5
Disposals	(0.4)	(0.3)	(0.9)	(1.6)
At 30 June 2014	**2.2**	**11.9**	**13.7**	**27.8**
Accumulated depreciation				
At 1 July 2012	(1.1)	(3.0)	(7.6)	(11.7)
Charge for the year	(0.1)	(1.5)	(1.2)	(2.8)
Disposals	0.1	0.1	0.1	0.3
At 1 July 2013	(1.1)	(4.4)	(8.7)	(14.2)
Charge for the year	(0.1)	(1.5)	(1.3)	(2.9)
Disposals	0.4	0.2	0.9	1.5
At 30 June 2014	**(0.8)**	**(5.7)**	**(9.1)**	**(15.6)**
Net book amount				
At 30 June 2014	**1.4**	**6.2**	**4.6**	**12.2**
At 30 June 2013	1.5	5.6	2.6	9.7
At 30 June 2012	2.2	5.0	2.8	10.0

There has been no impairment of property, plant and equipment during the year (2013: £Nil). Fixed assets included £1.0 million net book value, and £0.1 million depreciation, for assets held under finance leases (2013: £Nil).

The Company has no property, plant or equipment.

12 Investments in subsidiaries

Company	**2014 £m**	2013 £m
Cost		
At 1 July	**197.5**	194.2
Capital contributions	**0.3**	3.3
At 30 June	**197.8**	197.5
Aggregate impairment		
At 1 July	**(1.6)**	(1.6)
At 30 June	**(1.6)**	(1.6)
Net book value		
At 30 June	**196.2**	195.9

The capital contributions relate to a £Nil (2013: £3.0 million) contribution from the Company to Galliford Try Investments Limited and a £0.3 million (2013: £0.3 million) contribution related to share-based payments for share options granted by the Company to employees of subsidiary undertakings in the Group (note 27).

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

The subsidiary undertakings that principally affected profits and net assets of the Group were:

Galliford Try Construction Limited[1]
Galliford Try Homes Limited[1]
Galliford Try Infrastructure Limited[2]
Galliford Try Investments Limited[1]
Galliford Try Partnerships Limited
Galliford Try Services Limited[1]
Linden Limited

1. Shares of these subsidiary companies are owned directly by the Company.
2. Incorporated in Scotland.

12 Investments in subsidiaries continued

Unless otherwise stated, each subsidiary has a 30 June year end, operates as a construction or housebuilding company, is incorporated in England and Wales and 100% of ordinary shares are held by the Group. Galliford Try Services Limited operates as central administration company to the Group.

A full list of subsidiary undertakings is available on request from the Company's registered office.

13 Investments in joint ventures

Group	2014 £m	2013 £m
At 1 July	**6.0**	5.4
Additions (a)	**–**	–
Disposal (b)	**(1.0)**	–
Dividend received from joint ventures	**(3.5)**	(6.3)
Share of post tax profit	**3.1**	6.9
At 30 June	**4.6**	6.0

Joint ventures

At 30 June 2014 the Group held interests in the following joint ventures all of which are incorporated in England and Wales or in Scotland:

Name	Year end	% shareholding	Principal activity
Kingseat Development 2 Limited (Scotland)	30 June	50%	Building
Wispers Developments LLP	28 February	50%	Building
Evolution Gateshead Developments LLP	31 March	50%	Building
HUB South East Scotland Limited	31 March	50%	PPP Investment
James Gillespie's Campus Subhub Holdings Limited	31 March	50%	PPP Investment
Urban Vision Partnership Limited	31 December	30%[1]	Infrastructure
Opal Land LLP	31 March	50%	Housebuilding
The Piper Building Limited	31 December	50%	Housebuilding
Linden Wates (Ravenscourt Park) Limited	31 December	50%	Housebuilding
Linden Wates (Ridgewood) Limited	31 December	50%	Housebuilding
Linden and Dorchester Limited	30 June	50%	Housebuilding
Linden and Dorchester Portsmouth Limited	30 June	50%	Housebuilding
Crest/Galliford Try (Epsom) LLP	31 October	50%	Housebuilding
Linden/Downland Graylingwell LLP	31 March	50%	Housebuilding
Linden Wates Developments (Folders Meadow) Limited	31 December	50%	Housebuilding
Linden Wates (Dorking) Limited	31 December	50%	Housebuilding
Linden Homes Westinghouse LLP	31 March	50%	Housebuilding
Wilmington Regeneration LLP	31 March	50%	Housebuilding
Ramsden Regeneration LLP	31 March	50%	Housebuilding
Linden Wates Developments (Chichester) Limited	31 December	50%	Housebuilding
Linden Wates (Cranleigh) Limited	31 December	50%	Housebuilding
Linden Wates (The Frythe) Limited	31 December	50%	Housebuilding
White Rock Land LLP	31 March	50%	Housebuilding
Opal (Earlsfield) LLP	31 March	50%	Housebuilding
Opal (St Bernard's) LLP	31 March	50%	Housebuilding
Linden Wates (West Hampstead) Limited	31 December	50%	Housebuilding

1. Under the terms of the shareholders' agreement and in relation to voting rights this investment is treated as a joint venture.

(a) Additions

During 2014 the Group made further investments in joint ventures of £Nil million (2013: £Nil million).

(b) Disposals

During 2014 the Group disposed of its investment in gbconsortium2 Limited for £3.0 million, giving rise to a profit of £2.0 million.

13 Investments in joint ventures continued

In relation to the Group's interest in joint ventures, the assets, liabilities, income and expenses are shown below:

	2014 £m	2013 £m
Current assets	**153.1**	132.3
Non-current assets	**3.1**	23.0
Current liabilities	**(111.4)**	(83.2)
Non-current liabilities	**(40.2)**	(66.1)
	4.6	6.0
Amounts due from joint ventures	**108.5**	72.0
Amounts due to joint ventures	**13.2**	6.8
Revenue	**83.0**	92.1
Expenses	**(76.7)**	(82.5)
	6.3	9.6
Finance cost	**(3.0)**	(1.8)
Income tax	**(0.2)**	(0.9)
Share of post tax profits from joint ventures	**3.1**	6.9

The Group's share of unrecognised losses of joint ventures is £20.0 million (2013: £15.3 million), of which £4.7 million arose during the period.

As at 30 June 2014, amounts due from joint ventures of £119.4 million (2013: £72 million) were considered for impairment. The impairment reviews were based on future financial budgets based on past performance and expectation of market developments. The key assumptions used were consistent with those applied in the goodwill impairment reviews as described in note 10. No impairment has been provided for these balances in the year ended 30 June 2014 (2013: £Nil).

The Group has no commitments (2013: £Nil) to provide further subordinated debt to its joint ventures.

The joint ventures have no significant contingent liabilities to which the Group is exposed (2013: £Nil). The joint ventures had no capital commitments as at 30 June 2014 (2013: £Nil).

Details of related party transactions with joint ventures are given in note 33.

14 Available for sale financial assets

Group	2014 £m	2013 £m
At 1 July	**26.8**	26.5
Additions	**0.5**	2.6
Unwind of discount on shared equity receivables	**1.6**	1.8
Impairment	**(1.7)**	(1.5)
Disposals	**(3.8)**	(2.6)
At 30 June	**23.4**	26.8

The available for sale assets comprise equity securities, being PPP/PFI investments, and shared equity receivables. The shared equity receivables largely have variable repayment dates and repayment amounts, provided as part of the sales transaction, and are secured by a second legal charge on the related property. The assets are recorded at fair value, being the estimated future receivable by the Group, discounted back to present values. The fair value of the future anticipated receipts takes into account the directors' view of future house price movements, the expected timing of receipts and credit risk. These assumptions are reviewed at the end of each financial reporting period. The difference between the anticipated future receipt and the initial fair value is credited to finance income over the estimated deferred term, with the financial asset increasing to its full expected cash settlement value on the anticipated receipt date. Credit risk, which is largely mitigated by holding a second charge over the property, is accounted for in determining the fair values and appropriate discount rates that are applied. The directors review the financial assets for impairment at each balance sheet date.

During the year the Group's net investment in shared equity receivables decreased by £2.9 million (2013: increase £0.6 million). There were £0.1 million of new shared equity receivables and £1.6 million arose on the unwinding of the discount applied on initial recognition of the receivables at fair value, which has been shown as finance income in the income statement. An impairment of £1.7 million arose due to the variation in current assumptions compared to the original calculations. There were disposals in the year of £2.6 million (2013: £1.5 million) relating to the repayment of shared equity receivables, generating a profit on disposal of £0.8 million (2013: £0.3 million).

14 Available for sale financial assets continued

None of the financial assets are past their due dates (2013: Nil) and the directors expect an average maturity profile of ten years.

Further disclosures relating to financial assets are set out in note 25.

During the year, the Group made additional subordinated loans of £0.4 million (2013: £0.8 million) to its PPP/PFI investments, and disposed of interests held at £1.2 million (2013: £1.1 million), generating a profit on disposal of £1.6 million (2013: £0.5 million). The fair value of these unlisted investments is 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.

15 Inventories

Group	2014 £m	2013 £m
Materials and consumables	**0.3**	0.4

No inventories have been written off during the year.

16 Developments

Group	2014 £m	2013 £m
Land	**607.6**	521.8
Work in progress	**239.6**	226.4
	847.2	748.2

Movement on land provisions	2014 £m	2013 £m
Balance at 1 July	**2.1**	2.6
Utilised on sales	**(0.6)**	(0.1)
Reversed in the year	**(0.2)**	(0.4)
Created in the year	**0.1**	–
Balance at 30 June	**1.4**	2.1

£21.3 million (2013: £34.5 million) of developments are carried at fair value less costs to sell rather than at historical cost. The reversal in 2014 and 2013 along with a further £0.1 million cost of sale adjustment in each year, has been recognised as an exceptional item as set out in note 5.

Further information on Group developments, including sales in hand and landbank information, can be found in the Strategic Report on pages 18 to 23.

17 Construction contracts

Group	2014 £m	2013 £m
Contracts in progress at balance sheet date:		
Amounts recoverable on construction contracts included in trade and other receivables	**149.5**	105.1
Payments received on account on construction contracts included in trade and other payables	**(35.7)**	(33.4)
	113.8	71.7

The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £1,893.1 million (2013: £1,574.8 million).

Retentions held by customers for contract work amounted to £51.3 million (2013: £32.0 million).

18 Trade and other receivables

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Amounts falling due within one year:				
Trade receivables	**125.9**	110.8	**–**	–
Less: Provision for impairment of receivables	**(1.4)**	(0.7)	**–**	–
Trade receivables – net	**124.5**	110.1	**–**	–
Amounts recoverable on construction contracts	**149.5**	105.1	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**76.0**	78.1
Amounts due from joint venture undertakings	**55.6**	27.3	**–**	–
Other receivables	**37.2**	30.9	**–**	–
Prepayments and accrued income	**48.2**	27.2	**–**	–
	415.0	300.6	**76.0**	78.1

	2014 £m	2013 £m	**2014 £m**	2013 £m
Amounts falling due in more than one year:				
Amounts due from joint venture undertakings	**52.9**	44.7	**–**	–
Other receivables	**2.5**	0.5	**–**	–
	55.4	45.2	**–**	–

Movements on the Group provision for impairment of trade receivable are as follows:

	2014 £m	2013 £m
At 1 July	**(0.7)**	(0.7)
Provision for receivables impairment	**(0.7)**	–
At 30 June	**(1.4)**	(0.7)

Provisions for impaired receivables have been included in cost of sales in the income statement. Amounts charged to the impairment provision are generally written off, when there is no expectation of recovering additional cash.

Provisions for amounts due from joint venture undertakings are set out in note 13. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above, along with the Group's investment in shared equity receivables (note 14) and its cash and cash equivalents. The Group does not hold any collateral as security.

Management believes that the concentration of credit risk with respect to trade receivables is limited, due to the Group's customer base being large and unrelated. Major water industry customers accounted for in total 8% (2013: 12%) of Group revenue in the year. However, the customers involved comprise a variety of entities, including those in both the public and commercial sectors. In addition, within the commercial sector each customer has an unrelated ultimate parent company.

The maturity of non-current receivables is as follows:

	2014 £m	2013 £m
In more than one year but not more than two years	**19.5**	12.7
In more than two years but not more than five years	**5.4**	4.9
In more than five years	**30.5**	27.6
	55.4	45.2

Of the amounts due in more than five years, £30.5 million is due within eight years (2013: £27.6 million due within six to ten years). These amounts are unsecured and interest rates vary from bank base rate plus 1.75% to 10%.

18 Trade and other receivables continued

As of 30 June 2014, trade receivables of £18.9 million (2013: £12.6 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and there are no indications that they will not meet their payment obligations in respect of the trade receivables recognised in the balance sheet that are past due and unprovided. The ageing analysis of these trade receivables is as follows:

	2014 £m	2013 £m
Number of days past due date		
Less than 30 days	**5.6**	7.8
Between 30 and 60 days	**2.9**	0.5
Between 60 and 90 days	**0.9**	–
Between 90 and 120 days	**3.7**	0.2
Greater than 120 days	**5.8**	4.1
	18.9	12.6

As of 30 June 2014, trade receivables of £2.4 million (2013: £4.0 million) were considered for impairment. The amount provided for these balances was £1.4 million (2013: £0.7 million). The allocation of the provision is as follows:

	2014 £m	2013 £m
Number of days past due date		
Greater than 120 days	**1.4**	0.7
	1.4	0.7

19 Cash and cash equivalents

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Cash at bank and in hand	**40.4**	56.0	**–**	–
Short-term bank deposit	**100.0**	1.9	**428.4**	349.9
Cash and cash equivalents for cash flow purposes	**140.4**	57.9	**428.4**	349.9

Cash at bank above includes £Nil (2013: £2.0 million) which is held in escrow and £0.8 million (2013: £0.8 million) of other restricted cash. The effective interest rate received on cash balances is 0.7% (2013: 0.8%).

Group Net (debt)	**2014 £m**	2013 £m
Cash and cash equivalents excluding bank overdrafts	**140.4**	57.9
Current borrowings (note 22)	**–**	(72.3)
Non-current borrowings (note 22)	**(145.5)**	–
Net (debt)	**(5.1)**	(14.4)

20 Trade and other payables

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Payments received on account on construction contracts	**35.7**	33.4	**–**	–
Trade payables	**206.2**	159.4	**–**	–
Development land payables	**116.0**	111.4	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**210.0**	184.3
Amounts due to joint venture undertakings	**10.0**	6.8	**–**	–
Other taxation and social security payable	**15.7**	9.1	**–**	–
Other payables	**6.3**	24.5	**–**	–
Accruals and deferred income	**413.4**	304.0	**2.0**	2.6
	803.3	648.6	**212.0**	186.9

Developments of £150.0 million have been pledged as security for current and non-current development land payables. Other payables are unsecured.

21 Provisions for other liabilities and charges

Group	Property related £m	Total £m
At 1 July 2013	3.1	3.1
Utilised in year	(0.2)	(0.2)
At 30 June 2014	**2.9**	**2.9**
Analysis of total provisions		
Current	0.5	0.5
Non-current	2.4	2.4
At 30 June 2014	**2.9**	**2.9**

Property related provisions

The property related provisions relate primarily to the excess profit generated when properties, which continue to be occupied by the Group, were previously sold and leased back. The provision for the excess profit deferred will be utilised over the remaining term of the leases, which expire between 2020 and 2021. The remaining property related provision is in relation to properties sub-let by the Group at amounts below the level of rental being paid by the Group.

22 Financial liabilities – borrowings

	Group		Company	
Current	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Bank loans[1]	**–**	72.2	**–**	73.0
Unsecured – Loan notes[2]	**–**	0.1	**–**	0.1
	–	72.3	**–**	73.1

	Group		Company	
Non-current	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Bank loans[1]	**138.6**	–	**170.5**	–
Government funding	**5.9**	–	**–**	–
Obligations under finance leases and hire purchase contracts	**1.0**	–	**–**	–
	145.5	–	**170.5**	–

1. The bank loans and overdrafts are unsecured, although they were secured over certain of the Group's developments until the Group entered its new bank facility in February 2014. They currently incur interest at 2.25 – 2.55% (2013: 2.25 – 2.6%) over LIBOR. The Group has entered into interest rate swaps as set out in note 25. The bank loans are classified as non-current as the Group expects to, and has the discretion to, roll over the obligations under its existing bank facility.
2. The unsecured loan notes are £Nil (2013: £0.1 million) of loan notes that were issued in 2007 as part of the acquisition of Linden Holdings plc. They were redeemable in whole or in part by the holders at six monthly intervals, provided that 30 days' notice was given of their intention to redeem the loan notes. Their interest rate was 5% per annum. The loan notes were redeemed in March 2014, their final date for redemption. The loan notes were guaranteed by a bank.

23 Other non-current liabilities

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Development land payables	**117.4**	87.4	**–**	–
Amounts due to joint venture undertakings	**3.2**	–	**–**	–
Other payables	**0.4**	0.8	**–**	–
Accruals and deferred income	**10.5**	3.0	**–**	–
	131.5	91.2	**–**	–

Developments of £150.0 million have been pledged as security for current and non-current development land payables. Other payables are unsecured.

23 Other non-current liabilities continued

The maturity profile of the anticipated undiscounted future cash flows, based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis, is as follows:

	Development land payables £m	Amounts due to joint venture undertakings £m	Accruals and deferred income £m	Other payables £m	Total £m
Within one year	118.1	10.0	413.6	6.3	**548.0**
More than one year and less than two years	68.7	3.2	2.1	0.4	**74.4**
More than two years	50.5	–	8.4	–	**58.9**
30 June 2014	**237.3**	**13.2**	**424.1**	**6.7**	**681.3**

	Development land payables £m	Amounts due to joint venture undertakings £m	Accruals and deferred income £m	Other payables £m	Total £m
Within one year	113.4	6.8	304.0	24.5	448.7
More than one year and less than two years	44.7	–	0.7	0.8	46.2
More than two years	44.5	–	2.3	–	46.8
30 June 2013	202.6	6.8	307.0	25.3	541.7

24 Deferred income tax

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:

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Deferred income tax assets	**4.8**	2.7	**2.1**	2.7
Deferred income tax liabilities	**(2.4)**	(2.1)	**–**	–
	2.4	0.6	**2.1**	2.7

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

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
At 1 July	**0.6**	7.5	**2.7**	2.5
Current year's deferred income tax	**0.8**	(3.4)	**(0.5)**	0.1
Adjustment in respect of prior years	**(0.2)**	(5.2)	**(0.1)**	–
Income recognised in equity	**1.1**	2.0	**–**	0.2
Change in rate of deferred income tax	**0.1**	(0.3)	**–**	(0.1)
At 30 June	**2.4**	0.6	**2.1**	2.7

Deferred income tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred income tax assets, as it is probable that these assets will be recovered.

24 Deferred income tax continued

Movements in deferred income tax assets and liabilities during the year are shown below:

Deferred income tax assets Group	Share-based payments £m	Fair value adjustments £m	Other £m	Total £m
At 1 July 2012	2.5	5.0	0.2	7.7
Income/(expense) taken to income statement	–	–	0.2	0.2
Adjustment in respect of prior years	–	–	(0.4)	(0.4)
Income recognised in equity	–	–	0.2	0.2
Transfer to deferred income tax liabilities	–	(5.0)	–	(5.0)
At 30 June 2013	2.5	–	0.2	2.7
Income/(expense) taken to income statement	(0.5)	–	2.7	2.2
Adjustment in respect of prior years	(0.1)	–	–	(0.1)
Income/(expense) recognised in equity	0.2	–	(0.2)	–
At 30 June 2014	**2.1**	**–**	**2.7**	**4.8**

Deferred income tax liabilities Group	Fair value adjustments £m	Retirement benefit obligations £m	Accelerated tax depreciation £m	Other £m	Total £m
At 1 July 2012	–	–	(0.1)	(0.1)	(0.2)
Expense taken to income statement	(2.0)	(1.8)	(0.1)	–	(3.9)
Adjustment in respect of prior years	(4.6)	–	(0.2)	–	(4.8)
Income recognised in equity	–	1.7	–	0.1	1.8
Transfer from deferred income tax assets	5.0	–	–	–	5.0
At 30 June 2013	(1.6)	(0.1)	(0.4)	–	(2.1)
Expense taken to income statement	(0.1)	(1.2)	–	–	(1.3)
Adjustment in respect of prior years	0.1	–	(0.2)	–	(0.1)
Income recognised in equity	–	1.1	–	–	1.1
At 30 June 2014	**(1.6)**	**(0.2)**	**(0.6)**	**–**	**(2.4)**

Deferred income tax assets Company	Other £m	Share-based payments £m	Total £m
At 1 July 2012	–	2.5	2.5
Income recognised in equity	0.2	–	0.2
At 30 June 2013	0.2	2.5	2.7
Adjustment in respect of prior years	–	(0.1)	(0.1)
(Expense) taken to income statement	–	(0.5)	(0.5)
(Expense)/income recognised in equity	(0.2)	0.2	–
At 30 June 2014	**–**	**2.1**	**2.1**

25 Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Financial assets and liabilities are offset and the net amount reported when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Cash and cash equivalents comprise £707.8 million of bank accounts in credit offset against £567.4 million overdrafts with the same counter-party (2013: £593.4 million and £535.5 million respectively).

The Group and Company operate within financial risk policies and procedures approved by the Board. It is, and has been throughout the year, the Group's policy that no trading in financial instruments shall be undertaken. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Group's and Company's financial instruments principally comprise bank borrowings, cash and cash equivalents, receivables and payables, available for sale financial assets and interest rate swaps that arise directly from its operations and its acquisitions.

Capital risk management

The Group's and Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The capital requirements of the Group's divisions differ, with housebuilding typically requiring debt and partnerships and construction typically being cash generative, and the economic cycle of each division is also different. The Group manages its capital taking these differing requirements into account.

In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In 2014, the Group increased its bank facilities to £400 million, following a review of its future capital requirements undertaken in the context of the Group's strategy to 2018 and we are targeting period-end gearing of no more than 30%.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. The Group held net debt at 30 June 2014 and had gearing of 1%. The Group also held net debt at 30 June 2013, with gearing of 3%. The Group also has capital requirements in the covenants in its bank facilities, as set out later in this note. The Group has complied with all bank covenants during the year.

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

All material activities of the Group take place within the UK and consequently there is little direct exchange risk other than payments to overseas suppliers who require settlement in their currency. If there is any material foreign exchange exposure, the Group's policy is to enter into forward foreign currency contracts. The Group and Company have no material currency exposure at 30 June 2014 (2013: Nil).

(ii) Price risk

The Group is affected by the level of UK house prices. These are in turn affected by factors such as mortgage availability, employment levels, interest rates, consumer confidence and availability of land with planning. Whilst it is not possible to fully mitigate such risks the Group continues to monitor its geographical spread within the UK concentrating its operations in areas that management believe minimise the effect of local microeconomic fluctuations. As at 30 June 2014, the Group's house price linked financial instruments consist entirely of shared equity receivables held as available for sale financial assets. If UK house price inflation had been 1% higher or lower, with all other variables held constant and excluding any effect of current or deferred tax, the value of these financial instruments would increase or decrease by £1.6 million respectively, with a corresponding change in the result for the year and equity; whilst if the discount rate used had been 1% higher or lower, the value of these financial instruments would decrease or increase by £1.5 million respectively. The concentration of the financial risk lies within price risk as a result of these financial instruments being linked to house prices.

The Group has no quoted investments that are exposed to equity securities price risk. The Group and Company are not exposed to commodity price risk.

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from movement in cash and cash equivalents and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group policy is to accept a degree of interest rate risk as long as the effect of various changes in rates remains within prescribed ranges. Details of the interest rate swaps entered into by the Group are set out below.

The Group analyses its interest rate exposure on a dynamic basis. On a regular basis the Group calculates the impact on the income statement of a defined interest rate shift on the Group's borrowing position.

Based on the forecasts performed, the impact on post tax profit and equity of a 1% decrease or increase in interest rates for a year would be a maximum increase of £1.7 million (2013: £1.2 million) or decrease of £1.7 million (2013: £1.2 million), respectively.

25 Financial instruments continued

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits and borrowings with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables (including shared equity receivables) and committed transactions. The Group has a credit risk exposure to the providers of its banking facilities. These are primarily provided by HSBC Bank plc, Abbey National Treasury Services plc (Santander), The Royal Bank of Scotland plc and Barclays Bank plc, being four of the UK's leading financial institutions. Further details of credit risk relating to trade and other receivables are disclosed in note 18. No credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group finances its operations through a mixture of retained profits and bank borrowings. The contracting operations of the Group generally generate cash. The housebuilding operations, however, utilise cash and any future downturn in the housebuilding market may require additional borrowings, in addition to retained earnings, to finance the maintenance of the landbank and associated work in progress. Management monitors rolling forecasts of the Group's liquidity reserve, which comprises undrawn borrowing facilities (see below) and cash and cash equivalents (note 19) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group, in accordance with practices and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. On a daily basis throughout the year, the bank balances or borrowings in all the Group's operating companies are aggregated into a total cash or borrowings figure, in order that the Group can obtain the most advantageous interest rate.

In accordance with IAS 39 'Financial instruments: recognition and measurement', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives have been identified.

Financial liabilities – derivative financial liabilities

The fair value of interest rate swaps is detailed below:

Group and Company	Liabilities £m
At 30 June 2014	
Non-current	–
At 30 June 2013	
Non-current	(1.1)

During the year ending 30 June 2012, the Group entered into a five year interest rate swap contract that expires in May 2017. The notional principal amount of the outstanding interest rate swap contracts at 30 June 2014 was £75 million (2013: £75 million). At 30 June 2014, the fixed interest rate is 1.5% (2013: 1.5%). The five year swap is designated as a cash flow hedge and changes in fair value are recognised directly in reserves. A gain of £1.1 million was recognised in other comprehensive income in the period. Gains and losses recognised in reserves will be released to the income statement within finance costs over the period to maturity of the contract, and £0.3 million was recognised in the current year.

Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at the prevailing interest rate. The fair value of current borrowings equals their carrying amounts, as the impact of discounting is not significant.

Fair value of non-current borrowings	Note	2014 Book value £m	2014 Fair value £m	2013 Book value £m	2013 Fair value £m
Long-term borrowings	22	**145.5**	**145.5**	–	–
Fair value of other financial assets and financial liabilities					
Primary financial instruments held or issued to finance the Group's operations:					
Short-term borrowings	22	**–**	**–**	72.3	72.3
Available for sale financial assets	14	**23.4**	**23.4**	26.8	26.8
Trade and other payables	20	**751.9**	**751.9**	606.1	606.1
Trade and other receivables	18	**366.8**	**366.8**	273.4	273.4
Cash and cash equivalents	19	**140.4**	**140.4**	57.9	57.9
Other non-current liabilities	23	**131.5**	**131.5**	91.2	91.2

25 Financial instruments continued

Prepayments and accrued income are excluded from the trade and other receivables balances and statutory liabilities and payments received on account on construction contracts are excluded from trade and other payables balances, as only this analysis is required for financial instruments.

There is no difference between the book value and the fair value of the Company's other financial assets and financial liabilities.

Borrowing facilities

The Group had the following undrawn committed borrowing facilities available at 30 June which are restricted by the value of developments available to be secured under the terms of the facility:

	2014 Floating rate £m	2013 Floating rate £m
Expiring:		
Between one and two years	**–**	250.6
In more than two years	**220.2**	–
	220.2	250.6

In February 2014, the Group agreed a new five year £400 million unsecured revolving credit facility with HSBC Bank plc, Abbey National Treasury Services plc (Santander), Barclays Bank plc and The Royal Bank of Scotland plc. The facility provides long-term finance and bonding facilities and is subject to covenants over interest cover, gearing (adjusted to take account of development land payables) and minimum consolidated tangible net assets. Interest is calculated by aggregating margin, LIBOR and relevant costs.

Fair value estimation

Specific valuation techniques used to value financial instruments are defined as:

- Level 1 – Quoted market prices or dealer quotes in active markets for similar instruments.
- Level 2 – The fair value of equity securities and interest rate swaps is calculated as the present value of the estimated future cash flows, based on observable yield curves.
- Level 3 – Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. The fair value of available for sale financial assets is set out in note 14.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June:

	30 June 2014			30 June 2013		
	Level 2 £m	**Level 3 £m**	**Total £m**	Level 2 £m	Level 3 £m	Total £m
Assets						
Available for sale financial assets						
– Shared equity receivables	**–**	**22.3**	**22.3**	–	24.9	24.9
– Equity securities	**1.1**	**–**	**1.1**	1.9	–	1.9
Total	**1.1**	**22.3**	**23.4**	1.9	24.9	26.8
Liabilities						
Liabilities at fair value through income statement						
– Derivatives used for hedging	**–**	**–**	**–**	1.1	–	1.1
Total	**–**	**–**	**–**	1.1	–	1.1

There were no transfers between levels during the period.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Company's only liabilities that are measured at fair value are derivatives used for hedging, as shown in the table above.

25 Financial instruments continued

Fair value measurements using significant unobservable inputs (Level 3)

	30 June 2014	30 June 2013
Opening balance	**24.9**	24.3
Additions	**0.1**	1.8
Unwinding of discount on shared equity receivables	**1.6**	1.8
Impairment	**(1.7)**	(1.5)
Disposals	**(2.6)**	(1.5)
Closing balance	**22.3**	24.9

The key assumptions used in level 3 valuations include future house price movements, the expected timing of receipts, credit risk and discount rates. The typical repayment period is 10–15 years and the timing of receipts is based on historical data. The discount rate of 5.5% and future house price movements used to compute the fair value (typically 2.5%) are based on local market conditions. The sensitivity to house price inflation and discount rates is set out on page 101. If receipts were to occur earlier than expected, the fair value would increase.

The total impact in the period of level 3, taken to the income statement, is a net charge of £0.9 million (30 June 2013: £1.2 million) in cost of sales and £1.6 million (30 June 2013: £1.5 million) in finance income.

26 Ordinary shares and share premium

Group and Company	Number of shares	Ordinary shares £m	Share premium £m	Total £m
At 1 July 2012	81,853,259	40.9	190.8	231.7
Allotted under share option schemes	16,836	–	0.1	0.1
At 1 July 2013	81,870,095	40.9	190.9	231.8
Allotted under share option schemes	404,300	0.2	0.9	1.1
At 30 June 2014	**82,274,395**	**41.1**	**191.8**	**232.9**

Number of shares refers to 50 pence ordinary shares, which are issued and fully paid. There are no shares issued but not fully paid.

At 30 June 2014 the total number of shares outstanding under the SAYE share option scheme was 822,522 (2013: 1,300,745) and under the long-term incentive plans was 1,522,842 (2013: 2,038,384) as detailed below:

SAYE share option scheme

Shares under option	Year of grant	Exercise price per share	Exercise period ending
305	2011	271p	30.06.14
270,698	2011	271p	30.06.16
365,095	2013	657p	30.06.16
186,424	2013	657p	30.06.18
822,522			

Long-term incentive plans

Shares awarded	Year of grant	Share price at grant	Vesting date
689,492	2012	457p	22.09.14
445,815	2013	729p	26.09.15
40,458	2013	843p	26.09.15
347,077	2014	1040p	30.09.16
1,522,842			

27 Share-based payments

The Company operates performance related share incentive plans for executives, details of which are set out in the Directors' Remuneration Report. The Company also operates sharesave schemes. The total charge for the year relating to employee share-based payment plans was £3.4 million (2013: £3.8 million), all of which related to equity settled share-based payment transactions. After deferred tax, the total charge was £3.8 million (2013: £3.8 million).

Savings related share options

The Company operates an HM Revenue & Customs approved sharesave scheme, under which employees are granted an option to purchase ordinary shares in the Company 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 sharesave options.

27 Share-based payments continued

The options were valued using the binomial option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Share price at grant date	Exercise price	Contract date	Expected volatility	Option life (years)	Risk free rate	Dividend yield	Employee turnover before vesting	Fair value per option
19.11.10	280p	271p	01.01.11	55%	3	1.6%	4.5%	10%	93.5p
19.11.10	280p	271p	01.01.11	47%	5	2.4%	4.5%	10%	90.0p
14.11.12	711p	657p	01.01.13	31%	3	0.5%	4.2%	10%	135.5p
14.11.12	711p	657p	01.01.13	46%	5	0.9%	4.2%	10%	222.2p

The expected volatility is based on historical volatility in the movement in the share price over the last three or five years up to the date of grant, depending on the option life. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. A reconciliation of savings related share awards over the year to 30 June 2014 is shown below:

	2014		2013	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 July	**1,300,745**	**450p**	823,916	309p
Awards	**–**	**–**	621,896	657p
Forfeited	**(38,906)**	**500p**	(28,677)	330p
Cancelled	**(31,378)**	**573p**	(36,563)	451p
Expired	**(3,639)**	**271p**	(62,991)	747p
Exercised	**(404,300)**	**273p**	(16,836)	298p
Outstanding at 30 June	**822,522**	**530p**	1,300,745	450p
Exercisable at 30 June	**7,803**	**594p**	7,839	375p

The weighted average fair value of awards granted during the year was Nil (2013: 164 pence). There were 404,300 share options exercised during the year ended 30 June 2014 (2013: 16,836) and the weighted average share price at the date of exercise was 1159 pence. The weighted average remaining contractual life is 2 years 5 months (2013: 2 years 8 months).

Performance related long-term incentive plans

The Company operates performance related share incentive plans for executives, details of which are set out in the Directors' Remuneration Report. The awards that vest are satisfied by the transfer of shares for no consideration.

The options were valued using a Monte Carlo model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Share price at grant date	Vesting period/ option life months	Risk free rate	Dividend yield	Fair value per option
28.09.10	328.5p	36	1.1%	3.8%	196p
22.09.11	457.3p	36	0.8%	3.5%	279p
26.09.12	728.5p	36	0.3%	4.1%	771p
01.02.13	843.0p	32	0.5%	3.6%	936p
30.09.13	1040.0p	36	0.9%	3.6%	705p

The expected volatility is based on historical volatility in the movement in the share price of the Company and its comparator group and the correlations between them over the last three years. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. A reconciliation of performance related share awards over the year to 30 June is shown below:

	2014 Number	2013 Number
Outstanding at 1 July	**2,038,384**	2,124,645
Granted	**955,058**	957,666
Forfeited	**(50,876)**	(24,753)
Exercised	**(1,419,724)**	(1,019,174)
Outstanding at 30 June	**1,522,842**	2,038,384
Exercisable at 30 June	**–**	–

The weighted average fair value of awards granted during the year was 705 pence (2013: 784 pence). There were 1,419,724 options exercised during the year ended 30 June 2014 (2013: 1,019,174). The weighted average remaining contractual life is Nil as the shares are exercised on the day that they vest (2013: Nil).

28 Other reserves

	Group £m	Company £m
At 1 July 2013 and 30 June 2014	**4.8**	**3.0**

The Group's other reserves relates to a merger reserve amounting to £4.7 million (2013: £4.7 million) and the movement on available for sale financial assets amounting to £0.1 million (2013: £0.1 million).

29 Retained earnings

	Notes	Group £m	Company £m
At 1 July 2012		241.4	159.4
Profit for the year		58.2	3.0
Actuarial gains recognised in the retirement benefit obligations	30	(6.5)	–
Deferred and current tax on movements in equity	24	2.0	0.2
Dividends paid	7	(26.9)	(26.9)
Share-based payments	27	3.8	3.8
Purchase of own shares		(7.7)	(7.7)
Movement in fair value of derivative financial instruments		0.5	0.5
At 30 June 2013		264.8	132.3
Profit/(loss) for the year		77.2	(3.6)
Actuarial gains recognised in the retirement benefit obligations	30	(5.3)	–
Deferred and current tax on movements in equity	6	2.5	1.4
Dividends paid	7	(32.8)	(32.8)
Share-based payments	27	3.4	3.4
Purchase of own shares		(14.4)	(14.4)
Movement in fair value of derivative financial instruments		1.1	1.1
At 30 June 2014		**296.5**	**87.4**

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9.5 million (2013: £9.5 million).

At 30 June 2014, the Galliford Try Employee Share Trust (the Trust) held 678,180 (2013: 878,353) shares. The nominal value of the shares held is £0.3 million (2013: £0.4 million). 680,061 shares were acquired during the year (2013: 400,000) at a cost of £6.8 million (2013: £3.9 million) and a further £7.6 million (2013: £3.8 million) was paid in relation to other share related transactions. 820,173 (2013: 561,870) shares were transferred during the year. The cost of funding and administering the Trust is charged to the income statement of the Company in the period to which it relates. The market value of the shares at 30 June 2014 was £7.7 million (2013: £8.2 million).
No shareholders (2013: None) have waived their rights to dividends.

30 Retirement benefit obligations

All 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 employee's age and the amount they choose to contribute. Since 1 July 2013 all non-participating and newly employed staff have been auto-enrolled into the separate stakeholder plan and are entitled to increase their contribution rates in line with existing members. Since 1 April 2009, the Group has operated a pension salary sacrifice scheme which means that all employee pension contributions are paid as employer contributions on their behalf.

The Group operates three defined benefit pension schemes that pay out pensions at 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 accounting numbers consolidate these three arrangements. 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 trustees include representatives of the Company and plan participants, in accordance with each plan's regulations.

The Group has adopted the revised IAS19 'Employee Benefits' published in June 2011, which came into force for financial periods beginning on or after 1 January 2013. The adoption of the new standard was not significant and did not result in any restatement of the surplus/deficit recognised as a non-current asset/liability, of the actuarial losses, or of the net cost recognised in the income statement at 30 June 2013.

Pension costs for the schemes were as follows:

	2014 £m	2013 £m
Defined benefit schemes – Expense recognised in the income statement	**0.3**	0.2
Defined contribution schemes	**13.3**	12.6
Total included within employee benefit expenses (note 3)	**13.6**	12.8

Of the total charge for all schemes £7.8 million (2013: £7.0 million) and £5.7 million (2013 £5.6 million) were included, respectively, within cost of sales and administrative expenses. £0.1 million (2013: £0.2 million) was included within net finance costs.

30 Retirement benefit obligations continued

Defined benefit schemes

An independent actuary performs detailed triennial valuations, together with periodic interim reviews, following which a funding plan and contribution schedule is agreed between the Company and the Trustees. The most recent completed formal actuarial valuation for the Galliford Try Final Salary Pension Scheme was as at 1 July 2012 and was prepared by Mercer, the scheme actuary. The Galliford Try Final Salary Pension Scheme closed to future accrual with effect from 31 March 2007. The IAS19 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 latest actuarial valuations for the Galliford Group Special Scheme and the Kendall Cross (Holdings) Ltd Assurance & Pension Scheme were as at 1 April 2013 and 14 November 2011 respectively.

The deficit recovery funding plan agreed with the Trustees in 2013 requires 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 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 requires the Company to pay contributions of £16,000 per calendar month until September 2014.

The Kendall Cross (Holdings) Limited Scheme is funded and provides benefits based on final pensionable salaries. The scheme was closed to new members and to future accrual for existing members prior to the date of the acquisition by Galliford Try plc in November 2007. The most recent actuarial valuation of the Scheme was prepared as at 14 November 2011. A deficit recovery funding plan was agreed with the Trustees, which requires the Company to pay contributions of £15,300 per month from April 2013.

Principal assumptions

The valuations of the Group's pension schemes have been updated to 30 June 2014 and all three schemes are consolidated for disclosure purposes below. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	2014	2013
Rate of increase in pensionable salaries	**n/a**	n/a
Rate of increase in pensions in payment	**3.30%**	3.30%
Discount rate	**4.20%**	4.50%
Retail price inflation	**3.40%**	3.40%
Consumer price inflation	**2.40%**	2.40%

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.

	2014	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

At 1 July 2012, the date of the last valuation, the scheme had 1,537 deferred members and 716 pensioners.

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		2013	
	Value £m		Value £m	
Equities[1]	**30.1**	**15%**	38.9	21%
Gilts[1]	**77.1**	**38%**	73.9	39%
Bonds[1]	**66.2**	**33%**	61.5	32%
Diversified growth funds[1]	**26.9**	**13%**	–	0%
Cash and other[2]	**2.4**	**1%**	14.3	8%
	202.7	**100%**	188.6	100%
Present value of defined benefit obligations	**(201.7)**		(188.1)	
Surplus in scheme recognised as non-current asset	**1.0**		0.5	

1. Equities, gilts, bonds and the diversified growth funds are quoted assets. The asset classes are intended to minimise the volatility of the funding position.
2. Other assets include monies held within a deposit administration policy held with Legal and General.

30 Retirement benefit obligations continued

Sensitivity analysis of scheme liabilities

The weighted average duration of the defined benefit obligations at 30 June 2014 was 19 years. The sensitivity of the present value of scheme liabilities at 30 June 2014 to changes in the principal assumptions is set out below.

	Change in assumption[1]	Impact on scheme liabilities
Discount rate	Increase by 0.1%	Decrease by £3.8 million
Rate of inflation	Increase by 0.1%	Increase by £2.3 million
Growth rate in pension payments	Increase by 0.1%	Increase by £1.8 million
Life expectancy	Increase by one year	Increase by £5.4 million

1. Based on change in assumption while holding all other assumptions constant, which in practice may be unlikely as assumptions may be correlated.

Accounting results

The amounts recognised in the income statement are as follows:

	2014 £m	2013 £m
Net interest (income)/expense on net defined benefit asset	(0.1)	0.2
Expenses	0.4	–
Expense recognised in the income statement	0.3	0.2

The actual return on scheme assets was of £15.0 million (2013: £14.4 million).

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

	2014 £m	2013 £m
Total amount of actuarial (losses) in the year	(5.3)	(6.5)
Cumulative actuarial (losses)	(39.7)	(34.4)

Movement in present value of defined benefit obligations	2014 £m	2013 £m
At 1 July	188.1	173.7
Interest cost	8.3	7.7
Experience losses/(gains)	0.6	(4.6)
Actuarial loss arising from changes in financial assumptions	11.9	12.7
Actuarial (gain)/loss arising from changes in demographic assumptions	(0.6)	4.8
Benefit payments	(6.6)	(6.2)
At 30 June	201.7	188.1

Movement in fair value of scheme assets	2014 £m	2013 £m
At 1 July	188.6	173.5
Interest income	8.4	7.5
Return on plan assets, excluding interest income	6.6	6.5
Employer contributions	6.1	7.3
Expenses	(0.4)	–
Benefit payments	(6.6)	(6.2)
At 30 June	202.7	188.6

Movement in fair value of net asset/(liability)	2014 £m	2013 £m
At 1 July	0.5	(0.2)
Net interest income	0.1	0.2
Return on plan assets, excluding interest income	6.6	6.5
Experience (losses)/gains	(0.6)	4.6
Actuarial (losses)	(11.3)	(17.5)
Employer contributions	6.1	7.3
Expenses	(0.4)	(0.4)
At 30 June	1.0	0.5

The contributions expected to be paid to the defined benefit schemes during the year ended 30 June 2015 are £5.8 million.

31 Financial and capital commitments

The Group had no commitments for subordinated debt to joint ventures or other investments at 30 June 2014 (2013: £Nil), nor any commitment for other capital expenditure.

Galliford Try plc, together with certain of its subsidiaries, 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 minimum commitments for payments under these contracts are as follows:

	2014 £m	2013 £m
Amounts due:		
Within one year	**10.2**	10.7
Later than one year and less than five years	**19.3**	18.6
After five years	**10.3**	14.6
	39.8	43.9

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.

32 Guarantees and contingent liabilities

Galliford Try plc has entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued in the normal course of business on behalf of Group undertakings, including joint arrangements and joint ventures, 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 Group's financial position.

33 Related party transactions

Group

Transactions between the Group and its joint ventures and jointly controlled operations are disclosed as follows:

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2014 £m	2013 £m	**2014 £m**	2013 £m	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Trading transactions								
Joint ventures	**21.8**	21.8	**3.2**	0.4	**42.4**	22.0	**13.2**	6.8
Jointly controlled operations	**24.4**	30.7	**–**	–	**3.2**	–	**7.0**	–

	Interest income from loans to related parties		Loans to related parties		Loans from related parties		Injection of equity funding	
	2014 £m	2013 £m	**2014 £m**	2013 £m	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Non-trading transactions								
Joint ventures	**4.8**	7.5	**66.1**	50.0	**–**	–	**–**	–

Sales to related parties are based on terms that would be available to unrelated third parties. Receivables are due within eight years (2013: seven years) and are unsecured, with interest rates varying from bank base rate plus 1.75% to 10%. Payables are due within two years (2013: one year) and are interest free.

Company

Transactions between the Company and its subsidiaries which are related parties, which are eliminated on consolidation, are disclosed as follows:

	Interest income from loans to related parties		Amounts due to related parties		Amounts due from related parties		Capital contributions to related parties	
	2014 £m	2013 £m	**2014 £m**	2013 £m	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Non-trading transactions								
Subsidiary undertakings	**–**	–	**210.0**	184.3	**76.0**	78.1	**0.3**	3.3

33 Related party transactions continued

The Company has provided performance guarantees in respect of certain operational contracts entered into between joint ventures and a Group undertaking.

The Company has entered into financial guarantees in respect of its Linden/Downland Graylingwell LLP joint venture. The maximum amount payable under the terms of this guarantee is £7.5 million.

34 Post balance sheet events

On 9 July 2014 the Group acquired the Miller Construction business (Miller Construction) from Miller Group Holdings (UK) Limited for a total price of £16.57 million. The acquisition is cash accretive and will be earnings enhancing in the year ending 30 June 2015 (including one-off restructuring costs). Miller Construction had gross assets of £232 million at 31 December 2013. Under the terms of the acquisition, the Miller Group has agreed to transfer Miller Construction with a nil net assets balance, including a cash balance of £23 million. The Group has not yet concluded its accounting for the acquisition.

Miller Construction is a UK only construction business which delivers building and infrastructure projects to both the public and private sectors. In the year to 31 December 2013, Miller Construction reported revenue of £409 million and a loss before interest and tax of £4 million.

As at 9 July 2014, the acquired order book of £1.4 billion doubled the Group's 30 June 2014 order book to £2.8 billion.

On 16 September 2014, the chief executive, Greg Fitzgerald, indicated his intention to retire in 2015.

Five year record

	2010 £m	2011 £m	2012 £m	2013 £m	**2014 £m**
Group revenue	1,221.9	1,284.2	1,504.1	1,467.3	**1,767.8**
Profit before exceptional items	26.1	35.1	63.1	73.6	**94.9**
Exceptional items	(6.9)	6.6	–	0.5	**0.3**
Profit before taxation	19.2	41.7	63.1	74.1	**95.2**
Tax	(8.4)	(8.9)	(13.8)	(15.9)	**(18.0)**
Profit after taxation attributable to shareholders	10.8	32.8	49.3	58.2	**77.2**
Fixed assets, investments in joint ventures and available for sale financial assets	25.4	32.5	41.9	42.5	**40.2**
Intangible assets and goodwill	121.9	124.0	126.8	128.4	**128.1**
Net current assets	346.4	277.4	354.2	379.0	**586.5**
Long-term receivables	49.4	53.5	43.6	48.4	**61.2**
Long-term payables and provisions	(119.9)	(32.3)	(88.1)	(96.9)	**(281.8)**
Net assets	423.2	455.1	478.4	501.4	**534.2**
Share capital	40.9	40.9	40.9	40.9	**41.1**
Reserves	382.3	414.2	437.5	460.5	**493.1**
Shareholders' funds	423.2	455.1	478.4	501.4	**534.2**
Dividends per share (pence)	12.5	16.0	30.0	37.0	**53.0**
Basic earnings per share (pence)	14.7	40.3	60.9	71.7	**94.6**
Diluted earnings per share (pence)	14.7	39.4	59.7	69.8	**93.0**

Shareholder information

Financial calendar 2014

Half year results announced	19 February
Interim dividend paid	9 April
Full year results announced	16 September
Ex dividend date	16 October
Final dividend record date	17 October
Annual General Meeting	7 November
Final dividend payment	28 November

Shareholder enquiries

The Company's registrars are Equiniti Limited. They will be pleased to deal with any questions regarding your shareholding or dividend payments. Please notify them if you change your address or other personal information. Call the shareholder contact centre on 0871 384 2030 (calls to this number cost 8 pence per minute plus network extras. Lines open from 8.30am to 5.30pm, Monday to Friday. Overseas shareholders should call +44 121 415 7047) or, alternatively, write to them at:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

You can find a number of shareholder services online via their website at www.shareview.co.uk/myportfolio, including the portfolio service which gives you access to more information on your investments such as balance movements, indicative share prices and information on recent dividends. You can also register your email address to receive shareholder information and Annual Report and Financial Statements electronically.

Share dealing service

A telephone and internet dealing service is available through Equiniti which provides a simple way of buying and selling Galliford Try shares. Commission is currently 1.5% with a minimum charge of £50 for telephone dealing and a minimum charge of £45 for internet dealing. For telephone sales call 0845 603 7037 between 8.00am and 4.30pm, Monday to Friday, and for internet sales log on to www.shareview.co.uk/dealing. You will need your shareholder reference number as shown on your share certificate. Share dealing services are also widely provided by other organisations. The Company is listed on the London Stock Exchange under the code GFRD and the SEDOL and ISIN references are B3Y2J50 and GB00B3Y2J508.

Group website

You can find out more about the Group on our website www.gallifordtry.co.uk which includes a section specifically prepared for investors. In this section you can check the Company's share price, find the latest Company news, look at the financial reports and presentations as well as search frequently asked questions and answers on shareholding matters. There is also further advice for shareholders regarding unsolicited boiler room frauds.

The Company's up to date share price can also be obtained by calling the voice activated Cityline on 09058 171690 (calls charged at 75 pence per minute from a landline).

Company contact

Contact with existing and prospective shareholders is welcomed by the Company. If you have any questions please contact the company secretary, either at the registered office or via email (kevin.corbett@gallifordtry.co.uk).

Analysis of shareholdings

at 30 June 2014

Size of shareholding	% of holders	Number of holders	% of shares	Number of shares
1 – 10,000	91.70	3,957	5.19	4,268,501
10,001 – 50,000	4.19	181	4.97	4,086,160
50,001 – 500,000	3.22	139	30.88	25,406,435
500,001 – highest	0.88	38	58.97	48,513,299

Registered Office

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Uxbridge UB8 2AL

Stockbrokers

Peel Hunt LLP
HSBC Bank plc

Bankers

HSBC Bank plc
Barclays Bank plc
The Royal Bank of Scotland plc
Abbey National Treasury Services plc

Registration

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Rothschild

Independent auditors

PricewaterhouseCoopers LLP

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