

Galliford Try Construction (UK) Limited

Annual report and Financial statements

For the year ended 30 June 2016

Registered number: SC209666



Galliford Try Construction (UK) Limited

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Galliford Try Construction (UK) Limited
Directors and advisers

Directors

M Cooper
T De La Motte
IT Jubb
GW West

Registered office

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EH12 1LB

Bankers

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15 Colmore Row
Birmingham
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Galliford Try Construction (UK) Limited

Strategic report for the year ended 30 June 2016

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

Review of business

The Company provides a full range of construction services from design and construction through to Facilities management.

At close of business on 30 June 2015, the business, trade and assets of the Company were transferred to a fellow group undertaking, as explained in the financial statements for the year ended 30 June 2015.

Principal risks, uncertainties and key performance indicators


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

The directors of Galliford Try plc manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of Galliford Try plc, which includes the Company, is discussed in the Group's annual report, which does not form part of this report. The Galliford Try plc annual report is publicly available, refer to note 10 for further details.

General

The Company's result for the financial year was £Nil (2015:pre-exceptional loss was £9,771,000, loss £10,821,000. The exceptional costs relate to the restructuring expenses associated with the integration into the Galliford Try group).

By order of the board



M Cooper
Director

28 February 2017

Galliford Try Construction (UK) Limited

Directors' Report for the year ended 30 June 2016

The directors present their report of Galliford Try Construction (UK) Limited ("the Company"), registered number SC209666 for the year ended 30 June 2016.

Future developments

Following the transfer of the business, trade and assets at close of business on 30 June 2015, the Company is not expected to trade in the foreseeable future.

Dividends

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

Political and charitable donations

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

Financial risk management

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

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

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

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

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

Directors

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

GW West was appointed as a director of the Company on 24 November 2016.

Qualifying third-party and pension scheme indemnity provisions

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

Galliford Try Construction (UK) Limited
Directors' Report for the year ended 30 June 2016 (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors' report was approved by the board of directors on 28 February 2017 and signed by its order by:



M Cooper
Director
28 February 2017

Galliford Try Construction (UK) Limited
Income statement for the year ended 30 June 2016

	Note	2016 £'000	2015 £'000
Turnover		–	321,387
Cost of sales		–	(316,350)
Gross result / profit		–	5,037
Administrative expenses		–	(14,808)
Exceptional costs	4	–	(3,724)
Operating result / (loss)		–	(13,495)
Other interest receivable and similar income	3	–	236
Interest payable and similar charges	3	–	(395)
Result / (loss) on ordinary activities before taxation	4	–	(13,654)
Tax credit on result / (loss) on ordinary activities	5	–	2,833
Result / (loss) for the financial year		–	(10,821)

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

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

All results are derived from continuing operations.

Galliford Try Construction (UK) Limited
Balance sheet as at 30 June 2016

	Note	2016 £'000	2015 £'000
Assets			
Current assets			
Trade receivables	6	53,263	53,263
Total current assets		53,263	53,263
Total assets		53,263	53,263
Liabilities			
Current liabilities			
Total current liabilities		—	—
Net current assets		53,263	53,263
Net assets		53,263	53,263
Equity			
Share capital	7	1	1
Profit and loss account		53,262	53,262
Total equity		53,263	53,263

The notes on pages 8 to 14 are an integral part of these financial statements.

(a) For the year ended 30 June 2015, the Company was entitled to the exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

(b) The members have not required the Company to obtain an audit of its financial statements in accordance with section 476 of the Companies Act 2006.

(c) The directors acknowledge their responsibility for:

(i) complying with the requirements of the Act with respect to accounting records and preparation of financial statements.

(ii) preparing financial statements in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 'The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008.

The financial statements on pages 5 to 14 were approved by the Board of directors on 28 February 2017 and signed on its behalf by:



M Cooper
Director

Registered number: SC209666

Galliford Try Construction (UK) Limited
Statement of changes in equity for the year ended 30 June 2016

	Share capital £'000	Profit and loss account £'000	Total equity £'000
As at 01 July 2014	1	64,083	64,084
Loss for the financial year	–	(10,821)	(10,821)
As at 30 June 2015 and as at 01 July 2015	1	53,262)	53,263
Profit for the financial year	–	–	–
As at 30 June 2016	1	52,262	53,263

Galliford Try Construction (UK) Limited

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

1. Accounting policies

General Information

Galliford Try Construction (UK) Limited ('the Company') is a limited Company incorporated, and domiciled in Scotland (Registered number: SC209666). The address of the registered office is Galliford Try Construction (UK) Limited, PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB. Refer to note 10 for details of the immediate and ultimate parent undertaking.

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

Basis of accounting

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

The Company is a qualifying entity for the purposes of FRS 101. Note 10 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

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

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

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

Galliford Try Construction (UK) Limited

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

1. Accounting policies (continued)

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

Critical accounting estimates and judgments

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

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

(i) Estimation of costs to complete and loss provisions

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

Exceptional items

Material non-recurring items of income and expense are disclosed in the income statement as "exceptional items".

Turnover and profit

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

Turnover and profit are recognised as follows:

Construction contracts

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

Galliford Try Construction (UK) Limited
Notes to the financial statements for the year ended 30 June 2016 (continued)

1. Accounting policies (continued)

Construction contracts (continued)

(a) Fixed price contracts - Turnover is recognised based upon an internal assessment of the value of works carried out. This assessment is arrived at after due consideration of the performance against the programme of works, measurement of the works, detailed evaluation of the costs incurred and comparison to external certification of the work performed. The amount of profit to be recognised is calculated based on the proportion that costs to date bear to the total estimated costs to complete. Turnover and profit are not recognised in the income statement until the outcome of the contract is reasonably certain.

Adjustments arise from claims by customers or third parties in respect of work carried out and claims and variations on customers or third parties for variations on the original contract. Provision for claims against the Company is made as soon as it is believed that a liability will arise, but claims and variations made by the Company are not recognised in the income statement until the outcome is virtually certain. Provision will be made against any potential loss as soon as it is identified.

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

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

Interest income and expense

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

Dividend policy

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

Income tax

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

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

Deferred income tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Galliford Try Construction (UK) Limited

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

1. Accounting policies (continued)

Income tax (continued)

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred income tax is accounted for on an undiscounted basis.

A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying temporary differences can be deducted.

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

Trade receivables

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

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

2. Employees and directors

Employee benefit expense for the Company for the year is:

	2016 £'000	2015 £'000
Wages and salaries	–	23,457
Redundancy and termination costs	–	139
Social security costs	–	2,631
Other pension costs	–	1,770
	–	27,997

Galliford Try Construction (UK) Limited**Notes to the financial statements for the year ended 30 June 2016 (continued)****2. Employees and directors (continued)**

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

	2016 Number	2015 Number
By activity:		
Construction	–	332
Administration and support	–	109
Administration and support	–	30
Average number of employees during the year	–	471

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

The directors did not receive any emoluments from the Company for their services during the year.

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

	2016 £'000	2015 £'000
Other interest receivable and similar income		
-from Group undertakings	–	236
Other interest receivable and similar income		236
Interest payable and similar charges		
-other interest payable		(395)
Net finance costs	–	(159)

4. Result / (loss) on ordinary activities before taxation

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

	2016 £'000	2015 £'000
Employee benefits expense	–	27,997
Net exceptional items	–	3,724

Exceptional items in 2015 of £3.7 million comprise mainly of restructuring costs associated with the integration into the Galliford Try group of Miller Construction.

Services provided by the Company's auditors

The previous year's auditors' remuneration was borne by Galliford Try Building Limited, a fellow subsidiary of Galliford Try plc.

Galliford Try Construction (UK) Limited
Notes to the financial statements for the year ended 30 June 2016 (continued)

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

	2016	2015
	£'000	£'000
Current tax for the year	–	2,833
Income tax credit	–	2,833

The total income tax for the year of £Nil (2015: credit £2,833,000) is the same as (2015: the same as) the blended standard rate of corporation tax in the UK of 20.0% (2015: 20.75%). The differences are explained below:

	2016	2015
	£'000	£'000
Profit/(loss) on ordinary activities before taxation	–	(13,654)
Profit/ (loss) before income tax multiplied by the blended standard rate in the UK of 20.0% (2015: 20.75%)	–	2,833
Income tax credit	–	2,833

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

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

6. Trade and other receivables

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	53,263	53,263
	53,263	53,263

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

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

Galliford Try Construction (UK) Limited
Notes to the financial statements for the year ended 30 June 2016 (continued)

7. Share capital

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

8. Guarantees and contingent liabilities

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

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

9. Post balance sheet events

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

10. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Galliford Try Corporate Holdings Limited which is registered in England and Wales. The ultimate parent undertaking and controlling party is Galliford Try plc, which is registered in England and Wales. Copies of the consolidated group financial statements of Galliford Try plc are publicly available from Galliford Try plc, Cowley Business Park, High Street, Cowley, Uxbridge, Middlesex, UB8 2AL.