GALLIFORD TRY PLC - HALF YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2014
CONTINUING STRONG PERFORMANCE: DISCIPLINED GROWTH AND DIVIDEND ENHANCEMENT

Financial	H1 2015	H1 2014	Change
• Group revenue [1]	**£1,085.4m**	£803.5m	+35%
• Profit before tax	**£42.5m**	£38.1m	+12%
• Earnings per share	**42.0p**	36.8p	+14%
• Dividend per share	**22.0p**	15.0p	+47%
• Net debt	**£35.9m**	£85.9m	-£50.0m
• Group return on net assets [2]	**20.1%**	17.1%	+3.0 ppts
• Profit before tax, pre-exceptional [3]	**£45.9m**	£38.0m	+21%
• Earnings per share, pre-exceptional [3]	**45.5p**	36.7p	+24%

Group

- Record results and excellent progress on our disciplined growth strategy to 2018.
- Interim dividend up 47%, reflecting our strong performance.
- Further enhancement of our progressive dividend policy aiming to reduce cover from 1.7x to 1.5x.
- Net debt of £35.9 million (H1 2014: £85.9 million), despite the increase in the landbank.
- Existing £400 million unsecured bank facility extended to 2020 on improved terms; new £100 million interest rate hedge.
- Successful completion of integration of the Miller Construction business.

Housebuilding

- Linden Homes revenue up 5% to £346.1 million (H1 2014: £328.2 million) from 1,364 unit completions, 1,278 units net of joint venture partner share (H1 2014: 1,300 and 1,230 respectively).
- Linden Homes operating margin rose to 15.1% (H1 2014: 13.5%), including planned land sales, in line with both our strategy and our margin enhancement programme.
- Galliford Try Partnerships revenue, including both contracting and mixed tenure, up 56% to £157.6 million (H1 2014: £100.9 million) generating an operating margin of 2.3% (H1 2014: 1.9%).
- Strong Galliford Try Partnerships contracting order book of £650 million (H1 2014: £500 million) which excludes the appointment as preferred developer for the £360 million Silvertown Way development in Canning Town.
- Total sales currently reserved, contracted and completed across Linden Homes and Galliford Try Partnerships of £747 million (H1 2014: £744 million).
- Record landbank of 14,300 plots with the land market continuing to be positive. 100% of land secured for 2016 and 70% of land secured for 2017.

Construction

- Construction margin of 1.0% (H1 2014: 1.4%, FY 2014: 1.0%) in line with our expectations as we work through historical projects, and helped by the Miller Construction acquisition.
- Exceptional order book at £3.25 billion (H1 2014: £1.25 billion) and further visibility of an excellent pipeline of opportunities. 100% of projected revenue now secured for the current financial year with a record 75% secured for 2016 (31 December 2013: 100% and 65% respectively).
- Strong cash balance of £158.0 million underlining the robust performance of the business (H1 2014: £121.5 million).

Greg Fitzgerald, Executive Chairman, commented:

"We are very pleased with the Group's strong performance in the six months to 31 December 2014 with our housebuilding and construction businesses both performing well, and are encouraged by the start we have made to the second half of the year.

Linden Homes' sales rate has increased since 1 January 2015. Housing market conditions remain good and we are optimistic about the prospects for a number of recent and forthcoming sales outlets. Our Partnerships business continues to see exceptional demand for contracting in the affordable housing market and the development business is growing in line with plan. Our enlarged Construction business has a record order book of £3.25 billion with the Miller Construction integration now completed.

We are making good progress with the search for a new Chief Executive.

We have increased the interim dividend by 47% and, reflecting our continuing confidence in the delivery of our disciplined growth strategy, we are further enhancing our dividend policy."

For further enquiries:

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Galliford Try will hold its half year results presentation for analysts and institutional investors at 09:30 am on Wednesday 18 February 2015 at The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. A live audio webcast will be available at www.gallifordtry.co.uk/investors with a recording available later. A video interview with Graham Prothero, Finance Director, on the results will be available at www.gallifordtry.co.uk.

[1] *'Group revenue' excludes share of joint ventures of £39.2 million (H1 2014: £32.5 million). 'Revenue' where stated throughout this half year report includes share of joint ventures.*

[2] *Group return on net assets represents profit before tax, exceptional items, finance costs and amortisation divided by average net assets.*

[3] *Exceptional costs in 2014 of £3.4 million relate to the integration of Miller Construction.*

STRATEGY TO 2018

Targeting disciplined growth across all businesses to deliver strong shareholder returns

Across all of our businesses we have a disciplined growth plan to 2018 and we remain on track to deliver our objectives.

Group

Our strategy is expected to more than double FY13's profit before tax and earnings per share by 2018, with a greater increase in the dividend.

The Group is announcing today that it plans to further enhance its progressive dividend policy, with the aim to reduce cover to 1.5x.

The Group has also agreed a one year extension to 2020 for its unsecured revolving credit facility of £400 million on improved terms and entered into a new £100 million interest rate hedge.

We continue to target period-end gearing of no more than 30%, with average and peak levels well below covenant levels.

Housebuilding

Linden Homes

The business continues to focus on its margin enhancement programme. For the half year to 31 December 2014 we achieved a margin of 15.1% versus 13.5% in first half of the previous year. We expect operating margin to rise towards 18% by 2018.

Galliford Try Partnerships

Our Partnerships business is performing well as we respond to the strong demand for affordable housing. We now anticipate achieving revenue in excess of £400 million with circa £60 million from the sale of low cost homes and the remainder from the contracting business. We expect the blended operating margin to increase to at least 4.0%.

In a land market that remains positive, we have acquired a circa 14,300 unit landbank, across Linden Homes and Partnerships; it is intended that this will remain stable and provide a comfortable 3½ - 4 year supply.

Construction

Our enlarged Construction business is benefiting from an improving market. Following the complementary acquisition of Miller Construction we have increased the construction revenue target from £1.25 billion to £1.5 billion by 2018.

The integration of Miller Construction has proceeded very well and is now complete with the expected synergies being delivered. Across all our Construction businesses we will maintain our focus on risk management and continue to prioritise margin and strict cash management. We expect margins to rise to 2.0% by 2018.

INTERIM DIVIDEND

In line with strategy and reflecting the Group’s strong performance during the half year to 31 December 2014 the directors have declared an interim dividend of 22.0 pence per share (H1 2014: 15.0 pence) which will be paid on 8 April 2015 to shareholders on the register at close of business on 20 March 2015.

FINANCIAL REVIEW

Group revenue for the half year to 31 December 2014 was up 35% at £1,085.4 million (H1 2014: £803.5 million). Revenue (including share of joint ventures) was up 35% to £1,124.6 million (H1 2014: £836.0 million). The increase includes approximately £169 million from the acquired Miller Construction business.

The Group achieved a profit from operations (stated before finance costs, amortisation, exceptional items, tax and share of joint ventures’ interest and tax) of £55.3 million up 26% against the same period last year driven primarily by improvement in revenue and margin in Housebuilding. Profit before tax and exceptional items was up 21% at £45.9 million (H1 2014: £38.0 million), and post exceptional profit before tax was up 12% at £42.5 million (H1 2014: £38.1 million). Pre-exceptional earnings per share for the period was up to 45.5p (H1 2014: 36.7p) and post exceptional earnings per share was 42.0p (H1 2014: 36.8p).

Exceptional costs of £3.4 million relate to the integration of Miller Construction, below the estimate we made at the time of the acquisition. We expect to achieve synergy savings of £7 million in the current full year, rising to £8 million per annum thereafter which are higher than our initial estimates. The taxation expense of £8.1 million reflects an estimated effective rate of 19.0% (H1 2014: 21.5%) for the full financial year to 30 June 2015. We anticipate a similar effective tax rate will be maintained for the foreseeable future.

The Group maintained its strong focus on cash management throughout the period. Net debt at 31 December 2014 was £35.9 million (H1 2014: £85.9 million), despite the planned significant increase in the landbank. Average debt over the six months to 31 December 2014 was £137 million compared to £135 million in the equivalent period last year and £161 million in the full year. The net working capital employed in Linden Homes was £579.4 million (H1 2014: £579.5 million), assisted by the continuing benefit of deferred payments for land acquisition which rose to £277.9 million (H1 2014: £218.3 million). Construction's cash balance of £158.0 million (H1 2014: £121.5 million) demonstrates continued strong performance.

Extended Five Year Banking Arrangement

The Group has agreed a one year extension to its unsecured revolving credit facility of £400 million on improved terms. The facility now matures in February 2020 and provides the Group with capacity to continue its investment in land and achieve its growth strategy. The Group has also agreed a five year £100 million interest rate swap at 1.4%. The Group continues to operate well within its headroom and covenants and banking relationships remain excellent.

HOUSEBUILDING

Housing market conditions remain good with growth having moderated to a more normal and sustainable level. We have been encouraged by the sales rate since the start of the year and will be looking to capitalise further with the average number of outlets increasing from 67 in the first half to 75 in the period January to June 2015. Mortgage availability and affordability continues to improve and benefit from the Government's Help to Buy scheme. Whilst supply chain conditions continue to be challenging, the availability of materials has eased.

Our total Housebuilding landbank is currently 14,300 plots, equating to a gross development value of £3.9 billion.

In the affordable sector we continue to achieve margin enhancing revenues through targeted joint venture and mixed tenure activity, the active management of our Government funded programme and strong relationships with purchasing clients. Public land releases through the Homes and Communities Agency and the Greater London Authority have provided excellent land acquisition and contracting opportunities for both our Linden Homes and Partnerships businesses and we have been appointed as preferred bidder on a further 1,732 units.

Linden Homes

	H1 2015	H1 2014
Revenue £m	**346.1**	328.2
Profit from operations £m	**52.1**	44.1
Operating profit margin %	**15.1**	13.5

Housing market conditions remain good. Revenue during the six months to 31 December 2014 increased to £346.1 million (H1 2014: £328.2 million). Profit from operations was £52.1 million up 18% on last year.

In line with our strategy, the Group continues to generate recurring revenues from land sales to both third parties and joint ventures. During the six months to 31 December 2014 we sold £9.7 million (H1 2014: £4.3 million) primarily into joint ventures, thereby accelerating some profit on these sites. The operating margin of 15.1% includes the effect of these land sales. Excluding land sales, the operating margin in the period was 12.9% (H1 2014: 12.9%).

During the six months to 31 December 2014 we achieved a rate of sale of 0.51 unit sales per outlet per week (H1 2014: 0.52). Since 31 December 2014 the rate of sale is 0.56 unit sales per outlet per week.

During the first half of the year there were 1,364 unit completions, 1,278 net of joint venture partners' share (H1 2014: 1,300 and 1,230 respectively). The total includes 984 private and 380 affordable sales.

Linden Homes' average selling price on private sales increased by 7% to £310,000 (H1 2014: £291,000). The average selling price for affordable sales was £121,000 (H1 2014: £122,000) leading to a combined average selling price up 2% at £259,000 (H1 2014: £255,000). Cancellation levels have remained around the long term average at 19% (H1 2014: 19%).

Sales prices achieved since July 2014 have been in line with our expectations. Sales reserved, exchanged or completed are at £677 million (H1 2014: £693 million) of which £540 million is for the current financial year representing 66% of projected sales for the year (H1 2014: £597 million, 75%). The projected sales for the year is reflective of an increased number of outlets in the second half of the year and we are optimistic about the prospects for sales launches at a number of key developments in the spring selling season.

Linden Homes has 100% of land secured for the financial year to 30 June 2016 and 70% secured for 2017. Our strategic land totals 1,350 acres, from which we expect to generate around 8,000 plots. The land market continues to be positive.

Galliford Try Partnerships

	H1 2015	H1 2014
Revenue £m	**157.6**	100.9
Profit from operations £m	**3.6**	1.9
Operating profit margin %	**2.3**	1.9

Revenue has increased to £157.6 million (H1 2014: £100.9 million), £17.7 million of which arose from mixed tenure developments and £139.9 million from contracting.

Partnerships is our specialist affordable housing contractor which has a strong presence in the South East, Midlands and North East of England and a growing business across the rest of the country. The business also develops mixed tenure projects providing private housing for sale on sites that are regeneration-led. The business continues to benefit from the significant growth in this key market.

The business has had a number of major project wins in the period. In September 2014 Partnerships was named as preferred developer by the Greater London Authority to construct 1,100 mixed tenure homes in Canning Town with an approximate development value of £360 million. This is the largest standalone housing scheme that the Group has undertaken. Partnerships also secured and commenced work on the £81 million Great Eastern Quays project in east London for Notting Hill Housing Association.

Partnerships' contracting order book is currently £650 million (H1 2014: £500 million).

CONSTRUCTION

	H1 2015	H1 2014
Revenue £m	**604.8**	398.1
Profit from operations £m	**5.9**	5.5
Operating profit margin %	**1.0**	1.4

Revenue of £604.8 million and margin of 1.0% are in line with market conditions and our expectations. The increase in revenue includes approximately £169 million from the acquired Miller Construction business, predominantly in Building. The construction market continues to improve and we can see an increase in the pipeline of opportunities. Our cash balance held at 31 December 2014 was £158.0 million (H1 2014: £121.5 million).

In an improving market we continue to focus on risk management, margin and targeting work with acceptable returns and risk. Our total order book is up 160% at £3.25 billion (H1 2014: £1.25 billion) and comprises 20% in the regulated sector, 61% in public and 19% in the private sector. We have now secured 100% of our projected revenue for the current financial year and 75% for our next financial year (H1 2014: 100% and 65% respectively).

We are encouraged by improving conditions and an increase in the pipeline of opportunities. A selection of project wins in the period are summarised below.

Building

Profit from operations of £3.2 million was achieved on revenue of £413.3 million, representing a margin of 0.8% (H1 2014: £2.1 million, £211.6 million and 1.0% respectively). The reported margin continues to be constrained by the conclusion of older contracts although was helped by the acquired Miller Construction business. Margins on new work are more robust, with cost estimates reflecting the inflationary conditions.

Our Building business serves a range of clients across the whole of the UK. The acquisition of Miller Construction has provided further coverage in the UK.

Building won a number of major projects in the period including in the commercial property sector Northamptonshire County Council's new headquarters and Subsea 7's new office building in Surrey. In the education sector the business has been appointed to North Lanarkshire Council's Schools and Centres Phase 2 framework and has also been selected as panel member for the Greenwich, Lewisham and Croydon Priority Schools building programme.

Building's order book is currently £2,080 million (H1 2014: £740 million).

Infrastructure

Profit from operations was £2.7 million on revenue of £191.5 million, representing a margin of 1.4% (H1 2014: £3.4 million on £186.5 million, representing a margin of 1.8%).

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

In December 2014 Infrastructure, as part of the Connect Roads consortium, was appointed design, build, finance and operation contractor for the £550 million Aberdeen Western Peripheral Route. In a further major highways win the business was appointed by the Highways Agency to its Collaborative Delivery Framework. In joint venture Infrastructure was appointed by Southern Water for its AMP6 Framework. Following the acquisition of Miller Construction the business was appointed to participate in £250 million of Network Rail frameworks.

Infrastructure's order book currently stands at £1,170 million (H1 2014: £515 million).

PPP INVESTMENTS

Revenue was £15.9 million on which the loss from operations was £0.6 million (H1 2014: revenue £8.6 million and loss from operations £1.6 million).

PPP Investments specialises in delivering major building and infrastructure projects through public private partnerships. The business leads bid consortia and arranges finance, taking direct equity investment and managing construction through to operations.

We continue to be active in Scotland on both hub and PPP/NPD (Non Profit Distribution model) projects. Following the acquisition of Miller Construction we are now part of the North, South East and South West hub initiatives. During the period, working closely with teams in Building and Infrastructure, we achieved financial close on a number of key projects including the Aberdeen Western Peripheral Route, Wick Academy and Royal Edinburgh Hospital Phase 1.

We continue to monitor PF2 opportunities in England and are currently preferred bidder on the Priority Schools Building Programme North East batch. We are therefore well placed to participate in any future phases of PF2.

HEALTH, SAFETY AND ENVIRONMENT

Health and safety remains of paramount importance and the Group is committed to achieving industry leading health, safety and environmental standards. Our systems are fully accredited to both BS 18001 and ISO 14001 and are subject to regular third party independent audits. Our bespoke behavioural safety programme 'Challenging Beliefs, Affecting Behaviour' continues to be developed. Employee training has continued through the year; we have now trained 800 coaches. In addition, many business units are now holding 'Challenging Beliefs, Affecting Behaviour' courses specifically for their supply chain. We are looking at further ways to address the challenge of improving health and safety performance.

SUSTAINABILITY

Operating sustainably, whilst supporting and enabling our customers and supply chain to do the same, remains a key business priority. The success of our approach has been externally recognised by our continued inclusion in the FTSE4Good Index and Linden Homes was awarded the 'Sustainable Developer of the Year' accolade at the What House Awards 2014. Over the next half year we will be revisiting and updating our sustainability approach to include targets that reflect the expectations of our stakeholders and will deliver value to our business.

BOARD

Following the announcement in September 2014 we are making good progress with the search for a new Chief Executive and we have a shortlist of candidates under consideration.

OUTLOOK

We are very pleased with the Group's strong performance in the six months to 31 December 2014 with our housebuilding and construction businesses both performing well, and are encouraged by the start we have made to the second half of the year.

Linden Homes' sales rate has increased since 1 January 2015. Housing market conditions remain good and we are optimistic about the prospects for a number of recent and forthcoming sales outlets. Our Partnerships business continues to see exceptional demand for contracting in the affordable housing market and the development business is growing in line with plan. Our enlarged Construction business has a record order book of £3.25 billion with the Miller Construction integration now completed.

We have increased the interim dividend by 47% and, reflecting our continuing confidence in the delivery of our disciplined growth strategy, we are further enhancing our dividend policy.

Condensed consolidated income statement
for the half year ended 31 December 2014 (unaudited)

		Half year to 31 December 2014	**Half year to 31 December 2014**	**Half year to 31 December 2014**	Half year to 31 December 2013	Half year to 31 December 2013	Half year to 31 December 2013	Year to 30 June 2014 (audited)	Year to 30 June 2014 (audited)	Year to 30 June 2014 (audited)
		Pre-exceptional items	**Exceptional items**	**Total**	Pre-exceptional items	Exceptional items	Total	Pre-exceptional items	Exceptional items	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Group revenue	3	**1,085.4**	**-**	**1,085.4**	803.5	-	803.5	1,767.8	-	1,767.8
Cost of sales		**(971.0)**	**-**	**(971.0)**	(708.6)	0.1	(708.5)	(1,545.9)	0.3	(1,545.6)
Gross profit		**114.4**	**-**	**114.4**	94.9	0.1	95.0	221.9	0.3	222.2
Administrative expenses		**(64.4)**	**(3.4)**	**(67.8)**	(53.3)	-	(53.3)	(119.3)	-	(119.3)
Share of post tax profits from joint ventures		**1.4**	**-**	**1.4**	0.8	-	0.8	3.1	-	3.1
Profit before finance costs		**51.4**	**(3.4)**	**48.0**	42.4	0.1	42.5	105.7	0.3	106.0
Profit from operations	3	**55.3**	**(3.4)**	**51.9**	44.0	0.1	44.1	110.5	0.3	110.8
Share of joint ventures' interest and tax		**(1.8)**	**-**	**(1.8)**	(1.1)	-	(1.1)	(3.2)	-	(3.2)
Amortisation of intangibles		**(2.1)**	**-**	**(2.1)**	(0.5)	-	(0.5)	(1.6)	-	(1.6)
Profit before finance costs		**51.4**	**(3.4)**	**48.0**	42.4	0.1	42.5	105.7	0.3	106.0
Finance income	4	**1.7**	**-**	**1.7**	1.3	-	1.3	3.7	-	3.7
Finance costs	4	**(7.2)**	**-**	**(7.2)**	(5.7)	-	(5.7)	(14.5)	-	(14.5)
Profit before income tax		**45.9**	**(3.4)**	**42.5**	38.0	0.1	38.1	94.9	0.3	95.2
Income tax expense	5	**(8.7)**	**0.6**	**(8.1)**	(8.2)	-	(8.2)	(18.0)	-	(18.0)
Profit for the period		**37.2**	**(2.8)**	**34.4**	29.8	0.1	29.9	76.9	0.3	77.2
Earnings per share										
- Basic	6	**45.5p**		**42.0p**	36.7p		36.8p	94.2p		94.6p
- Diluted	6	**44.6p**		**41.3p**	36.0p		36.1p	92.6p		93.0p

The notes are an integral part of the condensed consolidated half year financial statements.

Condensed consolidated statement of comprehensive income
For the half year ended 31 December 2014 (unaudited)

	Notes	**Half year to 31 December 2014**	Half year to 31 December 2013	Year to 30 June 2014 (audited)
		£m	£m	£m
Profit for the period		**34.4**	29.9	77.2
Other comprehensive (expense)/income:				
Items that will not be reclassified to profit or loss				
Actuarial (losses)/gains recognised on retirement benefit obligations	14	**(6.0)**	2.3	(5.3)
Deferred tax on items recognised in equity that will not be reclassified		**1.8**	(1.1)	1.1
Current tax through equity		**-**	-	1.4
Total items that will not be reclassified to profit or loss		**(4.2)**	1.2	(2.8)
Items that may be reclassified subsequently to profit or loss				
Movement in fair value of derivative financial instruments:				
- Movement arising during the financial year		**(1.1)**	0.8	0.8
- Reclassification adjustments for amounts included in profit or loss		**-**	0.1	0.3
Total items that may be reclassified subsequently to profit or loss		**(1.1)**	0.9	1.1
Other comprehensive (expense)/income for the period net of tax		**(5.3)**	2.1	(1.7)
Total comprehensive income for the period		**29.1**	32.0	75.5

The notes are an integral part of the condensed consolidated half year financial statements.

Condensed consolidated Balance Sheet
at 31 December 2014 (unaudited)

	Notes	**31 December 2014**	31 December 2013	30 June 2014 (audited)
		£m	£m	£m
Assets				
Non-current assets				
Intangible assets		**23.1**	14.9	13.1
Goodwill	8	**129.4**	115.0	115.0
Property, plant and equipment		**12.7**	10.0	12.2
Investments in joint ventures		**5.9**	3.5	4.6
Financial assets				
- Available for sale financial assets	15	**33.2**	26.1	23.4
Trade and other receivables	10	**41.2**	54.4	55.4
Retirement benefit asset	14	**-**	5.9	1.0
Deferred income tax assets		**1.9**	-	4.8
Total non-current assets		**247.4**	229.8	229.5
Current assets				
Inventories		**0.8**	0.5	0.3
Developments	9	**894.6**	802.6	847.2
Trade and other receivables	10	**538.2**	365.6	415.0
Cash and cash equivalents	11	**123.8**	55.6	140.4
Total current assets		**1,557.4**	1,224.3	1,402.9
Total assets		**1,804.8**	1,454.1	1,632.4
Liabilities				
Current liabilities				
Financial liabilities				
- Borrowings	11	**(24.7)**	(141.5)	-
Trade and other payables	12	**(956.3)**	(680.2)	(803.3)
Current income tax liabilities		**(10.9)**	(13.0)	(12.6)
Provisions for other liabilities and charges		**(0.6)**	(0.7)	(0.5)
Total current liabilities		**(992.5)**	(835.4)	(816.4)
Net current assets		**564.9**	388.9	586.5
Non-current liabilities				
Financial liabilities				
- Borrowings	11	**(135.0)**	-	(145.5)
- Derivatives financial liabilities	15	**(1.1)**	(0.2)	-
Retirement benefit obligations	14	**(2.2)**	-	-
Deferred income tax liabilities		**-**	(0.5)	(2.4)
Other non-current liabilities	13	**(143.7)**	(113.4)	(131.5)
Provisions for other liabilities and charges		**(2.1)**	(2.2)	(2.4)
Total non-current liabilities		**(284.1)**	(116.3)	(281.8)
Total liabilities		**(1,276.6)**	(951.7)	(1,098.2)
Net assets		**528.2**	502.4	534.2
Equity				
Ordinary shares		**41.1**	40.9	41.1
Share premium		**191.8**	190.9	191.8
Other reserves		**4.8**	4.8	4.8
Retained earnings		**290.5**	265.8	296.5
Total equity attributable to owners of the Company		**528.2**	502.4	534.2

The notes are an integral part of the condensed consolidated half year financial statements

Condensed consolidated statement of changes in equity
for the period ended 31 December 2014 (unaudited)

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
Half year ended 31 December 2014						
At 1 July 2014		41.1	191.8	4.8	296.5	534.2
Profit for the period		-	-	-	34.4	34.4
Other comprehensive (expense)		-	-	-	(5.3)	(5.3)
Total comprehensive income for the period		-	-	-	29.1	29.1
Transactions with owners:						
Dividends	7	-	-	-	(31.3)	(31.3)
Share-based payments		-	-	-	2.1	2.1
Purchase of own shares		-	-	-	(5.9)	(5.9)
At 31 December 2014		41.1	191.8	4.8	290.5	528.2
Half year ended 31 December 2013						
At 1 July 2013		40.9	190.9	4.8	264.8	501.4
Profit for the period		-	-	-	29.9	29.9
Other comprehensive income		-	-	-	2.1	2.1
Total comprehensive income for the period		-	-	-	32.0	32.0
Transactions with owners:						
Dividends	7	-	-	-	(20.5)	(20.5)
Share-based payments		-	-	-	1.9	1.9
Purchase of own shares		-	-	-	(12.4)	(12.4)
At 31 December 2013		40.9	190.9	4.8	265.8	502.4
Year ended 30 June 2014 (audited)						
At 1 July 2013		40.9	190.9	4.8	264.8	501.4
Profit for the period		-	-	-	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		-	-	-	3.4	3.4
Purchase of own shares		-	-	-	(14.4)	(14.4)
Issue of shares		0.2	0.9	-	-	1.1
At 30 June 2014		41.1	191.8	4.8	296.5	534.2

The notes are an integral part of the condensed consolidated half year financial statements.

Condensed consolidated statement of cash flows
for the half year ended 31 December 2014

	Notes	**31 December 2014 £m**	31 December 2013 £m	30 June 2014 (audited) £m
Cash flows from operating activities				
Continuing operations				
Profit before finance costs		**47.9**	42.5	106.0
Adjustments for:				
Depreciation and amortisation		**3.7**	1.7	4.5
Profit on sale of investments in joint ventures and non-current assets held for sale		**-**	-	(2.0)
(Profit)/loss on sale of available for sale financial assets		**(1.8)**	0.1	(2.4)
Share-based payments		**2.1**	1.9	3.4
Share of post tax profits from joint ventures		**(1.3)**	(0.8)	(3.1)
Movement on provisions		**(0.2)**	(0.2)	(0.2)
Other non-cash movements		**0.6**	(0.1)	1.8
Net cash generated from operations before pension deficit payments and changes in working capital		**51.0**	45.1	108.0
Deficit funding payments to pension schemes		**(2.8)**	(3.1)	(6.1)
Net cash generated from/(used in) operations before changes in working capital		**48.2**	42.0	101.9
(Increase)/decrease in inventories		**(0.5)**	(0.1)	0.1
(Increase)/decrease in developments		**(47.4)**	(54.4)	(99.0)
(Increase)/decrease in trade and other receivables		**(39.0)**	(74.7)	(124.6)
Increase/(decrease) in trade and other payables		**50.4**	53.0	193.2
Net cash generated from/(used in) operations		**11.7**	(34.2)	71.6
Interest received	4	**1.0**	0.4	2.0
Interest paid	4	**(6.2)**	(4.4)	(10.3)
Income tax (paid)		**(8.1)**	(1.8)	(11.3)
Net cash (used in)/generated from operating activities		**(1.6)**	(40.0)	52.0
Cash flows from investing activities				
Dividends received from joint ventures		**-**	3.3	3.5
Acquisition of available for sale financial assets		**(1.8)**	-	(0.4)
Proceeds from investments in joint ventures		**-**	-	3.0
Proceeds from available for sale financial assets		**4.2**	1.6	6.2
Purchase of intangible assets		**-**	(2.0)	(1.3)
Acquisition of subsidiary undertakings	18	**(16.6)**	-	-
Cash acquired with acquired subsidiary undertakings	18	**23.6**	-	-
Acquisition of property, plant and equipment		**(1.4)**	(1.5)	(5.5)
Proceeds from sale of property, plant and equipment		**-**	-	0.1
Net cash generated from investing activities		**8.0**	1.4	5.6
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		**-**	-	1.1
Purchase of own shares		**(5.9)**	(12.4)	(14.4)
(Repayment of)/increase in borrowings		**14.2**	69.2	71.0
Dividends paid to Company shareholders		**(31.3)**	(20.5)	(32.8)
Net cash (used in)/generated from financing activities		**(23.0)**	36.3	24.9
Net (decrease)/increase in cash and cash equivalents		**(16.6)**	(2.3)	82.5
Cash and cash equivalents at beginning of period		**140.4**	57.9	57.9
Cash and cash equivalents at end of period	11	**123.8**	55.6	140.4

Notes to the condensed consolidated half year financial statements

For the half year ended 31 December 2014 (unaudited)

1 Basis of preparation

The Company is a public limited company incorporated in England and Wales and domiciled in the UK. The address of its registered office is Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL. The Company has its primary listing on the London Stock Exchange. This condensed consolidated half year financial information was approved for issue on 18 February 2015.

This condensed consolidated half year financial information does not comprise statutory financial statements within the meaning of Section 434 of the Companies Act 2006. Statutory financial statements for the year ended 30 June 2014 were approved by the board of directors on 16 September 2014 and delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

This condensed consolidated half year financial information has been reviewed, not audited. The auditors' review opinion is included in this report.

This condensed consolidated half year financial information for the half year ended 31 December 2014 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim financial reporting" as adopted by the European Union. The condensed consolidated half year financial information should be read in conjunction with the annual financial statements for the year ended 30 June 2014, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Group's activities, together with the factors likely to affect the future development, performance and position of the business are set out in this half year report. The annual financial statements for the year ended 30 June 2014 included the Group's objectives, policies and processes for managing capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group meets its day to day working capital requirements through its bank facilities. The Group's forecasts, taking into account the board's future expectations of the Group's performance, indicate that there is substantial headroom within the bank facilities and the Group will continue to operate within the covenants of those facilities.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated half year financial information.

2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2014, as described in those financial statements.

(i)Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected annual earnings.

(ii) The Group has adopted IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements" and IFRS12 "Disclosures of interest in other entities" in the period, as well as the revisions to IAS 27 "Separate financial statements", IAS 28 "Associates and joint ventures", IAS32 "Financial instruments", IAS 36 "Impairment of assets", IAS39 "Financial instruments" and the 2012 and 2013 annual improvements. None of the changes has had a significant impact on the financial statements of the Group.

Notes to the condensed consolidated half year financial statements
For the half year ended 31 December 2014 (unaudited)

3. 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 Executive Chairman and Finance Director. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments as Housebuilding, including Linden Homes and Partnerships; Construction, including Building and Infrastructure; and PPP investments.

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	Partner ships	Total	Building	Infrastructure	Total	PPP Investments	Central costs	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Half year ended 31 December 2014									
Group revenue and share of joint ventures' revenue	**346.1**	**157.6**	**503.7**	**413.3**	**191.5**	**604.8**	**15.9**	**0.2**	**1,124.6**
Share of joint ventures' revenue	**(16.5)**	**(5.3)**	**(21.8)**	**-**	**(5.5)**	**(5.5)**	**(11.9)**	**-**	**(39.2)**
Group revenue	**329.6**	**152.3**	**481.9**	**413.3**	**186.0**	**599.3**	**4.0**	**0.2**	**1,085.4**
Segment result: Profit/(loss) from operations before share of joint ventures' profit	**49.0**	**3.4**	**52.4**	**3.2**	**2.7**	**5.9**	**(0.5)**	**(5.7)**	**52.1**
Share of joint ventures' profit	**3.1**	**0.2**	**3.3**	**-**	**-**	**-**	**(0.1)**	**-**	**3.2**
Profit/(loss) from operations *	**52.1**	**3.6**	**55.7**	**3.2**	**2.7**	**5.9**	**(0.6)**	**(5.7)**	**55.3**
Exceptional items	**-**	**-**	**-**	**(3.4)**	**-**	**(3.4)**	**-**	**-**	**(3.4)**
Share of joint ventures' interest and tax	**(1.8)**	**-**	**(1.8)**	**(0.1)**	**-**	**(0.1)**	**0.1**	**-**	**(1.8)**
Profit/(loss) before finance costs, amortisation and taxation	**50.3**	**3.6**	**53.9**	**(0.3)**	**2.7**	**2.4**	**(0.5)**	**(5.7)**	**50.1**
Finance income	**1.2**	**-**	**1.2**	**0.2**	**0.2**	**0.4**	**-**	**0.1**	**1.7**
Finance (costs)	**(19.9)**	**0.1**	**(19.8)**	**(0.7)**	**-**	**(0.7)**	**-**	**13.3**	**(7.2)**
Profit/(loss) before amortisation and taxation	**31.6**	**3.7**	**35.3**	**(0.8)**	**2.9**	**2.1**	**(0.5)**	**7.7**	**44.6**
Amortisation of intangibles									**(2.1)**
Profit before taxation									**42.5**
Income tax expense									**(8.1)**
Profit for the year									**34.4**

Half year ended 31 December 2013

	Housebuilding			Construction					
	Linden Homes £m	Partner ships £m	Total £m	Building £m	Infrastructure £m	Total	PPP Investments £m	Central Costs £m	Total £m
Group revenue and share of joint ventures' revenue	328.2	100.9	429.1	211.6	186.5	398.1	8.6	0.2	836.0
Share of joint ventures' revenue	(20.2)	-	(20.2)		(4.9)	(4.9)	(7.4)	-	(32.5)
Group revenue	308.0	100.9	408.9	211.6	181.6	393.2	1.2	0.2	803.5
Segment result:									
Profit/(loss) from operations before share of joint ventures' profit	42.5	1.9	44.4	2.1	3.4	5.5	(1.9)	(5.9)	42.1
Share of joint ventures' profit	1.6	-	1.6	-	-	-	0.3	-	1.9
Profit/(loss) from operations *	44.1	1.9	46.0	2.1	3.4	5.5	(1.6)	(5.9)	44.0
Exceptional items	0.1	-	0.1	-	-	-	-	-	0.1
Share of joint ventures' interest and tax	(1.1)	-	(1.1)	-	-	-	-	-	(1.1)
Profit/(loss) before finance costs, amortisation and taxation	43.1	1.9	45.0	2.1	3.4	5.5	(1.6)	(5.9)	43.0
Finance income	1.0	-	1.0	0.2	0.5	0.7	-	(0.4)	1.3
Finance (costs)	(19.5)	(0.1)	(19.6)	-	-	-	(0.1)	14.0	(5.7)
Profit/(loss) before amortisation and taxation	24.6	1.8	26.4	2.3	3.9	6.2	(1.7)	7.7	38.6
Amortisation of intangibles									(0.5)
Profit before taxation									38.1
Income tax expense									(8.2)
Profit for the year									29.9

Year ended 30 June 2014 (audited)

	Housebuilding			Construction					
	Linden Homes £m	Partner ships £m	Total £m	Building £m	Infrastructure £m	Total £m	PPP Investments £m	Central Costs £m	Total £m
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 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 *	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

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

Inter-segment revenue, which is priced on an arms length basis, is eliminated from Group revenue above. In the half year to 31 December 2014, this amounted to £47.5 million (31 December 2013 £27.3 million; 30 June 2014: £92.6 million) of which £21.0 million (31 December 2013 £13.8 million; 30 June 2014: £52.1 million) was in Building, £25.9 million (31 December 2013 £12.9 million; 30 June 2014 £39.3 million) was in Infrastructure, and £0.6 million (31 December 2013 £0.6 million; 30 June 2014 £1.2 million) was in Central Costs.

	Housebuilding			Construction					
	Linden Homes	Partner ships	Total	Building	Infrastructure	Total	PPP Investments	Central Costs	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Half year ended 31 December 2014									
Balance Sheet									
Net cash/(debt)	**(579.4)**	**18.0**	**(561.4)**	**115.1**	**42.9**	**158.0**	**(1.6)**	**369.1**	**(35.9)**
Borrowings									**135.0**
Other net assets									**1,705.7**
Total assets									**1,804.8**
Half year ended 31 December 2013									
Balance Sheet									
Net cash/(debt)	(579.5)	17.4	(562.1)	76.2	45.3	121.5	(1.4)	356.1	(85.9)
Borrowings									141.5
Other net assets									1,398.5
Total assets									1,454.1
Year ended 30 June 2014 (audited)									
Balance Sheet									
Net cash/(debt)	(536.4)	28.4	(508.0)	98.6	52.7	151.3	2.0	349.6	(5.1)
Borrowings									145.5
Other net assets									1,492.0
Total assets									1,632.4

4 Net finance costs

	Half year to 31 December 2014	Half year to 31 December 2013	Year to 30 June 2014 (audited)
Group	**£m**	£m	£m
Interest receivable on bank deposits	**0.2**	0.2	0.3
Interest receivable from joint ventures	**0.4**	-	1.3
Net finance income on retirement benefit obligations	**0.1**	-	0.1
Unwind of discount on shared equity receivables	**0.7**	0.9	1.6
Other	**0.3**	0.2	0.4
Finance income	**1.7**	1.3	3.7
Interest payable on borrowings	**(5.6)**	(4.8)	(12.4)
Unwind of discounted payables	**(1.0)**	(0.8)	(2.0)
Other	**(0.6)**	(0.1)	(0.1)
Finance costs	**(7.2)**	(5.7)	(14.5)
Net finance costs	**(5.5)**	(4.4)	(10.8)

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

5 Income tax expenses

The taxation expense on profit for the period of 19.0% (31 December 2013: 21.5%) reflects the estimated effective tax rate for the full financial year to 30 June 2015.

6 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 effects 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 plans. A loss per share cannot be reduced through dilution, hence this dilution is only applied where the Group has reported a profit.

	Half year to 31 December 2014			Half year to 31 December 2013			Year to 30 June 2014 (audited)		
	Earnings £m	**Weighted average number of shares**	**Per share amount pence**	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 pre exceptional items	**37.2**	**81,818,306**	**45.5**	29.8	81,143,216	36.7	76.9	81,639,900	94.2
Earnings attributable to ordinary shareholders post exceptional items	**34.4**	**81,818,306**	**42.0**	29.9	81,143,216	36.8	77.2	81,639,900	94.6
Effect of dilutive securities:									
Options		**1,510,332**			1,693,872			1,376,512	
Diluted EPS	**34.4**	**83,328,638**	**41.3**	29.9	82,837,088	36.1	77.2	83,016,412	93.0

7 Dividends

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

	Half year to 31 December 2014		Half year to 31 December 2013		Year to 30 June 2014 (audited)	
	£m	**pence per share**	£m	pence per share	£m	pence per share
Previous year final	**31.3**	**38.0**	20.5	25.0	20.5	25.0
Current period interim	**-**	**-**	-	-	12.3	15.0
Dividend recognised in the year	**31.3**	**38.0**	20.5	25.0	32.8	40.0

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

	Half year to 31 December 2014		Half year to 31 December 2013		Year to 30 June 2014 (audited)	
	£m	**pence per share**	£m	pence per share	£m	pence per share
Interim	**18.0**	**22.0**	12.3	15.0	12.3	15.0
Final	**-**	**-**	-	-	31.3	38.0
Dividend relating to the year	**18.0**	**22.0**	12.3	15.0	43.6	53.0

The interim dividend for 2015 of 22.0 pence per share was approved by the Board on 18 February 2015 and has not been included as a liability as at 31 December 2014. The interim dividend will be paid on 8 April 2015 to shareholders who are on the register at the close of business on 20 March 2015.

8 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:

	Half year to 31 December 2014	Half year to 31 December 2013	Year to 30 June 2014 (audited)
	£m	£m	£m
Linden Homes	**52.2**	52.2	52.2
Galliford Try Partnerships	**5.8**	5.8	5.8
Building	**34.2**	19.8	19.8
Infrastructure	**37.2**	37.2	37.2
	129.4	115.0	115.0

As stated in the annual financial statements for the year ended 30 June 2014, detailed impairment reviews were carried out for all business segments. Consideration has been given as to whether any events have occurred since the year ended 30 June 2014 which would give rise to an impairment and none have been identified.

The increase in goodwill in the half year to 31 December 2014 arises from the acquisition of Miller Construction, as explained in note 18. This has been allocated to the Building segment.

9 Developments

	31 December 2014	31 December 2013	30 June 2014 (audited)
	£m	£m	£m
Land	**660.1**	585.9	607.6
Work in progress	**234.5**	216.7	239.6
	894.6	802.6	847.2

10 Trade and other receivables

	31 December 2014	31 December 2013	30 June 2014 (audited)
	£m	£m	£m
Amounts falling due within one year:			
Trade receivables	**209.8**	160.8	125.9
Less: Provision for impairment of receivables	**(2.6)**	(0.8)	(1.4)
Trade receivables - net	**207.2**	160.0	124.5
Amounts recoverable on construction contracts	**152.1**	96.9	149.5
Amounts due from joint venture undertakings	**76.9**	6.8	55.6
Other receivables	**70.0**	32.9	37.2
Prepayments and accrued income	**32.0**	69.0	48.2
	538.2	365.6	415.0
Amounts falling due after more than one year:			
Amounts due from joint venture undertakings	**40.6**	51.8	52.9
Other receivables	**0.6**	2.6	2.5
	41.2	54.4	55.4

11. Cash and cash equivalents

	31 December 2014	31 December 2013	30 June 2014 (audited)
	£m	£m	£m
Cash and cash equivalents excluding bank overdrafts	**123.8**	55.6	140.4
Current borrowings	**(24.7)**	(141.5)	-
Non-current borrowings	**(135.0)**	-	(145.5)
Net (debt)	**(35.9)**	(85.9)	(5.1)

12 Trade and other payables

	31 December 2014	31 December 2013	30 June 2014 (audited)
	£m	£m	£m
Payments received on account on construction contracts	**29.4**	**38.4**	35.7
Trade payables	**289.2**	**169.5**	206.2
Development land payables	**141.9**	**108.6**	116.0
Amounts due to joint venture undertakings	**7.6**	**3.2**	10.0
Other taxation and social security payable	**18.6**	**13.4**	15.7
Other payables	**11.8**	**12.2**	6.3
Accruals and deferred income	**457.8**	**334.9**	413.4
	956.3	**680.2**	803.3

13 Other non-current liabilities

	31 December 2014	31 December 2013	30 June 2014 (audited)
	£m	£m	£m
Development land payables	**136.0**	109.7	117.4
Amounts due to joint venture undertakings	**-**	-	3.2
Other payables	**0.5**	0.2	0.4
Accruals and deferred income	**7.2**	3.5	10.5
	143.7	113.4	131.5

14 Retirement benefit obligations

The amounts recognised in the balance sheet are as follows:

	31 December 2014	31 December 2013	30 June 2014 (audited)
	£m	£m	£m
Fair value of plan assets	**222.3**	194.0	202.7
Present value of defined benefit obligations	**(224.5)**	(188.1)	(201.7)
(Deficit)/surplus in scheme recognised as non-current (liability)/asset	**(2.2)**	5.9	1.0

The principal actuarial assumptions used to calculate the liabilities as at 31 December 2014 have been set in a consistent manner to those adopted at 30 June 2014. These assumptions will change as market conditions change over time.

An actuarial loss of £6.0 million (31 December 2013: £2.3 million gain; 30 June 2014: £5.3 million loss) has been taken to the condensed consolidated statement of comprehensive income.

15 Financial instruments

The Group’s activities expose it to a variety of financial risks. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial accounts; they should be read in conjunction with the Group’s financial statements for the year ended 30 June 2014.

There have been no significant changes in the risk management policies since the year end.

Financial liabilities - derivative financial liabilities

The fair value of interest rate swaps is detailed below:

	31 December 2014	31 December 2013	30 June 2014 (audited)
	£m	£m	£m
Non-current liabilities	**1.1**	0.2	-

Fair value estimation

Specific valuation techniques used to value financial instruments are defined as:

i. Level 1 - Quoted market prices or dealer quotes in active markets for similar instruments.
ii. Level 2 - The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
iii. Level 3 - Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the Group's assets and liabilities that are measured at fair value:

	31 December 2014			31 December 2013			30 June 2014 (audited)		
	Level 2 £m	**Level 3 £m**	**Total £m**	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	-	20.0	**20.0**	-	23.7	23.7	-	22.3	22.3
- Equity securities	13.2	-	**13.2**	2.4	-	2.4	1.1	-	1.1
Total	**13.2**	**20.0**	**33.2**	2.4	23.7	26.1	1.1	22.3	23.4
Liabilities									
Derivatives used for hedging	**1.1**	**-**	**1.1**	0.2	**-**	0.2	-	**-**	-
Total	**1.1**	**-**	**1.1**	0.2	-	0.2	-	-	-

There were no transfers between levels during the period. The valuation techniques used to derive Level 2 fair values are consistent with those set out in the 30 June 2014 financial statements. Level 3 fair values are determined using valuation techniques that include inputs not based on observable market data. The increase in equity securities includes assets acquired with Miller Construction (see note 18).

Fair value measurements using significant unobservable inputs (Level 3)

	31 December 2014	31 December 2013	30 June 2014 (audited)
Opening balance	**22.3**	24.9	24.9
Additions	**-**	0.1	0.1
Unwind of discount on shared equity receivables	**0.7**	0.9	1.6
Impairment	**(0.7)**	(0.9)	(1.7)
Disposals	**(2.3)**	(1.3)	(2.6)
Closing balance	**20.0**	23.7	22.3

The valuation process for Level 3 is consistent with that disclosed in the 30 June 2014 audited report.

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. If receipts were to occur earlier than expected, the fair value would increase.

At 31 December 2014, if the UK House price inflation used had been 1% lower or higher, and all the other variables held constant and excluding any effect of current or deferred tax, the Group's house price linked financial instruments, which consist entirely of shared equity receivables held as available for sale financial assets, would decrease or increase in value by £0.9 million respectively (31 December 2013: £1.3 million; 30 June 2014: £1.6 million); whilst if the discount rate used had been 1% higher or lower, the value of these financial instruments would decrease or increase by £1.1 million respectively (31 December 2013: £1.4 million; 30 June 2014: £1.4 million).

The total impact in the period of Level 3, taken to the income statements, is a net charge of £0.1 million (31 December 2013: charge of £0.6 million; 30 June 2014: charge of £0.9 million) in cost of sales and a net charge of £0.7 million (31 December 2013: £0.9 million; 30 June 2014: £1.6 million) in finance income.

16 Guarantees and contingent liabilities

Galliford Try plc has entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued on behalf of Group undertakings, including joint arrangements and joint ventures, in the normal course of business amounting to £329.7 million (31 December 2013: £182.3 million; 30 June 2014: £201.0 million). The increase in the period includes the effect of the Miller Construction acquisition and financial close of the Aberdeen Western Peripheral Route project.

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.

17 Related parties

Transactions between the Group and its joint venture and jointly controlled operations are disclosed as follows:

Group

	Sales to related parties			Purchases from related parties			Amounts owed by related parties			Amounts owed to related parties		
	31 Dec 2014 £m	**31 Dec 2013 £m**	30 Jun 2014 (audited) £m	**31 Dec 2014 £m**	**31 Dec 2013 £m**	30 Jun 2014 (audited) £m	**31 Dec 2014 £m**	**31 Dec 2013 £m**	30 Jun 2014 (audited) £m	**31 Dec 2014 £m**	**31 Dec 2013 £m**	30 Jun 2014 (audited) £m
Trading transactions												
Joint ventures	**18.0**	9.1	21.8	**7.2**	0.2	3.2	**53.0**	11.0	39.2	**7.6**	1.5	13.2
Jointly controlled operations	**9.7**	13.2	24.4	**-**	**-**	-	**3.2**	0.2	3.2	**-**	1.7	7.0

	Interest and dividend income from related parties			Loans to related parties		
	31 Dec 2014	**31 Dec 2013**	30 Jun 2014 (audited)	**31 Dec 2014**	**31 Dec 2013**	30 Jun 2014 (audited)
	£m	**£m**	£m	**£m**	£m	£m
Non-trading transactions						
Joint ventures	**0.4**	3.3	4.8	**61.3**	47.4	66.1

18 Business combinations

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 was of the entire share capital and control of Construction Holdco 2 Limited, Miller Construction Holdings Limited, Miller Construction Limited, Miller Integrated Services Limited and Schools for the Community Limited. Construction Holdco 2 Limited is the parent company of Miller Construction (UK) Limited and other companies that, together, comprise Miller Construction. The Group has also entered into an option to purchase The Miller Group Limited for £1 at a future date. The Miller Group Limited is not expected to have any identifiable assets or liabilities at the date of acquisition.

Miller Construction is a UK only construction business which delivers building and infrastructure projects to both the public and private sectors. The tactical acquisition of Miller Construction is consistent with Galliford Try's stated strategy of disciplined and selective growth in its construction business, with a particular focus on developing our positions on regional and national frameworks. The transaction accelerates the growth in construction turnover towards £1.25 billion, and increases the 2018 target to circa £1.5 billion. The acquired order book of £1.4 billion doubled the Group's 30 June 2014 order book to £2.8 billion.

The goodwill of £14.4 million arising from the acquisition is attributable to the acquired workforce of Miller Construction and annual cost synergies identified by Galliford Try. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for Miller Construction, and the provisional fair value of the assets acquired and liabilities assumed. These provisional amounts are expected to be finalised by 30 June 2015.

	£m
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	23.6
Property plant and equipment	0.6
Intangible assets [i]	12.1
Available-for-sale financial assets	10.3
Trade and other receivables [ii]	70.1
Trade and other payables	(113.9)
Deferred tax liabilities [iii]	(0.6)
Total identifiable net assets	**2.2**
Goodwill	14.4
Total	**16.6**
Consideration at 9 July 2014	
Cash [iv]	16.6
Total	**16.6**

Notes

i. Intangible assets of £12.1 million comprise customer relationships and contracts.

ii. The fair value of trade and other receivables of £70.1 million includes trade receivables with a fair value of £23.0 million. The gross contractual amount for trade receivables is £23.2 million of which £0.2 million is not expected to be collected.

iii. Deferred tax liabilities recognised on the acquisition relate to the fair value of intangible assets acquired and other fair value adjustments on acquisition.

iv. Cash consideration included £2.0 million paid into an escrow account until 31 October 2014. The consideration was subject to the satisfactory resolution of certain customer contract matters that were fully resolved prior to 31 October 2014.

The Group assumed responsibility for £44.6 million guarantees and contingent liabilities in relation to performance bonds issued in the normal course of business. Whilst the outcome of disputes arising in the normal course of business is never certain, the directors have made proper provision in the acquired balance sheet for liabilities they believe exist.

The Group has completed the operational integration of Miller Construction and as a result the post-acquisition performance of Miller Construction cannot be accurately represented and reported. The Group estimates that the consolidated income statement for the period ended 31 December 2014 includes approximately £169 million of revenue and £14 million of gross profit contributed by Miller Construction, which is predominately in the Building segment. In addition, the Group's consolidated income statement includes £1.1 million amortisation of intangible assets and £3.4 million exceptional costs related to Miller Construction. The exceptional costs comprise mainly redundancy and other restructuring costs.

Given that the acquisition occurred on 9 July 2014, the Group's consolidated income statement would not be significantly different had the acquisition occurred at the beginning of the reporting period. Acquisition related costs of £0.6 million were charged to administrative expenses in the consolidated income statement for the year ended 30 June 2014, being the period that the costs were incurred.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties which may have a material impact on the Group's performance in the second half of the financial year remain the same as those outlined on pages 30 and 31 of the Group's annual report and financial statements for the year ended 30 June 2014. These can be summarised as the thematic risks of people, supply chain, macro environment, markets, (Housebuilding and Construction) and corporate.

Forward looking statements

Certain statements in this half year report are forward looking. Such statements should be treated with caution as they are based on current information and expectations and are subject to a number of risks and uncertainties that could cause actual events of outcomes to differ materially from expectations.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

The directors' confirm that these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely:

- an indication of important events that have occurred during the six months and the impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The directors of Galliford Try plc are:

Greg Fitzgerald	Executive Chairman
Graham Prothero	Finance Director
Ken Gillespie	Construction Division Chief Executive
Peter Rogers	Interim Deputy Chairman and Senior Independent Director
Andrew Jenner	Non executive director
Ishbel Macpherson	Non executive director
Terry Miller	Non executive director

Signed on behalf of the board

Greg Fitzgerald
Executive Chairman

Graham Prothero
Finance Director

18 February 2015

Independent review report to Galliford Try Plc

Report on the condensed consolidated half year financial statements

Our conclusion

We have reviewed the condensed consolidated half year financial statements, defined below, in the half year report of Galliford Try Plc for the six months ended 31 December 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half year financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

What we have reviewed
The condensed consolidated half year financial statements, which are prepared by Galliford Try Plc, comprise:

- the condensed consolidated income statement for the half year ended 31 December 2014;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated balance sheet as at 31 December 2014;
- the condensed consolidated statement of changes in equity for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended; and
- the explanatory notes to the condensed consolidated half year financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated half year financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated half year financial statements involves
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated half year financial statements.

Responsibilities for the condensed consolidated half year financial statements and the review

Our responsibilities and those of the directors
The half year report, including the condensed consolidated half year financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated half year financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
18 February 2015
Uxbridge

Notes:

(a) 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.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.