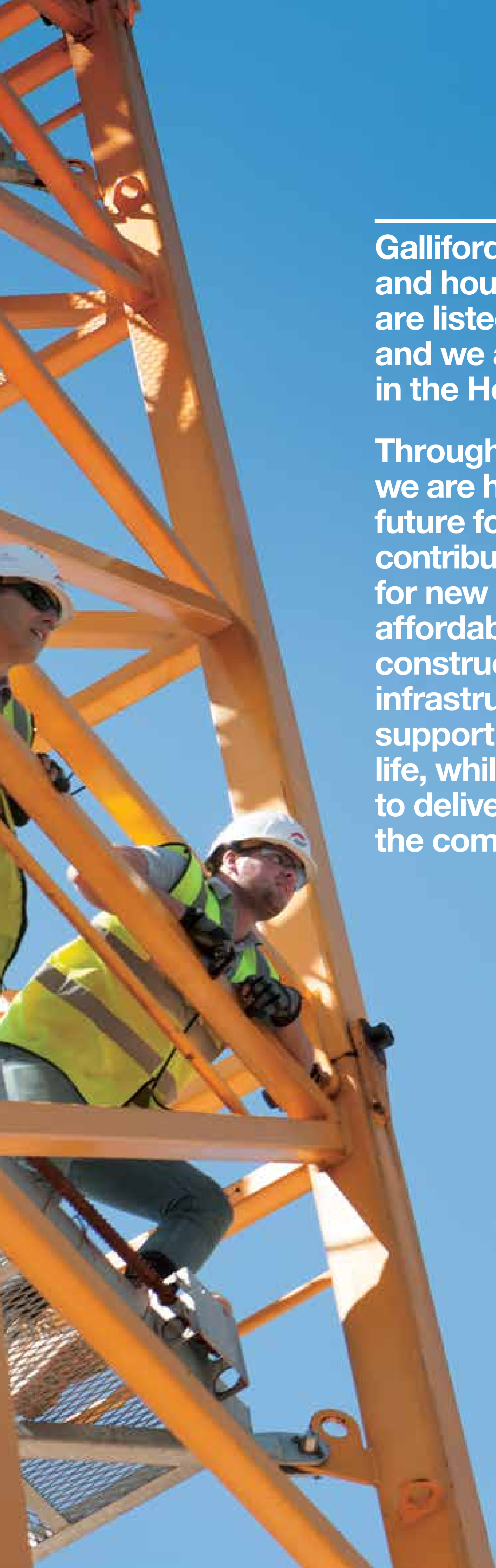
Galliford Try plc

Building a sustainable future

Galliford Try plc
Annual Report and
Financial Statements
2016



Galliford Try is a leading UK construction and housebuilding group. Our shares are listed on the London Stock Exchange and we are a member of the FTSE 250 in the Home Construction sector.

Through our three strong businesses, we are helping to construct a sustainable future for the UK. We make an important contribution to meeting the demand for new homes in both the private and affordable homes sectors. We also construct public and regulated infrastructure and buildings that support our economy and way of life, while working with our clients to deliver positive, lasting change for the communities we work in.

FAST READ
Open the flap to see an overview of our business model, strategy and proposition

ONLINE
Learn more about Galliford Try at gallifordtry.co.uk

FINANCIAL HIGHLIGHTS

Revenue[1]
£2,670m
+10%

Dividend per share
£82p
+21%

Group revenue[1]
£2,495m
+6%

Net debt
£8.7m
down by £8.6m

Profit before tax
£135.0m
+18%

Return on net assets
25.3%
+2.0 points

Earnings per share
132.5p
+17%

See our
Performance against strategy p14

GROUP HIGHLIGHTS

- Record profit following another strong year with growth across the Group.
- 21% increase in full year dividend payment to 82 pence.
- Minimal net debt of £8.7 million at 30 June 2016 (2015: £17.3 million).
- Return on net assets improved to 25.3% from 23.3%.
- Management reorganised to continue to improve operational excellence in all three businesses.

See our
Business review starting on p30

1 'Revenue' includes share of joint ventures' revenue of £175.5 million (2015: £82.3 million). 'Group revenue', where stated, excludes share of joint ventures.

Strategic Report

Governance

Financial Information

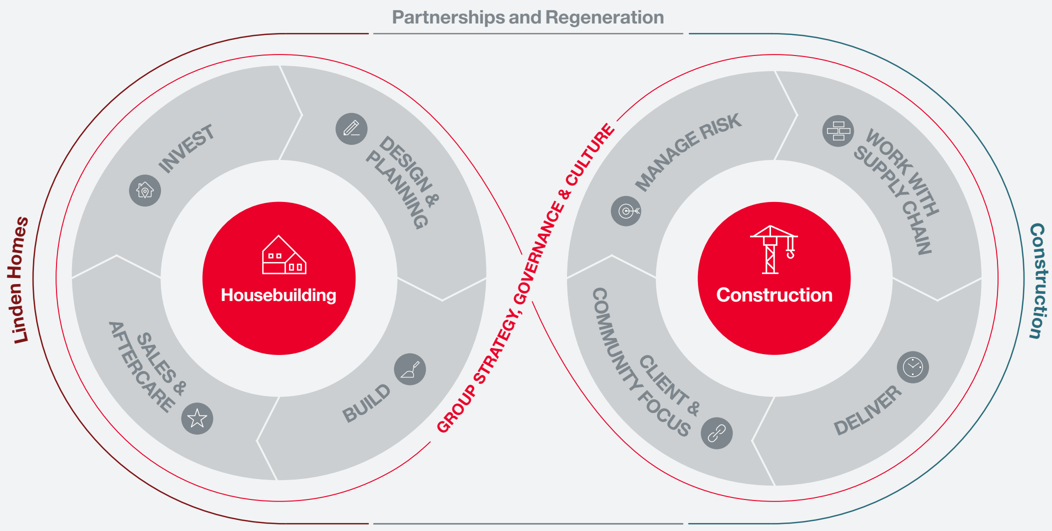
Building a sustainable future...

OUR BUSINESS MODEL

Galliford Try has a hybrid business model that spans complementary markets.

See our
Business model p6

This model is unique in our industry and helps to reduce our exposure to different economic cycles.



OUR VISION

To be leaders in the construction of a sustainable future.

OUR VALUES

Excellence, passion, integrity and collaboration. See page 23 for more details.

OUR STRATEGIC PRIORITIES

We aim to deliver superior returns to shareholders by achieving the following strategic objectives.

ONE

Deliver disciplined growth by focusing on the quality of opportunities and prioritising margin over revenue.

TWO

Operate sustainably, recognising that health and safety and our people are our top two priorities.

THREE

Generate shareholder return by growing earnings and dividends, and carefully managing our balance sheet.

See our
Strategy p14

OUR MARKET

OUR PROPOSITION

Linden Homes

- → Consumer confidence, low interest rates, mortgage availability and Government policy all supported demand throughout the year.
- → A rising population and single occupancy also influenced demand during the year.

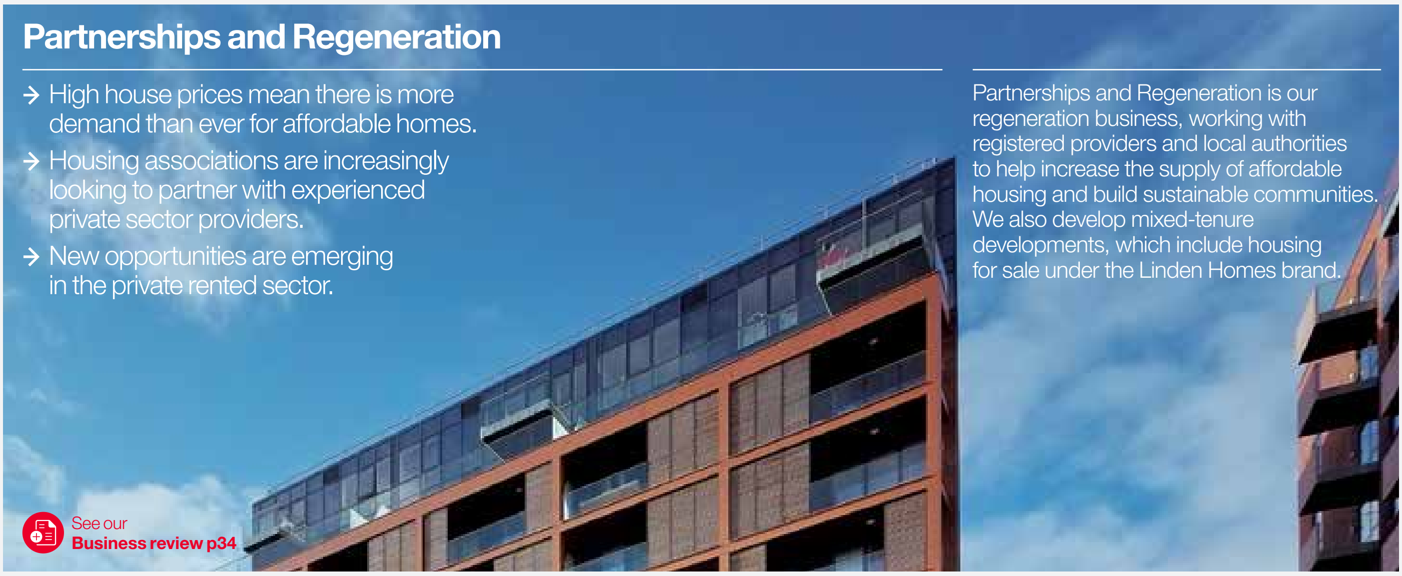
Linden Homes is a leading UK housebuilder, providing award-winning homes on prime sites in sought-after locations. We have a well-respected brand and are increasingly targeting the mid-market. Most of our customers are existing homeowners but we also sell to first-time buyers. In addition to houses for private sale, we work with the public sector to offer affordable homes on many of our sites.

See our
Business review p30

Partnerships and Regeneration

- → High house prices mean there is more demand than ever for affordable homes.
- → Housing associations are increasingly looking to partner with experienced private sector providers.
- → New opportunities are emerging in the private rented sector.

Partnerships and Regeneration is our regeneration business, working with registered providers and local authorities to help increase the supply of affordable housing and build sustainable communities. We also develop mixed-tenure developments, which include housing for sale under the Linden Homes brand.



See our
Business review p34

Construction

- → Construction markets continued to generate a pipeline of opportunities with robust margins.
- → The regulated sector remains steady, as clients fulfil their business plans.
- → Government is committed to investment in infrastructure across the UK.

Our Construction business operates across the UK, offering public, regulated and private sector clients the benefits of national strength with local delivery from our regional offices. The majority of our work is in the regulated and public sectors and we maintain positions on several major national and regional frameworks.

See our
Business review p38

Our businesses at a glance

Galliford Try has three strong businesses. Linden Homes develops private and affordable homes for sale throughout England. Partnerships and Regeneration is our regeneration business, working to increase the supply of housing across all tenures. Our Construction business is a major UK contractor, working across the public, regulated and private sectors.

Linden Homes

Revenue	Profit from operations
£841m	**£147.2m**
+8%	+18%

Linden Homes delivers around 3,000 houses and apartments each year, most of which are for private sale. We have a strong presence in the South and East of England, and a growing presence in the North and Midlands.

We develop homes on prime sites in good locations, close to transport links and local amenities. Our homes are built to meet the varying needs of our customers and designed to complement their surroundings. Through rigorous attention to detail, we create high-quality homes that earn industry awards.

We create sustainable developments, which include building affordable homes for sale to registered provider clients.

See our **Business review: Linden Homes p30**

Partnerships and Regeneration

Revenue

£301m

-9%

Profit from operations

£11.7m

+24%

Partnerships and Regeneration is our specialist regeneration business. It has a strong presence in the South East, Midlands and North East England, and a growing business across the rest of the country.

We are a leading partner for the Homes and Communities Agency and provide contracting services to housing associations, local authorities and other registered providers, building vibrant, affordable homes and sustainable communities on their behalf.

Partnerships also develops mixed-tenure projects, providing private housing for sale on regeneration-led sites. We use the Linden Homes brand and draw on Linden Homes' expertise in housing development and sales to successfully deliver these projects.

See our **Business review: Partnerships and Regeneration p34**

Construction

Revenue

£1,503m

+16%

Profit from operations

£15.8m

+1%

Construction operates nationwide, primarily under the Galliford Try and Morrison Construction brands. Our network of regional offices is a key advantage, enabling us to deliver schemes of national distinction using a local approach.

The business is organised into the Building and Infrastructure divisions. It also includes facilities management, our multi-disciplined group of chartered surveyors and our national piling specialists.

Building

Building serves a range of clients across the UK, with a substantial presence in Scotland. We work alongside organisations in the public, regulated and private sectors, and have a particularly strong presence in the health, education and commercial markets.

Infrastructure

Infrastructure carries out civil engineering projects, primarily in the highways, rail, aviation, environmental, water and waste, and power and security markets.

PPP Investments

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

See our **Business review: Construction p38**

Chief Executive's Q&A

"Galliford Try is an excellent business, with skilled and passionate people and exciting prospects across the Group. We have the right strategy to deliver and have made excellent progress towards our 2018 targets. Going forward we will be following a similar course, focused on achieving sustainable and disciplined organic growth. We are currently finalising our strategy beyond 2018 which we will communicate in due course."

Peter Truscott
Chief Executive

Peter Truscott joined Galliford Try as Chief Executive on 1 October 2015. In this section, he provides his thoughts on our performance, prospects, strategy and culture.

Q.

What pleased you most about this year's performance?

A. We have three strong businesses and they all made solid progress. The margin improvement in Linden Homes stood out for me and we are very focused on continuing to improve it. Partnerships continued to show why we are excited about the business's potential, with further growth in its mixed-tenure revenue. Construction also benefited from the improvement in its markets throughout the year.

I was also pleased by our succession planning, the aim of which is to ensure we have the right leaders at Board, Executive Board and other senior management levels. We have recruited Bill Hocking in the Construction business to succeed Ken Gillespie, who has led that business (including the acquired Miller Construction business) for over 20 years, and will retire from the Group next year. They are working together to ensure the handover is as smooth and effective as possible.

Q.

Where do you think Galliford Try can do better?

A. We need to make sure we are as efficient and productive as we can be and there is room for simplification in some areas. In Linden Homes, for example, we have worked hard to rationalise our operating processes, which will generate annualised savings of over £5 million from FY 2017.

We also have an opportunity to give each of our businesses more autonomy. While our hybrid model means that we have businesses that are countercyclical and fit well together, I want each business to be great in its own right, so they are the best they can be. In practice, this means refocusing the whole of the centre on providing a strategic steer while placing more responsibility into the hands of those people closest to the front line, who have the detailed understanding required to make the right decisions. This will also allow decisions to be made more quickly. The businesses should then be supported by appropriate pooled resources in central functions (such as HR and health, safety and sustainability) or outsourced resources, which are designed to fit the businesses' needs.

Q.

What excites you most about the future for Galliford Try?

A. The most exciting thing for me is the potential to be a major participant in an area with huge opportunities, namely the affordable homes and regeneration sector. I am excited by the prospect of rolling that out, achieving scale and being a sector leader. The capital requirements are much lighter than developing housing for private sale, in part because the contracting side is cash generative – it is a hybrid within a hybrid. The demand from clients is also less susceptible to cyclical changes. Our Partnerships and Regeneration business has a real advantage in having both extensive contracting and developer skills.

With the construction market beginning to grow and the Government's proposed new investment in infrastructure, our Construction business is also well placed to capitalise on future opportunities.

I am also enthusiastic about the prospects for Linden Homes. It has a great brand, and is solidly positioned, with good locations and well-designed homes. We have the opportunity to grow further geographically, as we increase our presence in the North and the Midlands. While we will continue to create developments that are designed to complement their local areas, we are using more standard floor plans and processes to increase profitability.

Q.

What do you see as the key risks facing Galliford Try?

A. The biggest risk is the macro-economic environment and the possibility of an economic downturn. We have to manage that risk and part of that is building a longer order book. We have been doing that successfully and Linden had sales carried forward of £380 million at the year end.

The result of the recent EU referendum does have the potential to distort some of our markets, although the fundamentals remain favourable. While this is certainly not an inevitable outcome, we must be mindful of the potential risks and plan for the Group's future accordingly.

In Construction, the availability of skilled people concerns me. The skills shortage has eased but it can have a significant impact on our supply chain and costs.

Q.

How do you see Galliford Try's culture?

A. Having the right culture is absolutely critical to achieving our strategy as a long-term sustainable business. It means everyone understanding how we should work and the behaviours we want to see. I believe our values – excellence, passion, integrity and collaboration – are the foundation on which the business is built. During the year, we relaunched our Code of Conduct, called *'Doing the Right Thing'*, which draws on these values and defines how we behave in the workplace. The Code is far more than a list of policies; it gives our people the practical help they need to make the right decisions and 'do the right thing'.

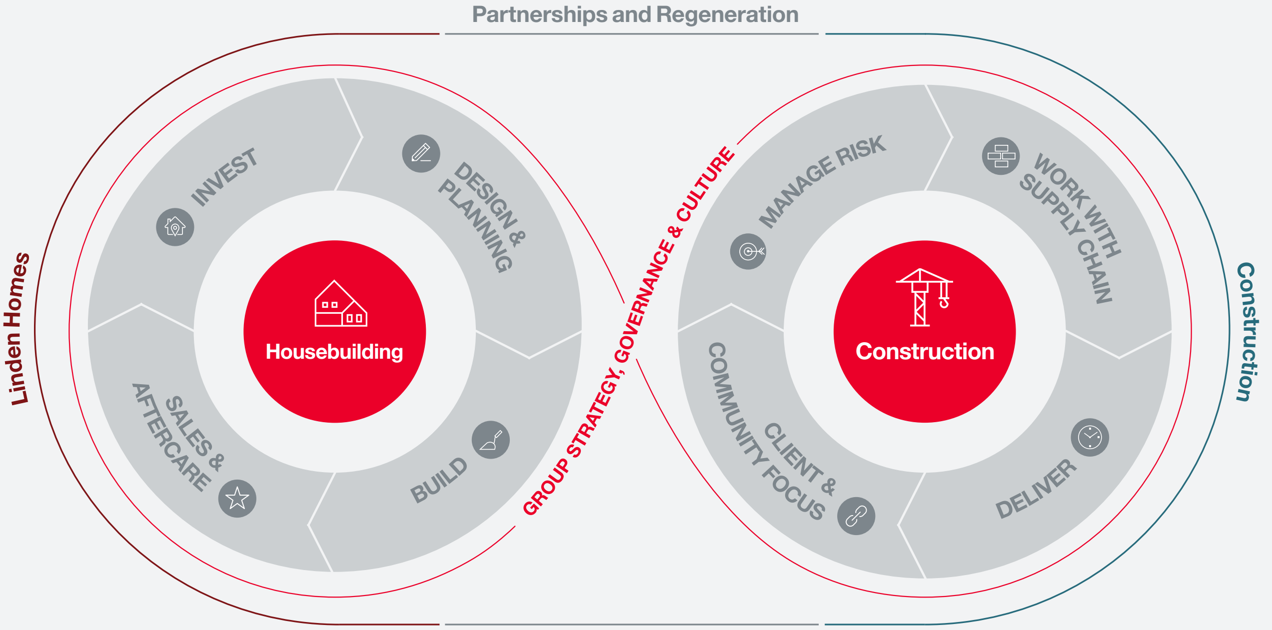
That is important as we give the businesses more autonomy. If you empower the right people, then you can release their 'can-do' attitude and entrepreneurial flair. We can combine that with clear standards of behaviour and our sound understanding of risk, and make sure we reward people for success.

There are also other areas that I would like to develop. I strongly believe that productivity is a key driver in running a successful business over the longer term. For the sectors in which we operate, this more often than not manifests itself in the simplicity and effectiveness of our processes: keeping it simple and avoiding too many tangents is key.

Read our **Chief Executive's review on p24**

Our business model

We have a hybrid business model, encompassing housebuilding and construction activities. Partnerships and Regeneration is a hybrid within a hybrid, delivering both contracting services and mixed-tenure homes.



Housebuilding

INVEST
Maintain landbank of prime plots in good locations

DESIGN & PLANNING
Unique elevations with standard floorplans

BUILD
Construct quality, sustainable homes

SALES & AFTERCARE
Offer first-class service to customers

Construction

MANAGE RISK
From bid selection through to delivery

WORK WITH SUPPLY CHAIN
Partner with suppliers to support delivery

DELIVER
Complete projects to the highest standards

CLIENT & COMMUNITY FOCUS
Become a long-term partner of clients, focused on communities

Role of the Group

SET STRATEGY
Give strategic direction to the businesses

See our **Value creation model p8**

MITIGATE RISK
Identify and manage risks to our Group strategy and business model

See our **Principal risks p18**

ALLOCATE CAPITAL
Provide resources to support the businesses' strategies

EMBED CULTURE
Demonstrate and lead the desired behaviours throughout the Group

See our **Sustainability section p43 to p49**

DELIVER CENTRAL SERVICES
Support the businesses with essential functions

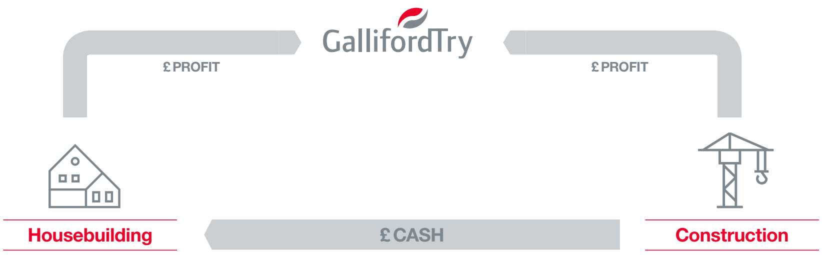
OVERSEE GOVERNANCE
Ensure robust framework for strategy delivery

See our **Governance section p50**

How our hybrid business model works

Our hybrid business model creates long-term shareholder value allowing us to harness the benefits of our complementary businesses. At the same time this reduces the impact of economic cycles and allows us to prioritise high-quality work, so we can focus on margins and deliver disciplined revenue growth.

The hybrid model



Reduced impact of economic cycles

Linden Homes adapts quickly to economic changes, particularly when the economy returns to growth, while long contracts and lead times affect Construction later in the cycle. Partnerships' mix of housebuilding and contracting also reduces its cyclicality. Operating through businesses with differing economic profiles reduces the economic risk to the Group.

Less reliance on any one market

Our businesses serve different customers, with different requirements and different sources of financing. This makes us less reliant on any one market and means we do not have to pursue low-margin revenue when markets are difficult.

Complementary financial profiles

Construction generates cash from clients' regular payments, while Linden Homes uses cash to invest in land and development, and receives cash when the homes are sold. Partnerships funds mixed-tenure developments using cash generated by its contracting activities. These complementary financial profiles help to limit our need for external debt.

Our value creation model

We transform the inputs to our business to create value for our shareholders, clients, customers, suppliers, society and the environment over the short, medium and long-term.

INPUTS

Cash investment
We invest in land and development using cash generated by construction activities and external debt.
See our **Financial review p26**

People and expertise
We rely on our people's expertise and seek to recruit and retain the very best talent.
See **Our people p46**

Physical resources
Our building processes use natural resources including land, materials and energy.
See **Resources and relationships p48**

Relationships
We develop long-term relationships with clients, customers, suppliers, subcontractors and communities to win work and deliver it effectively.
See our **Resources and relationships p48**

Galliford Try Group
- Set strategy
- Mitigate risk
- Allocate capital
- Embed culture
- Deliver central services
- Oversee governance

OUR BUSINESSES

Linden Homes

Partnerships and Regeneration

Construction

See our **Business review p30**

HOW WE DRIVE SUSTAINABLE VALUE

Housebuilding

INVEST
Maintain landbank of prime plots in good locations

See **Housebuilding p10**

Construction

MANAGE RISK
From bid selection through to delivery

See **Construction p12**

DISCIPLINED GROWTH

DESIGN & PLANNING
Unique elevations with standard floorplans

BUILD
Construct quality, sustainable homes

SALES & AFTERCARE
Offer first-class service to customers

WORK WITH SUPPLY CHAIN
Partner with suppliers to support delivery

DELIVER
Complete projects to the highest standards

CLIENT & COMMUNITY FOCUS
Become a long-term partner of clients, focused on communities

OUTPUTS

Shareholder returns

Shareholders benefit from rising earnings and cash flows.

See our **Financial review p26**

Engaged and healthy workforce

Developing our people and safeguarding their health and safety keeps them engaged with their work and boosts productivity.

See **Health and safety p44**
See **Our people p46**

Quality buildings, infrastructure and homes

Excellent people and processes, and an understanding of our clients' and customers' needs, enable us to produce high-quality, sustainable projects.

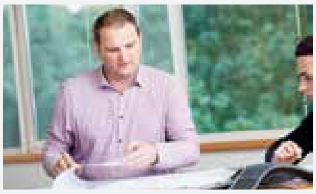
Satisfied customers, clients, suppliers and communities

By delivering on time and to budget, collaborating with our supply chain and involving our communities, we strengthen our reputation with our stakeholders.

OPERATE SUSTAINABLY › **SHAREHOLDER VALUE**

Value creation:
In the housebuilding market

We create value throughout the housing cycle by selecting the right land, good locations and designing high-quality homes to build sustainable communities. We prioritise customer service by delivering The Linden Way.



INVEST

Maintain landbank of prime plots in good locations

Both Linden Homes and Partnerships maintain a substantial landbank, sufficient to meet our anticipated needs for the next three to four years. We acquire prime sites with good transport links and local amenities, where we can create communities that people aspire to live in.

We are increasingly investing in strategic land to generate a pipeline of high-quality sites that offer higher margins.

Partnerships also identifies sites which are then purchased directly by our registered provider clients, allowing us to develop the project for them without having to acquire the land ourselves.

DESIGN AND PLANNING

Unique elevations with standard floorplans

We want our developments to complement their local areas and distinguish us from other housebuilders, so we create unique designs for the exteriors of our homes. Standardised interior layouts (the Linden Homes Layouts) help us to procure and build our homes as efficiently as possible, without compromising on design, and ensure our homes have good specifications. Partnerships also uses these standard interior layouts.

BUILD

Construct quality, sustainable homes

We are renowned for the quality of our homes. We work closely with our subcontractors to use efficient and safe methods of construction, and with our suppliers to source the most suitable materials. By increasingly standardising processes in both Linden Homes and Partnerships, we increase our efficiency and cut waste, which in turn reduces the environmental impact of our developments.

As a responsible developer, we also deliver well-designed public spaces that support sustainable communities. This can range from providing streetscapes that reduce the speed of vehicles to cycle routes, woodlands and play areas.

SALES & AFTERCARE

Offer first-class service to customers

We think about our customers' needs at every stage, from before we buy land to our aftersales service – an approach that we call 'The Linden Way'. This programme shares best practice across Linden Homes and sets out how we support our customers at each step of their purchasing journey. Partnerships also follows The Linden Way within its mixed-tenure schemes.

Our Customer Charter describes our commitment to providing a first-class service. It also outlines to our customers exactly what they should expect from us, from accurate and up-to-date information to home warranties.

Value creation:

In the construction market

We create value by carefully selecting the projects we take on and working closely with our clients and supply chain to deliver superior buildings and infrastructure that improve the built environment and create a positive legacy for the people they serve.

MANAGE RISK

From bid selection through to delivery

We look to manage risk at every stage, from selecting opportunities through to maintaining the finished asset. We carefully assess and select the projects we take on, while our presence on numerous frameworks further reduces our risk profile by allowing us to work collaboratively with clients, understand their needs and become experts in delivering repeat projects for them.

WORK WITH SUPPLY CHAIN

Partner with suppliers to support delivery

Our supply chain is critical for the safe, efficient and timely delivery of projects to our clients. We collaborate with our subcontractors and suppliers and keep them informed of our pipeline of work, so that we can secure the supply chain required to deliver our projects. Wherever practical, we prioritise the use of local suppliers. Our 'Advantage through Alignment' initiative builds on this collaborative approach with selected supply chain partners. Our approach helps to ensure service quality for clients and increases our efficiency.

See our **Business review on p39**

DELIVER

Complete projects to the highest standards

We are recognised for the quality and safety of our project delivery and have won numerous industry awards. We focus on quality from day one and increasingly use technology such as BIM (Building Information Modelling) to help us deliver superior buildings. At the same time, we look to improve continuously through programmes such as 'Delivering Excellence', an internal initiative which helps us to hand over projects defect-free.

CLIENT & COMMUNITY FOCUS

Become long-term partners of clients and communities

We look to work with clients we can collaborate with and become their long-term partners. Our approach to collaboration has been accredited to BS 11000, the recognised best practice standard. We also endeavour to develop strong community relationships and look to ensure our teams reflect the diversity of their local communities. This helps to make us welcomed locally and to work more effectively and seamlessly.

Strategy to 2018, targets and performance

The Group's aim is to deliver superior returns to shareholders by successfully implementing our three-part strategy. For each element of the strategy, we have set and developed a number of targets. Our strategy was set for the five-year period to 2018 against a 2013 baseline.

OUR STRATEGIC PRIORITIES

ONE

Deliver disciplined growth by focusing on the quality of opportunities and prioritising margin over revenue.

DELIVER DISCIPLINED GROWTH

Linden Homes

STRATEGY

- Focus on increasing our operating margin by maximising the efficiency and effectiveness of our operations.
- Deliver disciplined expansion in volumes by continuing to focus on prime sites in good locations.
- Monitor economic conditions and maintain an appropriately sized landbank which supports our growth and strategy.

Partnerships and Regeneration

STRATEGY

- Continue to grow our contracting revenues.
- Grow our mixed-tenure revenue by partnering with our registered provider clients and leveraging Linden Homes' brand and development skills.
- Use the cash generated by Partnerships' contracting activities to fund the mixed-tenure developments.
- Execute planned regional expansion of offices.
- Monitor economic conditions and maintain an appropriately sized landbank which supports our growth and strategy.

Construction

STRATEGY

Building and Infrastructure

- Continue our disciplined selection of projects with appropriate risk and cash profiles.
- Focus on both the public and the private sector, frameworks and increasing our capability in major projects.
- Achieve margin improvements.

PPP Investments

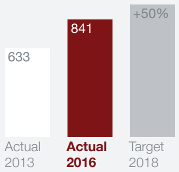
- Target our PPP investment capabilities to support our Construction, Partnerships and facilities management businesses.
- Increasingly become a collaborative investment partner for public sector clients to give us access to a pipeline of projects rather than one-off bids.

PROGRESS

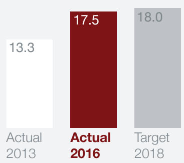
- Increased operating margin from 16.0% in 2015 to 17.5%, with further improvement expected to come in FY 2017 from rationalising our operating processes.
- Grew volumes by 11%, contributing to a 8% increase in revenue.
- Continued to extend our presence in the North of England, opening a second office in Yorkshire.
- Our landbank stood at 11,500 plots.

TARGETS

Revenue £m



Operating margin %

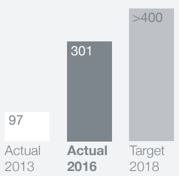


PROGRESS

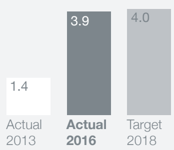
- Contracting growth slowed due to the Government's rent reforms which caused registered providers to reappraise their plans.
- Delivered strong growth in mixed-tenure revenues.
- Announced our intention to allow Partnerships to take on debt of up to £30 million, to accelerate its mixed-tenure growth.
- Progressed regional expansion plans by opening a Bristol office.
- Grew our landbank to 2,700 plots.
- Maintained contracting order book of £850 million.

TARGETS

Revenue £m



Operating margin %



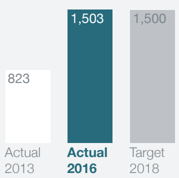
PROGRESS

- Continued to secure work successfully, while focusing on risk management and cash.
- Awarded places on a number of major frameworks.
- Forward order book of £3.5 billion.
- Recruited senior leaders to enhance our major projects capability.

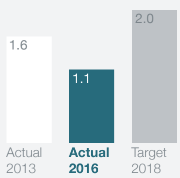
- Closed projects that added over £300 million to the order books of our Construction business and facilities management business.
- Continued to secure a pipeline of projects, despite the now resolved public sector accounting classification issue delaying close on several PPP projects in Scotland in the first half of the year.

TARGETS

Revenue £m



Operating margin %



Strategy, targets and performance continued

OUR STRATEGIC PRIORITIES

TWO

Operate sustainably, recognising that health and safety and our people are our top two priorities.

OPERATE SUSTAINABLY

STRATEGY

Health and safety

- Implement policies and procedures to establish safe working practices for everyone, and drive them through leadership.
- Implement programmes to improve employee and subcontractor safety behaviours.
- Work with our employees to ensure we maintain our culture of care.

People

- Implement policies and procedures to ensure we have competent and capable employees who also emulate our values.
- Engage with our employees to identify training and development needs and opportunities to improve business performance.
- Implement programmes to drive fairness, inclusion and respect across the Group.

THREE

Generate shareholder return by growing earnings and dividends, and carefully managing our balance sheet.

GENERATE SHAREHOLDER RETURN

STRATEGY

Financial management

- Actively manage cash in Construction and investment in both Linden Homes and Partnerships to control the Group's net debt position.
- Ensure the Group has the funding to implement its growth strategy, through internal cash generation and appropriate debt facilities.

Efficiency

- Help the businesses to implement their strategies by providing high-quality centralised Group functions, such as health and safety, sustainability and people development, contributing to profit and earnings growth and the ability to pay higher dividends.

ASSUMPTIONS

In quantifying our strategic objectives to 2018, we made the following assumptions about market conditions:

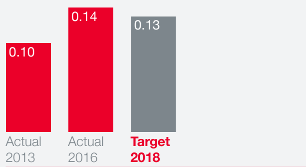
- economic growth continues in line with the then current consensus, with interest rates rising gradually through the period;
- the private housing market continues 'as is', with mortgage availability and flexibility maintained and no material change to Help to Buy;
- Government support for affordable housing continues; and
- construction markets continue a steady recovery.

We continue to monitor these assumptions against actual market conditions so that we can take alternative actions if required.

PROGRESS

- Maintained our year-on-year Accident Frequency Rate at 0.14.
- Implemented a new central health and safety database to improve management information to identify cause and effect; embedded random testing for drugs and alcohol and launched 'Golden Rules' (see page 44), while continuing to reinforce our behavioural safety programme 'Challenging Beliefs, Affecting Behaviour'.

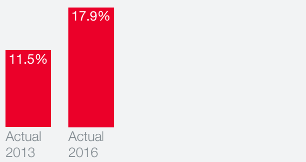
Accident Frequency Rate[1]



[1] By RIDDOR classification.

- Progressed our approach to succession planning and talent management (see page 46).
- Relaunched *"Doing the Right Thing"*, our Code of Conduct, setting out standards and principles for how we work and what we value (see page 47).
- Delivered 12,685 training days, an average of 2.2 per employee.
- Employee churn rate was 17.9%, down from 18.1% in 2015.

Employee churn rate[2]

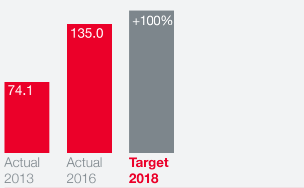


[2] Against a benchmark of 15%.

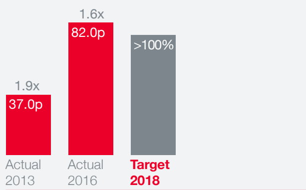
PROGRESS

- Continued to focus on cash and working capital management.
- Year end net debt of £8.7 million, resulting in gearing of 1%.
- Increased our bank facility by £50 million to £450 million.
- Grew profit before tax by 18%, leading to a 17% increase in earnings per share.
- Increased the full year dividend by 21% to 82p per share, with earnings cover of 1.6 times.

PBT £m



Dividend per share and cover

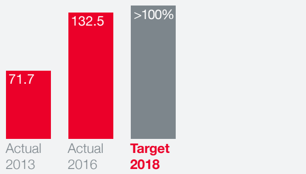


- Began process of giving more autonomy to our businesses and maintaining central functions or outsourced resources that are focused on supporting the Group.

Gearing %

Maximum 30%

Earnings per share p



We also made a number of assumptions about the Group and our businesses, notably that:

- the Group has financing in place throughout the period;
- Linden Homes delivers mid-to-high single digit growth in revenue, with a stable mix of private and affordable units, and no house price inflation;
- Partnerships increases proportion of mixed-tenure work, has one new office in Bristol, and further offices opening through the period; and
- Construction delivers steady growth towards its revenue and margin targets.

Principal risks

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

Roles and responsibilities

The Board has overall responsibility for the Group's systems of risk management and internal control, which are subject to ongoing monitoring processes alongside a formal and robust annual review. It is also responsible for determining the overall level of risk which it is willing to accept in pursuing the Group's strategy. The Board has delegated implementation of risk management and internal control, together with their day-to-day operation, to the Group's executive management. The process is overseen by the Risk Committee, which is chaired by the Group Finance Director and managed on a day-to-day basis by the Director of Risk and Internal Audit. The Risk Committee is also attended by the Chairman. Although they are not absolute assurance against the risk of material misstatement or loss, the Group's systems of risk management and internal control are designed to identify, manage, mitigate, monitor and report on risks to which the Group is exposed.

Risk identification, assessment and mitigation

We develop and maintain risk registers at business unit, divisional and Group level, which identify key operational, financial and strategic risks applicable to that level within the organisation, and which are assessed and consolidated into a Group-wide register using a standardised methodology. The methodology requires each identified risk to be assessed and measured using a risk matrix which quantifies the likelihood and impact of each risk (the inherent risk), the effect of the mitigating actions (to determine the residual risk) and the desirable risk profile (the target risk), as aligned to the Group's risk appetite. The methodology evaluates the impact of each risk on the Group's profitability and reputation.

Risk management, risk reporting, internal controls and internal audit

The material components of the Group's established framework of internal controls comprise the following:

- organisational structure: each business has its own management board and each business unit is led by a managing director and management team;
- contractual review and commitments: the Group has clearly defined policies and procedures for entering into contractual commitments which apply across its business units and operations and are enforced through the Group's legal authorities matrix;
- investment in land and development: land expenditure approval is subject to clearly defined policies and procedures, with significant investments approved at Executive and main Board levels under Group policies and procedures;
- operational activity: there are established frameworks to manage and control all site operations including health, safety and environmental procedures, regular performance monitoring, quality and external accountability to stakeholders;
- financial planning framework: the Group reviews and refines its business plan on an annual basis, following specific Board meetings held to consider strategy. A detailed annual budget is prepared for each financial year which is approved by the Board;
- operational and financial reporting: we continue to improve the Group's reporting and financial systems as a result of implementing both Oracle and Hyperion systems. An exacting profit and cash reporting and forecasting regime is in place across the Group. As well as the emphasis placed on cash flow, income and balance sheet reporting, health, safety and environmental matters are prioritised within monthly operational reports;

- Code of Conduct: the Group requires its employees to operate ethically and with demonstrable integrity. Group standards are set out in a Code of Conduct issued to all employees, and supported by specific training modules in key areas;
- pension plan administration: the administration of the Group's fully closed final salary and ongoing defined contribution pension plans is outsourced to professional service providers. Each of the final salary schemes has an independent scheme secretary and a proportion of independent trustees to provide additional layers of external scrutiny; and
- assurance provided by non-audit functions: a number of other Group functions provide assurance in areas including, but not limited to, health, safety and environment; legal contract review and compliance; and construction industry regulation.

The Group's governance reporting structure shown on page 57 clarifies the effective Group, business and operational board structures upon which the delegated authorities matrices and corporate and finance manuals are overlaid.

The Risk Committee and the Board review the risk registers and associated mitigating actions on a regular basis. For example, during the last year the ongoing review included consideration of the impact of possible outcomes of June's EU referendum and the Group's exposure to the London market. In addition to this process, which has been in place throughout the past year, we undertake an annual review of our risk management processes in the context of market developments, projects secured and Group strategy to ensure that they remain up-to-date and relevant. This also encompasses a review of the internal controls framework, together with the findings of the internal audit function over the past year, which may indicate weaknesses that have had, could have had, or may have in the future, a material impact on results, and any remedial actions taken. Based on these assessments, the Board is satisfied with the effectiveness of the Group's systems of risk management and internal control.

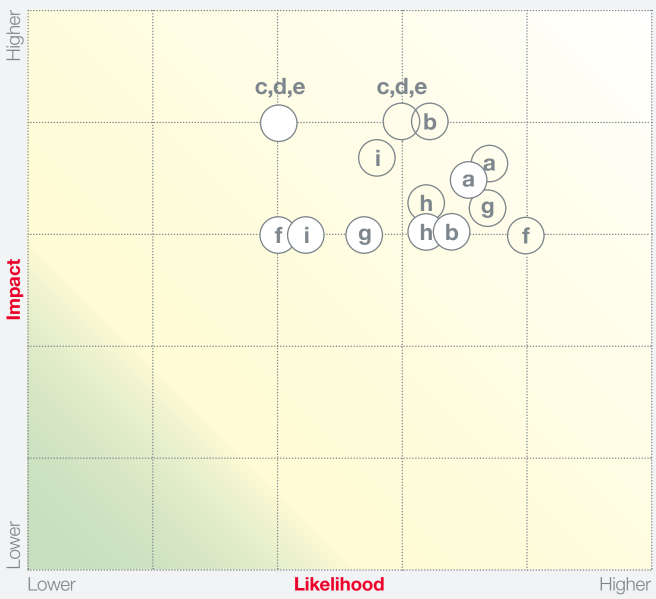
Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Board has assessed the prospects of the Group over a period longer than the 12 months as required under provision C.1.3 of the Code in relation to the adoption of the going concern basis. The Board conducted this review for a period of three years in line with its typical business planning and risk management review period.

The Group's business plan includes information in relation to the Group's revenues, profits, cash flows, dividends, net debt, and other key financial and non-financial metrics. The plan considers the potential impact of the principal risks to the business as described below and overleaf, and the cyclical nature of the markets in which the Group operates, and incorporates an appropriate level of flexibility to provide against these risks. This is achieved through the preparation of sensitivity analyses on a range of scenarios including variations in revenue, house prices, sales rates, build costs, cash generation and access to financing.

Based on the results of this analysis, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of its assessment.

Risk heat map – effects of mitigation on inherent risks and residual risks



The heat map shows the principal risks the Group faces by impact and likelihood, before and after mitigating actions are taken into account, illustrating the effects of the Group's risk management process in mitigating the identified risks.

- **a** Economic
- **b** Government
- **c** Health and Safety
- **d** Over-reliance
- **e** Legal and regulatory compliance
- **f** Land acquisition
- **g** People and supply chain
- **h** Business management systems
- **i** Business continuity

Residual **Inherent**

Principal risks

The directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Our consideration of the key risks and uncertainties relating to the Group's operations, along with their potential impact and the mitigations in place, is set out below and on the previous page. There may be other risks and uncertainties besides those listed below which may also adversely affect the Group and its performance. More detail can be found in the Audit Committee Report on pages 58 and 59.

Category	Description of inherent risk	Inherent risk trend in the year	Mitigation
a. Economic	The biggest risk is the macro-economic environment and the possibility of an economic downturn. The result of the recent EU referendum has the potential to distort some of our markets. While this is certainly not an inevitable outcome, we must be mindful of the potential risks and plan for the Group's future accordingly. The Construction and Partnerships businesses are very well placed to deal with any uncertainty due to the nature of their businesses and their late cycle and hybrid nature respectively. Linden Homes, while more exposed to a potential slowdown and changes in consumer confidence, has a great brand, and is solidly positioned, with an appropriate landbank, good locations and well-designed homes. Improvement in the construction market increases the workload in our supply chain, enabling it to seek increased prices which could impact our margins. House price inflation can mitigate this effect but the effect can be amplified by a house price fall. The input costs to our business can also be affected by fluctuations in foreign exchange rates.		We manage the impact of macro-economic risks, including by building a strong order book and maintaining an appropriately sized landbank. We have been doing that successfully and had a Construction order book of £3.5 billion and sales carried forward position in Linden of £380 million at the year end. We monitor closely political and economic developments: we have modelled a range of macro-economic scenarios and planned measures which can be implemented should the macro-economic environment improve or deteriorate as against our internal models. We also regularly monitor actual supply chain costs against costs assumed at tender, with regular reforecasting of the likely effect on margin, and with realistic increased supply chain costs fed back into tenders going forward. We also regularly review fixed price assumptions in bids. Land purchases at appropriate margins are reviewed in the context of three-year market forecasts, and we monitor sales rates on an ongoing basis.
b. Government	A reduction in Government spending on infrastructure projects or affordable housing development, including schemes such as Help to Buy, would directly affect our business. Other initiatives relating to project bank accounts or payment terms may impact the cost of doing business. Government may also impose future taxes or levies that are not incorporated into our plans.		The Group regularly engages with Government and the Homes & Communities Agency (HCA), both directly and via our membership of industry bodies. Prudent pricing models, increased hurdle rates and other contingencies are built into our land appraisal process, including removal of any Government support. Support for Help to Buy appears to be in place until 2020. The Group monitors on an ongoing basis economic and political conditions and developments; and it plans for different economic scenarios.
c. Health and Safety (H&S)	A catastrophic incident with fatalities and/or significant injuries can, in addition to its impact on victims and corporate reputation, lead to fines or prosecutions for individual members of staff or directors. A high cumulative level of H&S prosecutions would reduce our ability to win work.		We have operational controls in place, including a H&S site risk assessment for every site. We have processes in place which allow us to respond promptly and appropriately to incidents. During the year, we implemented the 'Golden Rules', a new H&S database, and reinvigorated our award-winning 'Challenging Beliefs, Affecting Behaviour' safety programme.
d. Over-reliance	Direct or indirect over-reliance on a single customer or vendor, such as the HCA in Housebuilding, may leave us exposed, especially if there is a large degree of regulation surrounding this customer or vendor.		We carefully monitor and maintain relationships at every level of the organisation up to Executive Board level. Where customers or suppliers have regulated contractual commitments, we undertake annual (and, as necessary, independent) audits, to ensure we are meeting our requirements.

Category	Description of inherent risk	Inherent risk trend in the year	Mitigation
e. Legal and regulatory compliance	Legal and regulatory failure, for example involvement in blacklisting, cover pricing, bribery or other fraudulent activity, or non-compliance with law (including for example the Bribery Act, Fraud Act, Competition Act, Money Laundering Regulations, and Proceeds of Crime Act) could lead to disbarment from bidding for certain public or regulated sector work, fines, jail, and reputational damage.		The Group has comprehensive policies and guidance in place at every level, including the recently reinvigorated Code of Conduct, mandatory e-learning for all employees, regular Board legal updates and briefings, six-monthly compliance declarations and conflicts of interest registers and authorisations. In addition, an anonymous and independent whistleblowing helpline is available to all staff, with strict policies to ensure anonymity and regular reporting of helpline use provided to the Board.
f. Land acquisition	If the assumptions used in the land acquisition process are wrong, subsequent financial results may be affected.		There are comprehensive land acquisition policies and procedures in place. The Group monitors on an ongoing basis economic and political conditions and developments; and it plans for different economic scenarios.
g. People and supply chain	The ability to attract, develop, retain and build relationships with diverse and high-quality employees and supply chain impacts every level of the Group, from developing and building our products to succession planning to the Board.		The Group has an established HR strategy based on best practice, Investors in People principles and relevant legislation which, among other things, includes the regular review of remuneration and benefits packages to ensure we remain competitive. Our succession planning and talent management processes enable continuity and identify future leaders. The Group aims to develop long-term relationships with subcontractors to ensure we are a preferred customer in the supply of people and skills, as well as materials. Key initiatives this year include rolling out the 'Advantage through Alignment' initiative throughout our Construction business supply chain. The Group monitors on an ongoing basis economic and political conditions and developments; and it plans for different economic scenarios.
h. Business management systems	The stability, performance and successful operation of current and legacy third party business management systems, such as our Oracle finance system and electronic document management systems, are critical to the successful operation of the business, both in Group locations and on-site project offices and sales outlets.		Our IT governance structure prioritises resources on the most critical and added value improvements. Specific improvement forums, for example the Procurement Improvement Group, further refine and optimise core processes. Relationships with third parties are given the highest level of management attention, with contingency solutions reviewed as appropriate.
i. Business continuity	Loss of our Shared Service Centre or IT infrastructure, especially our financial system, including a natural disaster or malicious attack, may affect our ability to carry on day-to-day business.		Disaster recovery plans have remained in place throughout the year, and are tested on a regular basis, including penetration tests in respect of cybercrime.

Chairman's statement

"We have successfully managed a number of important changes to our Board and senior management over the last two years, allowing us to maintain our track record of performance and deliver further solid growth this year."

Greg Fitzgerald
Chairman

Earnings per share	Dividend per share
132.5p +17%	**82p** +21%

Performance and dividend

Galliford Try delivered another record set of results in 2016, with growth across the Group.

Throughout the year, Linden Homes benefited from a robust housing market, underpinned by supply shortages and ample availability of low-cost mortgages, and a land market that remained positive. We grew revenue and margins, as we rigorously focused on overheads and processes.

Prospects for Partnerships remain excellent with the UK suffering a substantial affordable housing shortage.

Construction markets continued to generate a pipeline of opportunities with better margins. While we saw some commercial clients delay contracts ahead of the EU referendum, and some public sector work has been slower to come through than we expected, we were generally encouraged by market conditions. The markets in which Construction operates are typically less susceptible to short-term fluctuations, and we expect the construction market to remain positive notwithstanding any short-term distortion, not least because of the substantial infrastructure renewal required in the UK.

We recognise the importance of dividends to our shareholders. The Board is recommending a final dividend of 56.0 pence per share, an increase of 22%. Combined with the interim dividend of 26.0 pence per share, which was up 18%, this gives a total dividend for the year of 82.0 pence per share, representing growth of 21%. The final dividend will be paid on 23 November 2016 to shareholders on the register at 28 October 2016. With earnings per share of 132.5 pence, the total dividend is 1.6 times covered.

The result of the referendum to leave the EU inevitably created a backdrop of uncertainty for the new financial year. Although this resulted in share price reductions across our sector peer groups, and Galliford Try's share price fell broadly in line with the sector, the Board remains confident about the prospects for the Group.

Strategy

The strategy we outlined in February 2014, which set out detailed Group and divisional targets to 2018, has served us well and our performance each year has been ahead of plan. Going forward we will likely follow a similar course, focused on achieving sustainable, disciplined organic growth. We are currently finalising our strategic targets for the period beyond 2018 and will communicate these in due course.

Setting objectives has a number of benefits. We want to be transparent and show investors what we think we will achieve over the next few years. I also believe we perform better when we have clear goals and that our ambition helps to attract, retain and motivate our people.

Board and Governance

This was a period of further evolution on the Board. As planned, Peter Truscott joined us as Chief Executive from 1 October 2015 and I moved from Executive to Non-executive Chairman from 1 January 2016. As I announced in July 2016, I will step down from the Board following the conclusion of the 2016 AGM on 11 November 2016.

In February 2016, we announced that Chief Operating Officer Ken Gillespie had decided to retire from the Group in 2017. He stepped down from the Board on 31 July 2016 but he will remain responsible for specific tasks until his departure in 2017. We thank Ken for his substantial contribution to the Group's success and wish him and his family all the best for the future.

Galliford Try has a relatively new Board, with four of our five independent non-executive directors having joined us in the last three years, bringing fresh perspectives to our discussions. We have worked hard during this time to ensure the Board provides the leadership and oversight the Group requires to continue delivering strong operational and financial performance. It was therefore gratifying that our externally facilitated Board evaluation in March 2016 reported that we have a strong Board that is working well together.

Our values

Our values encourage us to work ethically and to the best of our abilities. They shape our approach to day-to-day activities and help us achieve our business goals, while ensuring we remain a good corporate citizen.

Excellence
Striving to deliver the best.

Passion
Committed and enthusiastic in all that we do.

Collaboration
Dedicated to working together to achieve results.

Integrity
Demonstrating strong ethical standards, with openness and honesty.

People and culture

In addition to our new Chief Executive joining, there were notable changes to the executive team. Bill Hocking joined us from Skanska as Managing Director of Construction in September 2015. He became Chief Executive of Construction & Investments on 1 August 2016, as part of the smooth transition of Ken Gillespie's responsibilities ahead of his retirement. Andrew Richards left in April 2016 after more than 15 years with the Group and its acquired businesses, most recently as Managing Director of Linden Homes. We thank him for his contribution and wish him well for the future. With effect from 1 July 2016, Stephen Teagle has assumed the role of Chief Executive of the Partnerships business. From 9 August 2016, Tom Nicholson and Andrew Hammond were respectively appointed to the positions of Divisional Chairman East and Divisional Chairman West for Linden Homes.

Having the right culture is critical for success and we recognise the Board's role in setting that culture and demonstrating the right behaviours. We were pleased to launch our refreshed Code of Conduct during the year. This provides a framework for everyone in Galliford Try, and those who work with us, to ensure everything we do is in line with our values, the law and our high ethical standards. Our values are the foundation our business is built on and we must continue to live by them to retain our reputation as an industry leader. More information about our culture can be found in Peter Truscott's Q&A on page 5.

All businesses depend on their employees and Galliford Try has excellent people throughout the organisation. I have very much enjoyed my 35 years with the Group. I leave with a degree of sadness but I am confident the Group is in great shape to meet the challenges ahead. I want to thank everyone for their hard work and dedication this year, and thank everyone I have worked with over my career, together with all stakeholders, for their support.

Conclusion and outlook

While the EU referendum and the resulting uncertainty may cause some distortion of some of our markets, we are confident that the outlook remains positive for all three of our businesses. It may be necessary to make investment decisions in the short-term that reflect the current market conditions, but at the same time we remain confident about future prospects and continue to plan accordingly.

Greg Fitzgerald
Chairman

Chief Executive's review

"Galliford Try has strong, complementary businesses and positive prospects in each of our markets."

Peter Truscott
Chief Executive

Strategy

Galliford Try has a successful strategy, which has delivered excellent growth in recent years.

Going forward we will be following a similar course, focused on achieving sustainable and disciplined organic growth.

We are currently finalising our strategy beyond 2018 and will communicate this in due course. While we will factor in the result of the EU referendum into our strategy, and need to be mindful of the wider economic climate that may result from the referendum, we anticipate pursuing the same strategy of disciplined growth across our core business segments.

Fundamentally, we believe that the macro-economic environment in all three of our businesses will be favourable. It may be necessary to make investment decisions in the shorter term that reflect any dislocation, but at the same time we remain confident about future prospects and continue to plan accordingly. The long-term underinvestment in housing and strategic infrastructure in the UK still exists regardless of any potential headwinds over the coming months, and our businesses are well placed to exploit the opportunities that will arise.

Sustainability

To implement our strategy, we need to have the right people. Galliford Try has many skilled and dedicated employees but strong market conditions mean demand for quality people is high and employee churn remains high across the industry. Over the last 12 months, we have continued to improve the way we recruit, develop and retain our people. This includes succession planning and talent management as well as effective reward and recognition. All of these factors, as well as simply being a good place to work, will help us to attract the people we need and to keep them within the Group.

We continue to bring the next generation of talent into the industry, taking on around 100 graduates and trainees each year. Our challenging and rewarding graduate programme has made us one of the top 100 companies – and the sixth best construction company – for graduates to work for.

OUR STRATEGIC PRIORITIES

ONE

Deliver disciplined growth
by focusing on the quality of opportunities and prioritising margin over revenue.

TWO

Operate sustainably,
recognising that health and safety and our people are our top two priorities.

THREE

Generate shareholder return
by growing earnings and dividends, and carefully managing our balance sheet.

See our **Strategy p14**

Health and safety is always our top priority. While we maintained our Accident Frequency Rate at 0.14 in 2016, which is in line with the industry average, we were disappointed not to have improved our performance, which I believe does not fully reflect the benefits of our significant work in this area. More information about our approach to health and safety can be found on pages 44 and 45.

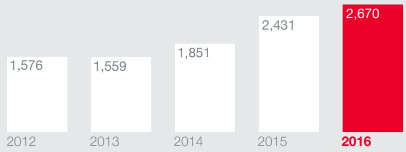
We work hard to meet the needs of our customers and clients. We were therefore pleased that Linden Homes retained its four star National House Building Council (NHBC) customer satisfaction rating and increased its score from 80% in 2015 to 83.5% in 2016. Partnerships and Construction both seek to develop long-term relationships with clients and continue to receive high levels of repeat business.

Conditions in the supply chain have eased this year and we are generally able to source the skills and materials we need. Our supply chain has a critical role in our delivery to clients and we continue to look for ways to work more collaboratively, such as through our 'Advantage through Alignment' initiative in Construction (see page 39).

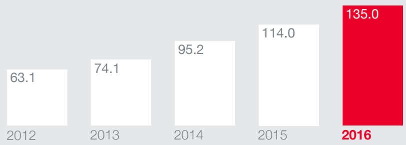
Building strong relationships with local communities is important to us across the Group. As evidence of our commitment, we were delighted to win 30 Considerate Constructors Scheme National Site Awards, including three Gold awards.

Our environmental performance is also important. Reducing energy use and waste helps to cut our costs at the same time as lowering our carbon footprint. It also supports our ability to win work in Construction, where clients often look to their supply chain to help improve their own sustainability. Demonstrating this continued strong performance against environmental, social and governance benchmarks, we were pleased to retain our position within the FTSE4Good Index, and, furthermore, improve our score.

Revenue £m
+10%



Profit before tax £m
+18%



Outlook

The outlook remains positive for all three of our businesses.

The construction market continues to provide a pipeline of opportunities, not least because of the substantial infrastructure renewal required in the UK. However, the speed of some work coming through in the public sector is slower than expected. While it is too early to predict how the construction market will perform following the EU referendum, our solid order book and focus on the public and regulated sectors give us a strong position going forward. We will remain disciplined in our approach. While it is desirable to maintain some scale of operations, we will always prioritise the quality of the order book over quantity.

The prospects for Partnerships are considered to be excellent, with significant unmet demand for low-cost, intermediate and rented affordable homes. Further geographic expansion and the growth in mixed-tenure revenues will drive both the top line and margins in this business.

The long-term underinvestment in housing and demand for private homes still exists regardless of any potential headwinds over the coming months. Linden Homes has a great brand, and is solidly positioned, with good locations and well-designed homes. We have the opportunity to grow further geographically, as we increase our presence in the North and the Midlands. While we continue to create developments that are designed to complement their local area, we are using more standard floor plans and processes to increase profitability. Overall, Linden Homes is well placed to exploit the opportunities that will arise.

Peter Truscott
Chief Executive

Financial review

"Strong progress in all elements of our strategy of disciplined growth underpinned increases in revenues, profits and dividend."

Graham Prothero
Finance Director

Financial highlights

Revenue
£2,670m up 10%

Profit before tax
£135.0m up 18%

Return on net assets
25.3% up 2.0 points

Equity
£600.0m up 5%

Net tangible assets
£447.8m up 8%

Net debt
£8.7m from £17.3m

Introduction

Galliford Try again delivered record levels of profit before tax and earnings per share, and a further increase in return on net assets, making excellent progress against our strategic targets for 2018.

Results

Revenue including our share of joint ventures rose 10% to £2,670 million (2015: £2,431 million). Group revenue, excluding joint ventures, was 6% higher at £2,495 million (2015: £2,348 million).

Profit from operations, which is stated before finance costs, exceptional items, tax and our share of joint ventures' interest and tax, rose 13% to £157.5 million (2015: £138.9 million). This resulted in profit before tax of £135.0 million, up 15% from £117.7 million (pre-exceptional) in 2015, principally reflecting revenue growth and improving margins in Linden Homes and Partnerships, and up 18% on 2015's post-exceptional profit.

Average net debt during the year was £204 million and year end net debt was £8.7 million, both of which were in line with our plans as we continue to invest in the growth of Linden Homes and Partnerships.

Linden Homes

Linden Homes grew revenue by 8% to £840.8 million (2015: £779.0 million), as a result of increased unit numbers and a higher average selling price, which reflected modest house price inflation partially offset by a change in the mix of property types. Revenue included sales of land, mainly into joint ventures, of £19.5 million (2015: £51.1 million).

Linden Homes' gross margin was 23.8%, up from 22.5% in 2015. Excluding land sales, the gross margin was 22.6% (2015: 21.2%). We saw the initial benefits from efficiency improvements and increased standardisation of layouts. During the year we took action to rationalise our operating processes and reduce overheads, and further restructured our operations in the South, which will generate annualised savings of over £5 million from FY 2017. The restructuring cost was £2.5 million in FY 2016.

Profit from operations increased by 18% to £147.2 million (2015: £124.3 million). The operating margin rose to 17.5%, up from 16.0% in 2015. Following an operating margin in the first half of the year of 17.0%, the margin achieved in the second half of the year was 17.9%, showing good progress. Excluding land sales, the operating margin for the year was 16.2% (2015: 14.7%).

Return on net assets calculated under our updated segmental disclosure was 31.7% compared with 27.9% (restated) in 2015, reflecting continued strong working capital management.

Partnerships and Regeneration

Partnerships' revenue was £300.6 million, down 9% (2015: £329.4 million). Revenue from mixed-tenure developments continued to increase strongly and was up 19% at £66.7 million. Contracting revenues were £233.9 million, down 14%, reflecting a procurement hiatus while registered providers reappraised their business plans in light of the Government's rent reforms.

Profit from operations rose by 24% to £11.7 million (2015: £9.4 million). This represented a blended operating margin of 3.9% (2015: 2.9%), benefiting from the increased proportion of higher margin mixed-tenure revenue.

Net debt in Partnerships stood at £12.1 million at 30 June 2016 (2015: net cash of £15 million), reflecting investment to fund mixed-tenure developments. We intend to allow the business to operate in a modest net debt position to accelerate its mixed-tenure growth.

Construction

Revenue grew by 16% to £1,503.4 million (2015: £1,293.2 million), benefiting from steady growth in key sectors and our strong framework participation. We continued to focus on risk management, margin and targeting work with acceptable returns. Profit from operations was £15.8 million (2015: £15.7 million), representing a margin of 1.1% (2015: 1.2%). Construction's results included the sale of our site accommodation portfolio to a third party equipment hirer, achieving a profit of £5.2 million on the disposal and securing competitive rates going forward.

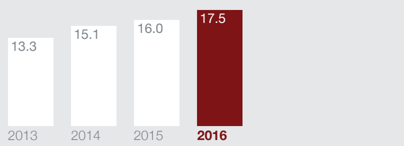
Building delivered profit from operations of £9.0 million (2015: £8.0 million), with a margin of 0.9% (2015: 0.9%). The division continued to work through legacy contracts, won in more difficult market conditions. Margins on newer work are more robust, with both pricing and cost estimates appropriately reflecting more inflationary market conditions.

Infrastructure's profit from operations was £6.8 million (2015: £7.7 million), representing a margin of 1.4% (2015: 2.0%), reflecting the mix of work performed.

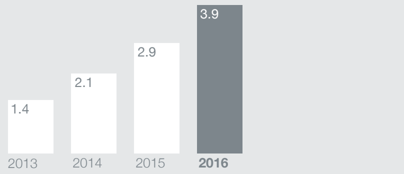
PPP Investments

PPP Investments reported revenue of £25.0 million (2015: £28.8 million) and net costs of bidding and administration of £1.4 million (2015: £3.7 million). The result in 2015 benefited from profits from sales of investments of £6.6 million.

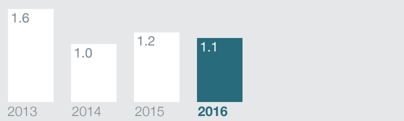
Linden Homes operating margin %



Partnerships operating margin %



Construction operating margin %



Financial review continued

Capital structure and funding

The Group is funded by ordinary shares, retained profits and a single bank facility. During the year, we increased our bank facility by £50 million to £450 million, on the same terms. The facility expires in 2020 and provides the funding we need for our growth strategy. We are targeting period-end gearing of no more than 30%, with average and peak levels well below our covenants. Our joint ventures also use bank funding, which was £64 million at 30 June 2016 and has limited recourse to the Group.

We have two interest rate swaps, one for £100 million at 1.4%, which runs until 2020, and a second for £75 million at 1.5%, which expires in 2017. The swaps lock in low interest rates and give us certainty about the cost of a large portion of our debt.

Our hybrid business model reduces our reliance on external funding. Construction generates cash, which helps fund our continued investment in Linden Homes and increasing investment in Partnerships. The Construction business had an average cash balance of £93 million during the year.

Net assets in Linden Homes increased to £130.1 million and in Partnerships to £31.9 million, as set out in note 2, in line with our growth ambitions. In both businesses we continue to optimise the deployment of capital by means of joint ventures, which both reduce our capital investment and diversify specific location risk. In a land market that continues to be favourable we also take advantage of deferred land payments in order to minimise working capital and improve our returns.

Exceptional items

There were no exceptional items in the year. Exceptional costs in 2015 were £3.7 million and related to the integration of Miller Construction.

Taxation

We adopt a clear and transparent approach to taxation and avoid aggressive techniques to reduce our tax bill.

The effective tax rate was 19.3% (2015: 19.0%), slightly below the standard corporate tax rate of 20%. We believe our effective tax rate will continue to be just below the headline rate of corporation tax in future years, mainly reflecting the tax effect of joint venture reporting.

Earnings and dividend

Earnings per share increased by 14% to 132.5 pence (2015 (pre-exceptional): 116.3 pence). Details of the calculation of earnings per share can be found in note 8 to the financial statements.

The directors are recommending a final dividend of 56.0 pence per share which, subject to approval at the AGM, will be paid on 23 November 2016 to shareholders on the register at 28 October 2016.

Together with the interim dividend of 26.0 pence per share paid in April, this will result in a total dividend in respect of the year of 82.0 pence per share, an increase of 21% over the previous year. The total dividend is 1.6 times covered by earnings.

The cost of the final dividend is £46.4 million, resulting in a total dividend cost relating to the year of £67.9 million.

Cash and equity

Managing cash is a critical focus for the Group. Net debt at the year end was £8.7 million (2015: £17.3 million). Cash balances in Construction stood at £161.1 million at the same date (2015: £172.7 million).

We continue to enjoy strong support from our syndicate banks, and during the year we increased our revolving credit facility by £50 million, to £450 million, on the same terms.

Group average net debt during the year was £204 million, in line with our strategy to 2018. The year end net capital employed in developments and joint ventures in Linden Homes was £750 million (2015: £722 million), and in Partnerships was £66 million (2015: £47 million).

We continue to purchase land on deferred payment terms where possible. We have reviewed our policy on land creditors to bring this into line with our sector peer companies, which has resulted in a deferral of the point of recognition of these assets and liabilities, as explained in note 1 to the financial statements, and we have restated the 2015 balance sheet accordingly. Land creditors stated on the revised basis were £202.8 million, a reduction of £22.0 million compared with the previous year. There was a similar reduction on the previous basis, as per note 1.

Total equity increased by £30.8 million to £600.0 million, while tangible net assets increased by £65.0 million to £447.8 million. This represented net assets per share at 30 June 2016 of £7.24 (2015: £6.92) and tangible net assets per share of £5.40 (2015: £5.02).

Group return on net assets, which is pre-exceptional profit before tax, finance costs and amortisation, divided by average net assets, increased to 25.3% from 23.3%, reflecting profit growth across the Group. This year we have enhanced our disclosure by providing a segmental split of our balance sheet, as shown in note 2 in the financial statements, enabling us to refine our estimation of divisional return on net assets.

Pension and share scheme costs

The total pension cost charged to the income statement was £17.3 million (2015: £14.4 million).

Under IAS 19 'Employee Benefits' there is a deficit in the Group's final salary pension schemes. This was calculated at 30 June 2016 by an independent actuary. The gross deficit recognised on the balance sheet is £4.3 million (2015: £1.2 million surplus) with the deterioration driven by lower market discount rates, exacerbated in the days immediately following the EU referendum.

During the year, the Final Salary scheme completed a £95 million buy-in transaction with a third party insurance company. The transaction exchanges some of the pension scheme assets for an insurance policy that more closely matches the scheme's liabilities. The transaction is the latest in a series of steps the pension scheme Trustees have taken, with the support of the Group, to reduce risk in the investment portfolio of the pension scheme.

The last valuation of the Galliford Try Final Salary scheme, at 1 July 2012, showed a deficit of £33.7 million. The latest valuations of the Group's other schemes showed a deficit of £1.6 million. During the year, the Group made deficit funding payments of £6.6 million to the schemes. Further details of the Group's pension arrangements can be found in note 30 to the financial statements.

Amounts charged to the income statement in respect of employee share schemes amounted to £4.0 million in 2016. Further details can be found in note 27 to the financial statements.

Treasury management and financial instruments

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

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

We have rigorous controls to ensure that we maintain borrowings at an acceptable level. Each day, we aggregate the bank balances or borrowings in all the Group's operating companies into a total cash or borrowing figure, so we can obtain the most advantageous offset arrangements and interest rate.

The main risk arising from our financial instruments is interest rate risk. While our policy is to accept a degree of interest rate risk, in 2012 the Group entered into a five-year swap agreement to fix the interest rate of £75 million of borrowings at 1.5% for five years. In 2015, we took out a second interest rate swap to fix the interest rate on a further £100 million of borrowings at 1.4% for five years. This hedge matures in February 2020, at the same time as our bank facility.

Virtually all of our activities take place in the UK and the Group had no material foreign currency exposure as at 30 June 2016.

Maximum credit risk exposure

The directors consider that the maximum credit risk exposure in each class of financial asset is represented by the carrying value as at 30 June 2016. Further information can be found in notes 18 and 25 to the financial statements.

Contingent liabilities

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

Going concern

The Group's statement of going concern, together with further related information, can be found in the Directors' Report on page 77. The principal risks and uncertainties that could affect the Group's future financial performance are detailed on pages 18 to 21.

Critical accounting policies and assumptions

The Group's principal accounting policies are set out in note 1 to the financial statements, together with a description of the key estimates and judgments affecting the application of those policies and amounts reported in the financial statements. There were no significant changes to the Group's critical accounting policies or assumptions in the year, although we have updated our land acquisition policy as set out above.

Graham Prothero
Finance Director

Business review
Linden Homes

This was another good year for Linden Homes. We increased our revenue and margins, benefiting from a rigorous drive for efficiency, and maintained our landbank.

HIGHLIGHTS

- 3,078 completions (2015: 2,769) producing an 8% increase in revenue to £841 million (2015: £779 million).
- Significant margin increase to 17.5% (2015: 16.0%).
- Sales per outlet up 2% on last year, with 27% growth in sales carried forward to £380 million (2015: £300 million).
- Linden Homes landbank of 11,500 plots (2015: 13,550 plots) with a 14,200 total Group landbank (2015: 15,750 plots).
- 100% of land required for 2017 financial year in place and 84% of land secured for 2018.
- Restructuring implemented generating annualised savings of over £5 million from FY 2017.

Strategy
Our strategy and performance against targets can be found on pages 14 to 17.

Market
In 2014, the Government estimated that circa 250,000 new homes would be needed each year to meet the demands of the UK's growing population. The number of units completed has been well below this in recent years, with total completions in the year ending on 31 March 2016 estimated at 139,690[1] homes.

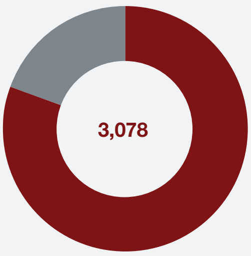
Regional demand also varies, depending on local economies and job markets, as demonstrated in recent years by the market in London and the South East, where Linden Homes has a strong presence.

1 Source: Department for Communities and Local Government (DCLG).

PERFORMANCE

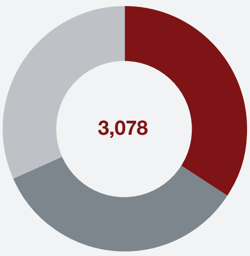
	2016	2015
Revenue (£m)	**840.8**	779.0
Profit from operations (£m)	**147.2**	124.3
Operating profit margin (%)	**17.5**	16.0
Completions	**3,078**	2,769

Completions by sector



Private	2,487
Affordable	591

Completions by region



South East	1,057
South West	1,049
North/Midlands/East	972

01. Home @ Heartlands, Cornwall

Linden HOMES

Housing supply is heavily influenced by the planning environment. Over the last few years, changes such as the introduction of the National Planning Policy Framework have improved approval rates, with the latest Homes Builders Federation (HBF) figures showing planning approvals in the 12 months ended September 2015 were 243,000, up from 234,000 a year earlier. However, while most local authorities are supportive of housebuilding, the process of obtaining detailed planning permission can still be slow, with the shortage of planning officers contributing to delays.

The availability and terms of mortgages are important drivers of demand. Both remained favourable this year, with the number of loans issued in the 12 months ended June 2016 rising to circa 835,000[2] (2015: 753,000), while average mortgage rates also remained low.

Government policies such as Help to Buy and the proposed Starter Homes initiative continued to support this demand during the past financial year.

While homes for private sale remained the largest proportion of the new build market, there was a growing demand for affordable housing.

Performance

Linden Homes benefited from a robust housing market throughout the year, underpinned by supply shortage, ample availability of low-cost mortgages, and a land market that remained positive. Linden Homes increased its revenue by 8% to £840.8 million, benefiting from an 11% rise in completions to 3,078 (2015: 2,769). Private housing completions accounted for 2,487 of the total (2015: 2,059), with 591 affordable housing completions (2015: 710). Excluding our joint venture partners' share, completions were 2,691 against 2,566 in 2015.

The average selling price for private housing rose by 2% to £335,000. The average selling price for affordable homes was £113,000 (2015: £120,000).

We had an average of 80 active selling sites, up significantly from 62 in 2015. Sales per site per week were excellent at 0.62, compared with 0.61 in 2015. Cancellation rates remained at 17% (2015: 17%). Sales in hand at the year end stood at a record £380 million (2015: £300 million).

Driving margin improvement was a key focus of the year in Linden Homes. The gross margin rose to 23.8% (2015: 22.5%), contributing to an operating margin of 17.5%, up from 16.0% in 2015. Excluding land sales (which mainly represented transfers into strategic joint ventures), the operating margin was 16.2% (2015: 14.7%).

We continued to roll out the Linden Homes Layouts, which provide templates for the interiors of our homes and allow us to benefit from a more standardised procurement and construction process.

2 Source: Office for National Statistics.

01.
Committed to sustainability
Linden Homes won silver in the category for 'Sustainable Developer of the Year' at the 2015 What House? Awards in recognition of making improvements in every area scored. Among other things, Linden Homes was praised for developing a Sustainability Route Map to measure performance against targets in key areas of sustainability, and for taking a fabric-first approach which is credited with homes 'overwhelmingly' achieving a 'B' Energy Performance Certificate.

02.
Driving improvement through the Linden Homes Layouts (LHLs)
Linden Homes is building a collection of new homes at Camomile Lawn consisting of two to five bedrooms. The range includes terraced, semi-detached and detached styles, all of which will use the new LHLs, a set of 33 carefully designed house types. Adopting LHLs provides a number of benefits for the business including cost efficiencies, consistent quality and reduced build times.

02. Camomile Lawn, Devon

Business review continued

Linden Homes

A significant focus on rationalising our operating processes generate annualised savings of over £5 million from FY 2017, and was broadly neutral in FY 2016, while retaining capacity to grow unit numbers. For example, to enhance our sales and marketing processes we have created standard designs for marketing suites, standardised brochures and have streamlined our signage. This helps customers to make buying decisions, gives more prominence to the Linden Homes brand at our sites and reduces costs.

To support our growth, we launched a second business in Yorkshire in July 2016. This builds on our successful acquisition of Shepherd Homes in 2015 and increases our presence in the North of England.

The land market remains positive, allowing us to continue to secure plots in strong locations at robust hurdle rates. We are mindful that the business needs to retain flexibility, therefore, we will carefully evaluate and cautiously approach all landbank investments until the impact of the EU referendum becomes clearer. At the year end, Linden Homes' landbank stood at 11,500 plots (2015: 13,550 plots), as we followed our strategy of maintaining a landbank equivalent to three-and-a-half to four years' supply. Partnerships owned a further 2,700 plots at the year end, giving us a Group landbank of 14,200 plots. The figure represents the number of plots we own and control, including sites under option but excluding longer-term strategic options. 80% of the total private landbank is houses with the remainder apartments. Linden Homes' average cost per plot is £73,000 and the expected average selling price per plot is £310,000.

The gross development value of our landbank decreased by £0.3 billion to £3.6 billion (2015: £3.9 billion). Our strategic land holdings stood at 1,775 acres at the year end (2015: 1,500 acres) and we expect to generate in excess of 9,500 plots from this land.

We are proud to have retained our NHBC four star customer satisfaction rating for another year. Our customer satisfaction rating increased to 83.5% (2015: 80%) and our net promoter score rose to 20.3 (2015: 5.8).

We recognise the importance of engaging and supporting local communities and continue to promote our activities in this area via The Linden Homes Foundation. Our successful approach to communities and the wider sustainability agenda is reflected in our Silver awards from the NextGeneration benchmark and What House?, the latter being in the 'Sustainable Developer of the Year' category.

Management

With effect from 9 August 2016, Andrew Hammond and Tom Nicholson were respectively appointed to the roles of Divisional Chairman West and Divisional Chairman East in Linden Homes.

01. Wilshere Park, Welwyn

Linden HOMES

Affordable housing and regeneration

In addition to our Partnerships and Regeneration business (see pages 34 to 37), Linden Homes develops affordable homes, which are often a condition of obtaining planning permission. We sell a large majority of these affordable homes to housing associations, which typically pay us during the construction phase and help to optimise the cash contribution.

The business continued to perform well, despite the impact of the Government's rent reforms on our housing association clients' budgets. We worked hard with our clients to accommodate changes to their plans, rebalancing the tenure mix in order to maintain delivery of our affordable housing output.

Registered providers are increasingly looking to partner with the private sector, which can give them access to marketing expertise, land acquisition and production efficiencies.

The market is evolving away from single-site joint ventures towards establishing a development company with a number of active sites. We have joint ventures with housing associations including Thames Valley, Aster Group, Home Group and Devon & Cornwall Housing. Projects through our joint ventures now have a gross development value of £2.5 billion and are set to deliver 9,000 homes.

During the year, we extended our joint venture activity with Aster Group and Home Group and created new ventures with Affinity Sutton and Sanctuary Housing, one of the UK's largest registered providers. Our focus is on working with a small number of housing associations and we have concentrated on enhancing our internal expertise and infrastructure to deliver joint venture opportunities. There is an opportunity to extend joint venture working to local authorities, as they take forward their commissioning role.

We continue to be successful in securing public sector land releases through the Homes & Communities Agency's Delivery Partner Panel and the London Development Panel. We develop this land through our joint ventures or directly via Linden Homes or Partnerships.

Outlook

The long-term underinvestment in housing and demand for private homes still exists regardless of any potential headwinds over the coming months. Linden Homes has a great brand, and is solidly positioned, with good locations, an appropriate landbank, and well-designed homes. We have the opportunity to grow further geographically, as we increase our presence in the North and the Midlands. While we will continue to create developments that are designed to complement their local area, we are using more standard floor plans and processes to increase profitability. Overall, Linden Homes is well placed to exploit the opportunities that will arise.

01.
Delivering wider benefits through The Linden Homes Foundation
We remain committed to delivering a sustainable approach to building for the benefit of our customers, the community and the environment. Now in its fourth year, The Linden Homes Foundation allows communities to request support from us with the aim to bring real-life benefits of housebuilding in their neighbourhoods. Our work is showcased through The Foundation's website at www.lindenhomes.co.uk/foundation.

02.
Customers at Velare Place, Sunbury-on-Thames
We are playing our part to boost the supply of new homes by informing the debate as well as building new homes. We strongly back initiatives such as Help to Buy, have supported the devolution agenda and, in London, we published a manifesto setting out recommendations which will help developers to build new homes.

03.
Supporting Women in Property
As part of our future talent programme, Linden Homes is sponsoring the National Student Awards run by the Association of Women in Property (WiP), an organisation which works with businesses and other organisations to help redress the gender imbalance in the sector.


02. Velare Place, Sunbury-on-Thames

03. Supporting Women in Property

Business review Partnerships and Regeneration

Partnerships and Regeneration delivered strong growth in mixed-tenure revenues and operating margin.

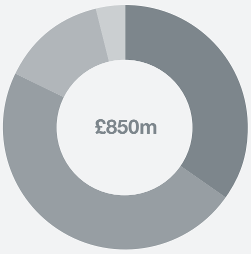
HIGHLIGHTS

- Growth in mixed-tenure revenue to £67 million from 526 completions (2015: £56 million and 408 respectively).
- Contracting revenue lower at £234 million (2015: £273 million), slightly constrained by procurement delays following the Governments's rent reforms.
- Margin improving to 3.9% (2015: 2.9%).
- Growth in landbank to 2,700 (2015: 2,200) plots).
- New Bristol office opened in July 2016 and a new Central Southern office planned for FY 2017.
- Contracting order book of £850 million (2015: £825 million) and mixed-tenure sales carried forward of £45 million.
- Partnerships and Regeneration teams merged to enhance strategic and operational focus.

PERFORMANCE

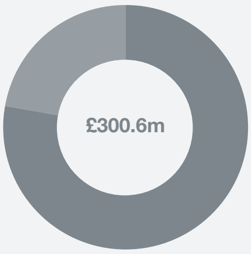
	2016	2015
Revenue (£m)	**300.6**	329.4
Profit from operations (£m)	**11.7**	9.4
Operating profit margin (%)	**3.9**	2.9
Completions	**526**	408
Equivalent contracting units	**1,600**	1,800
Order book (£m)	**850**	825

Order book



North	£297m
South East	£402m
Central	£120m
South West	£31m

Revenue



Contracting	£233.9m
Mixed-tenure	£66.7m

Strategy

Our strategy and performance against targets can be found on pages 14 and 17.

Market

Partnerships delivers contracting services to housing associations and local authorities, building affordable homes on their behalf, and is increasingly a developer of mixed-tenure projects, which includes private housing for sale.

For the last three decades, the UK has underinvested in affordable housing, creating a historic deficit, relying on various mechanisms for supply.

The supply of new affordable homes rose by over 50% in 2015 to 67,000 homes (2014: 43,000)[1]. Housing associations are the main procurers of affordable homes and although some local authorities are increasing their provision, they remain a comparatively small part of the market.

1 Source: Department for Communities and Local Government.

01. 765 Finchley Road, North West London

GallifordTry
Partnerships

The Government's rent reforms significantly reduced housing associations' budgets, slowing their procurement of contracting services while they reassessed their plans. The rent reforms are likely to increase the attraction of mixed-tenure schemes, allowing housing associations to cross-subsidise affordable homes by producing some housing for private sale. The reforms are also encouraging mergers between housing associations, making the enlarged organisations some of the biggest providers of homes in the country. These changes make our proposition in Partnerships an attractive choice, given our capabilities.

Performance

There was some disruption to our registered provider clients' procurement activities in the first half of the year, as they reassessed their business plans in light of the Government's rent reforms, however, revenue from mixed-tenure developments continued to grow strongly. As a result, £66.7 million or 22% of Partnerships' revenue in the year came from mixed-tenure developments, with the remaining £233.9 million from contracting.

We completed 526 private units at an average selling price of £166,000 and around 1,600 equivalent contracting units. Profit from operations rose from £9.4 million to £11.7 million representing a margin of 3.9% (2015: 2.9%).

The increase in mixed-tenure revenue was the primary driver of the margin increase, as we successfully implemented our strategy to invest cash generated by the business' contracting operations, as well as the £30 million of debt funding we have previously announced. Partnerships ended the year with mixed-tenure sales carried forward of £45 million (2015: £43 million) and a landbank of 2,700 plots (2015: 2,200). The business achieved planning consent on nine mixed-tenure sites during the year.

Despite the pause in our clients' procurement activities in the first half, Partnerships won new contracting work during the year. The business continued its successful relationship with the ExtraCare Charitable Trust and was contracted to build a £45 million Extra Care village in High Wycombe, and the £42 million Stoke Gifford Retirement Village.

Partnerships was also one of six contractors appointed to North Yorkshire County Council's Extra Care Housing Programme Framework, which has an anticipated value of up to £650 million over six years, and was selected for five of the eight lots available under the Hyde Housing Group Main Contractor Framework Agreement. The framework is anticipated to be worth up to £1 billion. Overall, Partnerships' contracting order book increased by 3% to £850 million at the year end (2015: £825 million).

01.
Delivery of high quality mixed-tenure homes
765 Finchley Road is a development for Affinity Sutton comprising 80 new high-quality mixed-tenure homes. It builds on our already strong relationship with Affinity Sutton and underlines our commitment to deliver both affordable and private homes for sale.

02.
Supporting our people
One of our biggest strengths as a business is the quality of our people. Testament to this, Sue Bamgboye, a Project Quantity Surveyor in our Partnerships business, was a finalist for a Women In Construction & Engineering award. Sue has been supported by the business since joining in 2010 and is now a mentor to other young people, and particularly women, in the Group.

02. Supporting Women In Construction & Engineering

Business review continued

Partnerships and Regeneration

Management

With effect from 1 July 2016, we combined our Affordable Housing & Regeneration teams with Partnerships in order to build upon the complementary knowledge and expertise within both businesses. This will allow us to strengthen our strategic offering in this area while providing greater clarity to clients and investors. Stephen Teagle became Chief Executive of the enlarged Partnerships and Regeneration business also with effect from 1 July 2016.

Geographical expansion is a key part of Partnerships' growth strategy. We opened our new office in Bristol in July 2016, giving us six offices across England and South Wales, and plan to open a new Central Southern office in FY 2017, and further offices over the coming years. Strong regional businesses and sector knowledge are critical elements of our sustainable growth plans. We also see opportunities to grow in the private rental sector and are in discussions with investors and local authorities who are interested in commissioning schemes.

We continued to look for ways to improve our efficiency and effectiveness. This included rolling out the Linden Homes Layouts, which we jointly developed with Linden Homes and which also include standard layouts for affordable homes.

To support our business strategy growth, we developed our own Business Management System (BMS). Partnerships had previously used Construction's BMS, which included a wide range of processes that were not core to our business, such as those relating to infrastructure projects. This has allowed us to reduce the number of processes in our system by half, and to add new processes such as those covering land buying which we drew from Linden Homes. The system was accredited to BS 11001 in October 2015.

Business improvements for next year will include reviewing our customer care processes to ensure a consistently high level of care across the business. We carefully monitor customer satisfaction, through NHBC surveys on mixed-tenure projects and client questionnaires for contracting. We will also work with our supply chain to ensure proper recovery of costs for rectifying defects.

Strong community relationships are critical for us, given the nature of our business. We were therefore pleased to run a pilot for the Considerate Constructors Scheme's new Ultra Site initiative. We are one of six organisations trialling this concept, which aims to raise industry standards and collaboration among clients, contractors, subcontractors and suppliers. We were also pleased to win our first Gold award under the Considerate Constructors Scheme, for our Grange Avenue project near Preston.

Outlook

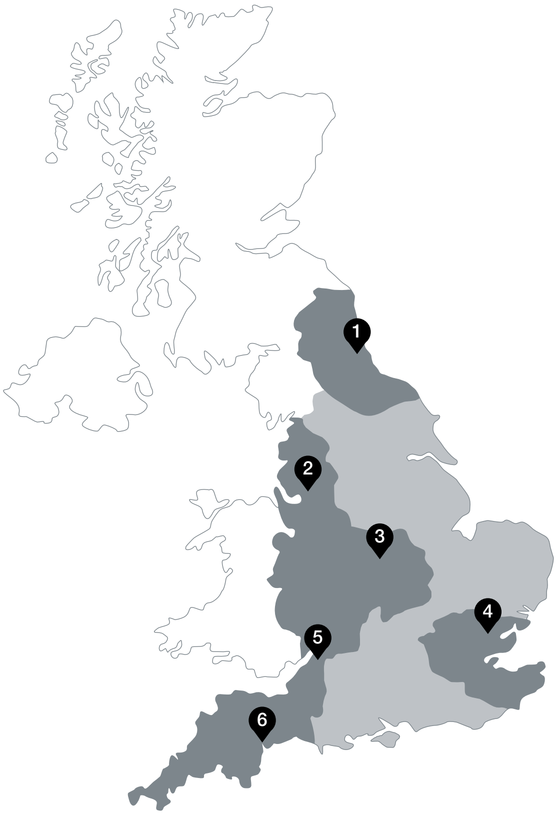
We see excellent prospects for the Partnerships business and intend to set ambitious growth plans over the next three years. There are significant opportunities to capture investment in the private rental, mixed-tenure, affordable housing and regeneration sectors. Building on our experience and relationships with public sector commissioners, we will use our skills in housebuilding and placemaking to deliver an increase in the number of new homes we provide.

01. Great Eastern Quays in East London

Galliford Try Partnerships

MARKET OPPORTUNITY

We are setting ambitious plans to take advantage of the significant opportunities in the private rental, mixed-tenure, affordable housing and regeneration sectors to support our strategy for growth.



1. Newcastle
2. Warrington
3. Wolvey
4. Chelmsford
5. Bristol
6. Exeter

Current operating areas
Potential operating area

01. Specialising in regeneration in Partnerships

In our largest ever single project, we are building the £81 million Great Eastern Quays project in East London on behalf of Notting Hill Housing. The regeneration scheme involves creating up to 350 mixed-tenure homes, as well as developing public spaces alongside the river and the docks, business, retail and leisure areas.

02. Improving the image of construction

As a Group, we once again demonstrated our commitment to improving the image of construction with 30 Considerate Constructors Scheme (CCS) National Site Awards and Runner Up prize for 'Most Considerate Site of the Year'. We are proud to have gone one step further and demonstrated industry-leading best practice at Protheroe House in East London, which has been selected as an Ultra Site pilot for CCS.

02. Protheroe House, East London

Business review
Construction

We delivered a strong performance in Construction, with an increase in revenue, while managing our margin and cash position, and remaining selective about the opportunities we take on.

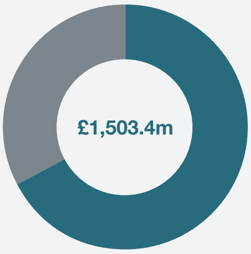
HIGHLIGHTS

- Construction margin of 1.1% from revenue of £1,503 million (2015: 1.2% and £1,293 million respectively).
- Order book of £3.5 billion (2015: £3.5 billion).
- 82% of this year's planned revenue secured (2015: 88%).
- Cash continues to be strong at £161 million (2015: £173 million).

PERFORMANCE

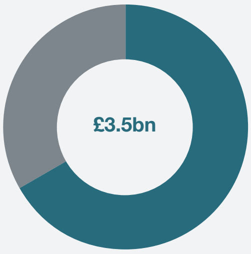
	2016	2015
Revenue (£m)	1,503.4	1,293.2
Profit from operations (£m)	15.8	15.7
Operating profit margin (%)	1.1	1.2
Order book (£bn)	3.5	3.5

Revenue by division



Building	£1,013.8m
Infrastructure	£489.6m

Order book by division



Building	£2,340m
Infrastructure	£1,160m

Strategy
Our strategy and performance against targets can be found on pages 14 to 17.

Market
Over the year to 30 June 2016, the construction market continued to generate an improving pipeline of projects, although at a slower rate than previously anticipated. Build cost increases moderated, and the availability of skilled labour improved across all regions.

The Government's pipeline of economic and social infrastructure work was positive, covering all the key sectors in which we operate including the public and regulated sectors which represent 89% of our order book.

In regulated markets including water, rail and energy, where clients are often required to invest in line with the plans they agree with their regulators, demand was stable and we improved our order book, with good visibility on projected revenue for FY 2017 and FY 2018.

01. Black Rock Specialist Training facility near Portishead

In the public sector, there were high levels of anticipated spend in education and in defence-related work, such as repurposing old sites for the defence estate, which we benefited from.

Many public sector clients procure through frameworks. Gaining positions on these has been a key focus of our Construction business, and this continued throughout the year.

The private sector market remained steady, with opportunities in the commercial sector where work came through in London and the surrounding areas, such as Thames Valley, and activity in other major cities such as Birmingham.

Performance

Construction performed well and delivered revenue growth and margins in line with our expectations.

Revenue was 16% higher at £1,503.4 million (2015: £1,293.2 million), with the increase driven by both the Building and Infrastructure businesses.

We continue to focus on risk management, margin and targeting work with acceptable returns. Operating margin was 1.1% compared to 1.2% in 2015, benefiting from new projects being won at appropriate margins and including inflation allowances. Legacy contracts continued to constrain margins. Due to the finalisation of these contracts and the settlement of their final accounts, these contracts are unlikely to achieve the levels of margin at which we are now winning work, and will consequently hold back the reported figure in FY 2017.

Cash remains a prime focus in Construction and we continued to manage it carefully. Year end cash balances in Construction were £161.1 million, representing 11% of revenue (2015: £173 million and 13% respectively).

At 30 June 2016, our order book was £3.5 billion (2015: £3.5 billion). Of this, 73% was in the public sector (2015: 72%), 16% was in regulated industries (2015: 15%) and 11% was in the private sector (2015: 13%). Importantly, 74% of our order book is in frameworks (2015: 69%), which is an unprecedented position for us. The level of work we generate through frameworks is a significant advantage, as they allow us to work collaboratively with clients, gain a deep understanding of their needs and build expertise through delivering repeat projects. Our approach to collaboration, which has been accredited to BS 11000, makes us attractive to public and regulated sector clients who often procure through frameworks. We continue to enhance the way we work and will be introducing a new platform for our Business Management System which covers the full range of processes employed across Construction, including commercial and quality management processes, best practice and lessons learned. The new platform will make this content both easier to access and to use, helping us to drive consistency across the business and deliver better outcomes for clients.

01.
Award-winning construction
We gained recognition from both RIBA and RICS at their regional awards for the work we did in delivering a specialist firearms training facility for Avon & Somerset Police Authority. The unique facility near Portishead provides a centre to train UK and overseas professionals with a 50m and 100m firing range, tactical training areas and office space.

While conditions in the supply chain are easing, there remains strong competition for particular capabilities such as building services and people with project management and commercial skills. This requires us to be selective about the work we take on, only accepting contracts we have the capacity to deliver. We want to be a preferred client for our key supply chain partners, and we piloted an initiative called 'Advantage through Alignment' in our Southern business this summer. This gives our key suppliers visibility of our pipeline and helps them to plan their workload. We are also using technology to enhance collaboration between us, our clients and our supply chain.

Other important initiatives include 'Delivering Excellence', which focuses on quality and the use of technology such as Building Information Modelling to handover defect and snag-free buildings to our clients. The programme is currently being piloted and we intend to embed it in our way of doing business. We are also engaging with clients to understand their business plans, what their expectations of us are and how our capabilities can help deliver their objectives. This aligns with our collaborative approach and our focus on risk management. Looking forward, we want to embed a lean mindset in everything we do, helping us to drive out process waste at every opportunity.

We and our clients, particularly those in the public sector, have a strong focus on delivering community benefits. We work hard to employ local people, including apprentices, and aspire to more closely align the diversity of our employees to that of the communities we work in. Our success with the Considerate Constructors Scheme also reflects our community focus, with two of our projects winning Gold awards this year.

Business review continued

Construction

Building

PERFORMANCE

	2016	2015
Revenue (£m)	**1,013.8**	906.9
Profit from operations (£m)	**9.0**	8.0
Operating profit margin (%)	**0.9**	0.9
Order book (£m)	**2,340**	2,390

During the year, Building secured a number of key projects and continued to implement its framework strategy. It won a place on the Ministry of Defence's South West and South East Next Generation Estate Contracts regional frameworks, which are worth up to £1 billion in total over four years. Building was also appointed to the YORbuild2 framework, which covers 91 local authorities in the North of England and has a potential pipeline of approximately £1.9 billion over four years.

Education frameworks continue to provide a healthy pipeline of work and we are now a key contractor to the Education Funding Agency (EFA). We reached financial close with the EFA for the £48.5 million North and North East Lincolnshire batch of schools and the £41.9 million Greenwich, Lewisham and Croydon batch.

Other notable wins in the education sector included a contract with Birmingham City University to build the £46 million Conservatoire, a £62 million contract with Newcastle University to construct the Park View Student Village and a £40 million contract to provide student accommodation at Coventry University.

The Scottish Hub operations are also busy in education and in healthcare, including the award of the £55 million Anderson High School in the Shetland Islands, the £43.3 million construction of the new Largs education campus for North Ayrshire Council and the £72 million East Lothian Community Hospital.

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

01. Alphabeta in Central London

Key framework positions in Building

- Education Funding Agency (EFA) Contractors Framework (North and South)
- Next Generation Estate Contracts (NGEC) Regional Capital Works Framework with Defence Infrastructure Organisation
- ProCure22 NHS Procurement Framework
- Southern Construction Framework covering the South West, South East and London, and North West Construction Hub
- Crown Commercial Services Facilities Management Framework
- Positions on Hub North, South East and South West in Scotland

01.
Leading in the commercial sector
Our track record in the commercial sector was showcased at the British Council for Offices London and South East Awards.

The major structural refurbishment of an iconic City building, now known as Alphabeta, won 'Refurbished/ Recycled Workplace of the Year'.

Infrastructure

PERFORMANCE

	2016	2015
Revenue (£m)	**489.6**	386.3
Profit from operations (£m)	**6.8**	7.7
Operating profit margin (%)	**1.4**	2.0
Order book (£m)	**1,160**	1,110

Infrastructure secured several significant wins during the year. Our joint venture with Costain was appointed as a delivery partner by Highways England for its Smart Motorways programme, which has a total framework value of £1.5 billion. The joint venture has been allocated three construction packages, with a value to Galliford Try of more than £180 million.

The water frameworks in England, Scotland and Wales are well underway and we have been awarded a £75 million package of biomass energy plants. In addition, Manchester Airports Group, Network Rail and Environment Agency frameworks all continue to provide good workstreams.

Infrastructure was also appointed to a new framework for the North East Procurement Organisation, which represents 12 local authorities in the region. The framework has a total value of between £900 million and £1.2 billion over four years.

In addition, we secured a three-year extension to our Urban Vision joint venture with Salford City Council and Capita. Urban Vision provides technical services to the council. The extension is worth up to £30 million to Galliford Try.

Key framework positions in Infrastructure

- Highways England Capital Delivery Framework
- Manchester Airports Group Capital Delivery Framework
- AMP6 – Yorkshire Water, Scottish Water and Southern Water
- North East Procurement Organisation
- Smart Motorways

02.
Queensferry Crossing, Firth of Forth

We continue to make good progress on the Queensferry Crossing over the Firth of Forth. It is the largest infrastructure project in Scotland for a generation and the single largest project let by Transport Scotland to date. We have worked with Transport Scotland for more than 30 years, reflecting our desire and ability to form long-term partnerships with our clients and our ability to deliver schemes of national distinction.

02. Queensferry Crossing, Firth of Forth

Photo courtesy of FCBC

Business review continued

Construction

PPP Investments

	2016	2015
Revenue (£m)	**25.0**	28.8
Profit/(loss) from operations (£m)	**(1.4)**	3.7
Directors' valuation (£m)	**21.5**	18.1

During the year, we invested £6.6 million in equity and disposed of investments, generating an aggregate profit on disposal of £0.5 million, compared to a £6.6 million profit on disposal in 2015.

The directors' valuation of our PPP portfolio was £21.5 million at 30 June 2016, compared with a value invested of £16.2 million (2015 valuation: £18.1 million, value invested: £10.2 million).

In addition to making its own investments, PPP Investments continued to generate new work for our Building, Infrastructure and facilities management businesses, with projects closed during the year adding over £300 million to their order books. These projects included Anderson High School in the Shetland Islands, and Kelso & Newbattle high schools.

Our positions on three Hub frameworks in Scotland produced a healthy pipeline of work due to our performance and collaborative approach. There were delays to closing a number of PPP contracts in Scotland in the first half of the financial year while a public sector accounting classification issue was resolved. We took the opportunity to review opportunities in other markets and have developed new models for the student housing, energy service company and private rented sectors, which positions us well for the future.

Outlook

The construction market is positive, not least because of the substantial infrastructure renewal required in the UK. However, the speed of some work coming through in the public sector remains slower than expected. While it is too early to predict how the construction market will perform following the EU referendum, our solid order book and focus on the public and regulated sectors give us a strong position going forward. We will remain disciplined in our approach. While it is desirable to maintain some scale of operations, we will always prioritise the quality of the order book over the quantity.

01.
Bringing award-winning schemes to fruition
Galashiels Transport Interchange, which was delivered by Hub South East Scotland for Scottish Borders Council, was named 'Town Centre Regeneration Project of the Year' at this year's Scottish Property Awards.

01. Galashiels Transport Interchange

Operating sustainably

Being sustainable brings value to our business and stakeholders, and underpins everything we do. Our approach is strategic, based on systematically identifying, managing and mitigating our impact. We set key targets at a Group level and combine these with stakeholder and business aligned divisional targets in our Sustainability Route Maps. For another year, we have retained our membership of the FTSE4Good Index.

44

Health and safety

Embedding health and safety into the core of our culture

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Our people

Attracting and retaining the very best talent

48

Resources and relationships

Optimising resource efficiency and building mutually positive relationships

Health and safety

Embedding health and safety into the core of our culture

Management

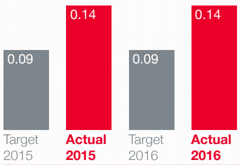
Keeping our people safe and healthy is our number one priority. Our centralised Health, Safety and Sustainability (HS&S) function is independent of our business units and reports directly to the Executive Board. Across the business we retain around 65 HS&S professionals and a BS OHSAS 18001 certified management system that covers the entire Group. Every site is subject to a monthly HS&S review, which covers on-site performance and – crucially – planning for safety in the next four weeks. Our behavioural safety programme, 'Challenging Beliefs, Affecting Behaviour', is central to our approach.

Sadly, despite our proactive approach, there was a fatality on one of our joint venture sites. A full investigation of this is underway and we are co-operating fully with all enquiries.

Strong business growth and employee churn mean that we continue to be challenged by large numbers of new people on our sites. However, we believe that continued training and effective supervision, along with initiatives such as our 'Golden Rules' and our new health and safety database, will help us to improve. We will also focus increasingly on health and wellbeing, building on initiatives we are currently trialling in our business.

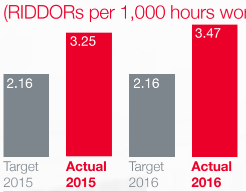
Accident Frequency Rate
(RIDDORs per 100,000 hours worked)

0.14



Accident Incident Rate
(RIDDORs per 1,000 hours worked)

3.47



Key Performance Indicators

66
reportable RIDDOR accidents (2015: 64)

98,805
Safe Behaviour Discussions (2015: 71,108)

911
employees completed 'Challenging Beliefs, Affecting Behaviour' training (2015: 968)

75
executive-led health, safety and environmental assessments (2015: 64)

0
prohibition or improvement notices received (2015: 0)

Initiatives

Introducing the Golden Rules

We know that certain activities carry a greater risk of incidents or accidents on site. For example, working at height, excavations and underground services all need particular care. To help us address these risks, this year we launched our Golden Rules, covering the right approach to eight activities that we have identified as most likely to cause harm. In support of these rules, we have created directors' guidance, which provides a list of questions our Executive Board members should ask when carrying out site safety visits. This helps them to assess the safety culture on site and reinforces to our people and subcontractors that the rules must be observed. A breach of the rules can lead to serious consequences, including disciplinary action.

Performance transparency and analysis

One of the most important developments in the last 12 months was the introduction of our new health and safety database. This gives us complete transparency of our performance by recording all site visits and tracking any incidents or accidents, with the results available to all lines of management. Site managers are alerted of actions they need to take and the Executive Board is informed on the day if any accidents occur. The system allows us to analyse trends quickly and dynamically, so we can spot patterns and identify root causes. This ensures we address issues and share the lessons learnt to prevent incidents happening again.

Ensuring a safe working environment

Staying safe includes ensuring our people are not subjected to the consequences of drug and alcohol abuse. We have therefore embedded formal and robust random testing across the Group, with a zero tolerance policy for failed tests. The testing applies to everyone who works on a Galliford Try site or in our offices. This capability also supports our whistleblowing policy, allowing us to test people who appear to be under the influence.

Our people

Attracting and retaining the very best talent

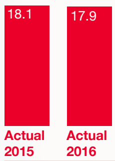
Management

Our people are critical to achieving our strategy. Over the last 12 months, we have focused on five core people-related areas – strong leadership, proactive resourcing, developing high-performing and engaged teams, ensuring an efficient organisation, and offering effective reward and recognition.

Key initiatives have focused on talent identification and development to make sure that we secure and retain the right talent throughout the organisation. The introduction of our own resource capability has enabled us to adopt a more proactive approach to talent identification, by directly building talent networks and communities so that we are less reliant on external recruiters. We have also enhanced our induction programme to offer a more tailored on-boarding approach to ensure all our employees get off to the best start. Diversity will continue to be an area of focus in the year ahead, reflecting its importance to our business and to our clients.

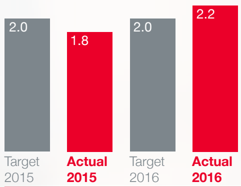
Employee churn rate %
(voluntary turnover against a benchmark of 15%)

17.9%



Training days per employee

2.2



Key Performance Indicators

5,696
employees
(2015: 5,268)

12,685
training days delivered
(2015: 9,328)

4.3%
of the workforce are graduates/trainees
(2015: 4.3%)

	Gender[1]		Ethnicity[1]		
	Male	Female	White	BME[2]	Unknown
Total Group	4,357	1,334	2,884	149	2,658
Senior grades[3]	249	19	202	3	63

1 Gender and ethnicity figures are based on employee numbers at year end 5,691 rather than monthly average 5,696. Please also refer to pages 50 and 51 for further information on the Board's composition and gender diversity.

2 Black and Minority Ethnic (BME).

3 Includes levels 1-3 on our scale which encompasses directors, heads of disciplines and business leaders.

Initiatives

Developing our talent

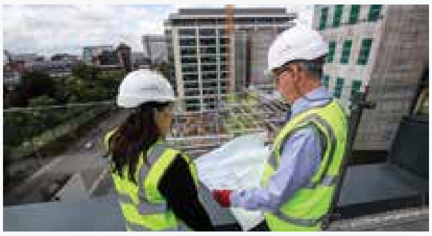
In an industry with high churn, succession planning and talent management were among the most important areas for us this year. Our succession planning runs from Board level down to our business units, ensuring we identify up-and-coming people and have a robust talent pipeline. This will allow us to run structured assessments so we can deliver the right training and provide suitable career paths. We have introduced a 360-feedback review and an outstanding leaders programme, and will soon launch our programme for emerging leaders.

We continue to run Institute of Leadership Management courses and promote learning and development opportunities through The Galliford Try Academy, an online learning platform. In total, we provided over 12,000 days of training in the year. New talent is also a major focus and we take up to 100 graduates or trainees each year. In 2016, our graduate programme achieved an intake of 22% females and 31% from minority backgrounds. Over the last two years, Galliford Try has ranked in TheJobCrowd 'Top 100 Graduate Companies to Work for'. We also focus on apprentice and school-leaver opportunities, which we aspire to build on in the next year.

Doing the right thing

We value the importance of reputation and our stakeholders' trust. To maintain that reputation we must continue to act responsibly, both as a Group and as individuals. This year we therefore re-launched our Code of Conduct, which sets out principles and policies that will ensure we behave legally and morally.

It outlines what we value, what that means and how we behave. It explains our responsibilities as a business and as individuals to our colleagues, customers, partners, our supply chain, the community and the environment, while serving as a reference point for how we approach potentially contentious matters. The importance of our Code of Conduct has been reinforced to both our employees and our supply chain partners.



Protecting human rights

We are committed to protecting and respecting the human rights of our employees and those who work in our supply chain.

As a company operating within the UK and UK territories, the key human rights issue we face is equality, which we address with training for employees and by promoting a culture of inclusion. We also recognise the increasing risk of illegal workers and modern slavery and this year, in response to the Modern Slavery Act, we have increased the scrutiny of our supply chain and published our first Modern Slavery Statement. We believe that we have effective policies on social, community and human rights issues.

Resources and relationships

Optimising resource efficiency and building mutually positive relationships

Resources

Efficient management of our materials, energy, water and other resources reduces our operational costs and benefits the environment. We manage our environmental impact at all stages of our projects through our ISO 14001 certified management system, and this year we were one of the first construction companies to achieve certification to the new ISO 14001:2015 standard.

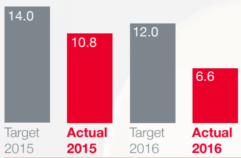
We continue to focus on initiatives to reduce our greenhouse gas emissions and although we have seen an increase in emissions this year, this reflects our business growth, as demonstrated by a reduction in our normalised emissions. In November 2015, we achieved compliance with the Energy Saving Opportunity Scheme regulations and we also improved our carbon disclosure score with CDP – an organisation that encourages companies to measure environmental impact – achieving 98 for disclosure and B for performance, considerably ahead of the industry average (87 and C respectively). Our priorities for 2017 are to use technology solutions to reduce our travel-related emissions, along with our ongoing commitment to reducing material waste.

Carbon dioxide equivalent emissions (tonnes)[1]

42,222

Waste per £100,000 revenue
(tonnes of construction and demolition waste)

6.6



Key Performance Indicators

1.6
tonnes of Scope 1 and 2 carbon dioxide equivalent emissions per £100,000 revenue (2015: 1.7 tonnes)

94.2%
of construction and demolition waste diverted from landfill (2015: 92.3%)

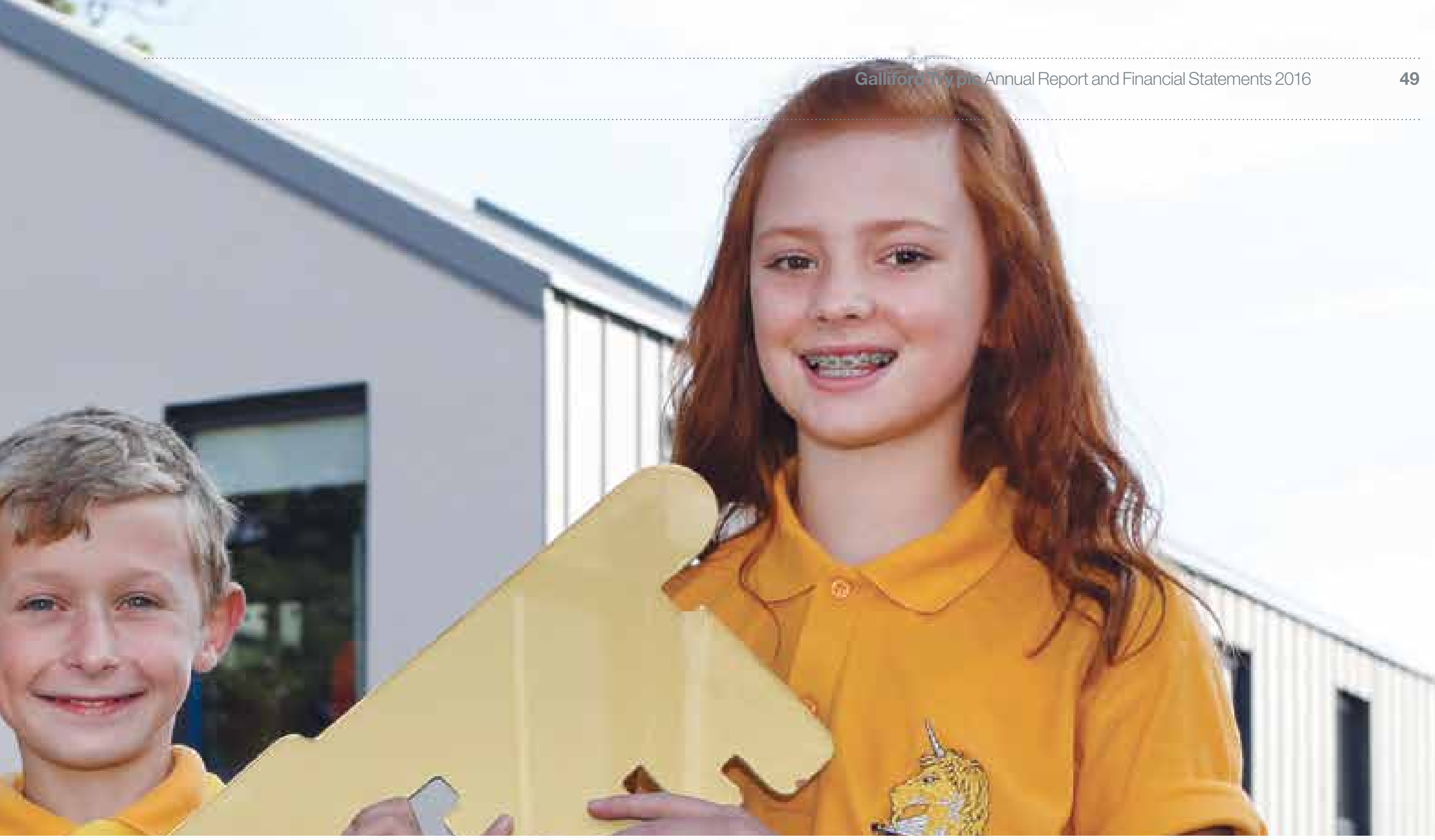
760
employees completed environmental training (2015: 660)

0
environmental prosecutions or fixed penalties (2015: 0)

88.1%
of timber supplied with FSC/PEFC certification (2015: 86.8%)

99.7%
of timber verified as coming from legal and sustainable sources (2015: 99.2%)

1 Carbon dioxide equivalent emissions are reported by calendar year and since 2014 have been externally certified to ISO 14064-3. Emissions cover all those arising from our fleet, gas and electricity in all offices and sites and all other fuel used directly (eg diesel on site etc) as per the Greenhouse Gas Protocol definitions of Scope 1 and 2 emissions.



Relationships

Strong relationships with our employees, customers, clients, supply chain, communities and other stakeholders are vital for the delivery of our strategy, our projects and ultimately being a sustainable business.

We keep our employees informed of our business strategy and performance through a multi-layered approach to communication, including face-to-face briefings and briefing notes, employee magazine, emails, posters and the intranet.

As active members of the communities in which we operate, we extensively support community and charitable causes at all levels of the organisation. Our sites are externally evaluated under the Considerate Constructors Scheme, for which we consistently score highly.

To promote our leadership and awareness of best practice we actively participate in a number of trade and industry organisations, including Build UK, Business in the Community, Constructing Excellence, CIRIA (the construction industry research and information association), Civil Engineering Contractors Association, Green Construction Board, Home Builders Federation, NextGeneration, National House Building Council, Scottish Contractors Group and the Supply Chain Sustainability School.

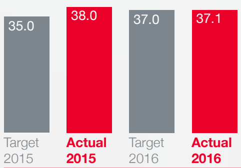
More information about how we engage with our customers, supply chain and communities can be found in our business reviews.

Charitable donations (time, materials and financial)

£512,098

Considerate Constructors Scheme (average score)

37.1



SUPPLY CHAIN SUSTAINABILITY SCHOOL

Supply Chain Sustainability School

We recognise the impact our supply chain has on the sustainability of our projects, as well as our own resource use, and therefore have partnered with the Supply Chain Sustainability School for the past three years. The school provides free, construction-specific education and training resources on all aspects of sustainability. We are board members of the school and actively support its work by hosting workshops, participating in its forums, and encouraging both our suppliers and subcontractors to join.

Directors and Executive Board

Greg Fitzgerald
Non-executive Chairman

Greg Fitzgerald was appointed to the Board in July 2003 and was Managing Director of the Housebuilding division before being appointed Chief Executive on 1 July 2005. He served as Executive Chairman from 21 October 2014 to 31 December 2015 before relinquishing his executive responsibilities and assuming the role of Non-executive Chairman with effect from 1 January 2016. He was a founder of Midas Homes in 1992 and was its Managing Director when it was acquired in 1997, subsequently chairing Midas Homes and Gerald Wood Homes. He was appointed a Governor of South Devon College in July 2015 and Chairman of Ardent Hire Solutions Limited in January 2016.

Aged 52.

Peter Truscott
Chief Executive

Peter Truscott was appointed to the Board as Chief Executive on 1 October 2015. He was formerly Divisional Chairman, South at Taylor Wimpey plc and a member of its Group Management team. Peter joined George Wimpey in 1984 and worked at CALA Homes from 1993 to 1996, before re-joining George Wimpey, where he held a succession of senior management positions.

Aged 54.

Graham Prothero
Finance Director

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

Aged 54.

Peter Ventress
Deputy Chairman and
Senior Independent Director

Peter Ventress joined the board on 30 April 2015. Peter also holds non-executive directorships with Premier Farnell plc, Softcat Plc and BBA Aviation Plc. He was Chief Executive Officer of European textile service business, Berendsen plc, from 2010 to 2016. Prior to this, Peter spent 10 years in senior management positions in Europe and Canada in the office products distribution industry with Corporate Express N.V., becoming Chief Executive in 2007. In 2008, he was appointed head of all Staples' activities outside the United States and Canada.

Age 55.

Ken Gillespie
Chief Operating Officer

Ken Gillespie joined the Group and the Executive Board in March 2006 on the acquisition of Morrison Construction, of which he was Managing Director. He joined Morrison in 1996 having spent the previous 13 years holding senior positions with George Wimpey. Ken was appointed as an Executive Director of Galliford Try plc on 1 March 2013, and Chief Operating Officer on 30 April 2015, having previously been Construction division Chief Executive. Ken was appointed as Chairman and Director of the Scottish Contractors Group Limited in 2013.

Aged 51.

Andrew Jenner
Non-executive Director

Andrew Jenner was appointed to the Board in January 2009. Andrew was Group Chief Financial Officer of Serco Group plc from 2002 to 2014. Prior to joining Serco in 1996 he worked for Unilever and Deloitte & Touche LLP. Andrew is a member of the Institute of Chartered Accountants.

Aged 47.

Gavin Slark
Non-executive Director

Gavin Slark joined the Board on 13 May 2015. He is currently Chief Executive Officer of Grafton Group plc, an independent company operating in the merchanting, DIY retailing and mortar manufacturing markets in Britain, Ireland and Belgium. He joined Grafton Group in April 2011 and was appointed Chief Executive Officer in July 2011. He was previously Group Chief Executive of BSS Group plc, a leading UK distributor to specialist trades including the plumbing, heating and construction sectors.

Aged 51.

Ishbel Macpherson
Non-executive Director

Ishbel Macpherson was appointed to the Board on 1 February 2014. She is Senior Independent Director of both Dechra Pharmaceuticals plc and Bonmarché Holdings plc. She has previously served as Non-executive Director, Chair of the Remuneration Committee, Senior Independent Director and Chair of Speedy Hire plc, as well as Non-executive Director of GAME Group plc, MITIE Group plc, Synthomer plc, May Gurney Integrated Services plc, Dignity plc, and Hydrogen Group plc. Ishbel has over 20 years' experience in investment banking with Dresdner Kleinwort Wasserstein, Hoare Govett and Barclays.

Aged 56.

Terry Miller
Non-executive Director

Terry Miller was appointed to the Board on 1 February 2014. Terry was previously General Counsel for The London Organising Committee of the Olympic Games and Paralympic Games, and is currently an independent Non-executive Director of the British Olympic Association, a Director and Trustee of the Invictus Games Foundation, and a Non-executive Director of Goldman Sachs International Bank. Prior to her LOCOG appointment, Terry was International General Counsel for Goldman Sachs, having spent 17 years with Goldman Sachs in London.

Aged 64.

Bill Hocking
Managing Director of Construction & Investments

Bill Hocking joined the Executive Board as Managing Director of Construction on 1 September 2015 and assumed additional responsibilities for Investments, Facilities Management and other specialist businesses on 1 March 2016. He joined the Group from Skanska UK plc, where he held the position of Executive Vice President on the Executive Management Team of Skanska UK from 2008, having initially joined the company in 1990.

Age 52.

Kevin Corbett CEng MICE MIStructE
General Counsel and Company Secretary

Kevin Corbett joined the Executive Board of Galliford Try plc on 1 February 2012 and was appointed General Counsel and Company Secretary on 1 March 2012. Kevin was previously Chief Counsel Global for AECOM.

Aged 56.

Board composition

Balance of Non-executive vs Executive Directors

Non Executive	6
Executive	3

Length of appointment

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

Diversity

Male	7
Female	2

Key

E Executive Board
N Nomination Committee
A Audit Committee
R Remuneration Committee

As at 30 June 2016

Governance

Governance review

Effective compliance and strong governance

The appointment of Peter Truscott as Chief Executive on 1 October 2015 and the transition to a Non-executive Chairman role by Greg Fitzgerald on 1 January 2016 have seen the Group begin its return to full compliance with corporate governance best practice, following the significant Board changes of the previous year. In addition, new Board members have quickly established themselves, with the Board as a whole leading the continuation of the existing strategy to 2018, and providing an effective sounding board for, and challenge to, the development of the strategy beyond that date.

The Group has made good progress, including enhancing targets where appropriate, and will continue its progression towards achievement of its 2018 strategy objectives as well as considering the longer term aims.

Board and Executive Board composition

Biographical summaries for each of the directors as at 30 June 2016, their respective Committee responsibilities and their external directorships are set out on pages 50 and 51.

All directors continue to demonstrate commitment to their roles, and will stand for re-election at the 2016 AGM in November 2016 save as described below.

Peter Truscott was appointed as Chief Executive on 1 October 2015 while Ken Gillespie has indicated his intention to retire as Chief Operating Officer in 2017 and stepped down from the Board on 31 July 2016. As announced on 12 July 2016, Greg Fitzgerald has said that he will step down from the Board at the AGM on 11 November 2016. Peter Ventress, Deputy Chairman and Senior Independent Director, will, as previously announced, become Chairman on Greg Fitzgerald stepping down.

There have been no other changes to the Board, either during or since the end of the financial year.

With effect from 6 September 2016, Andrew Hammond (Divisional Chairman West for Linden Homes), Tom Nicholson (Divisional Chairman East for Linden Homes), and Stephen Teagle (Chief Executive, Partnerships and Regeneration) joined the Executive Board.

"I am pleased to report on the effective compliance and high standards that have been maintained across the Group. This year, after a short interim period, the Group reverted to a Non-executive Chairman and separate Chief Executive leadership structure."

Greg Fitzgerald
Chairman

Chairman and Chief Executive

The duties of the Chairman and Chief Executive are clearly specified to ensure proper division of responsibilities and balance of power. The key responsibilities of the Chairman include leadership of and communication with the Board, value setting, shareholder liaison, governance and performance evaluation and appraisal. The key responsibilities of the Chief Executive include developing Group strategy, operational performance and executive management, including chairing the Group's Executive Board.

There was a similar division of responsibility in place during the period in which the Group had an Executive Chairman, with the Deputy Chairman proving the independent check and balance to the executive leadership. During that time, the Executive Chairman held responsibility for strategy, business performance and management of the Group, while the Deputy Chairman held responsibility for governance, the performance of the Board and for monitoring the effectiveness of the Executive Chairman. Copies of the respective role descriptions of the Chairman, Chief Executive and Deputy Chairman are available on the Group's website.

Senior Independent Director

Peter Ventress was the Group's Senior Independent Director, having held the post throughout the year, and since his appointment to the Board on 30 April 2015.

The Senior Independent Director was available to shareholders throughout the year, in accordance with the UK Corporate Governance Code. He was not contacted in that capacity by shareholders during the year. On Greg Fitzgerald assuming the role of Non-executive Chairman on 1 January 2016, major shareholders were reminded that the Chairman and/or the Deputy Chairman were available to meet to discuss any matters.

Non-executive directors

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

Diversity

In 2013 the Board stated its commitment to addressing the expectations of the Davies Report 'Women on Boards' where appropriate and possible, and women hold 25% of Board positions as at the date of this report. Furthermore, it is anticipated that the gender ratio may improve in subsequent years following the planned retirement of Greg Fitzgerald and future Board refreshes.

The Nomination Committee considers a diverse range of candidates, including those from backgrounds not currently represented at Board level, for positions as and when they become available, while basing recruitment decisions on merit.

Further diversity disclosures can be found in the Strategic Report on page 46.

Governance review continued

The table below summarises the main governance challenges faced by the Group during the year, their implications, mitigating actions and the results thereof, together with other material governance initiatives undertaken.

GOVERNANCE ACTION	EXPLANATION	GOVERNANCE IMPLICATIONS
Board composition and succession: implications of an Executive Chairman	While Greg Fitzgerald relinquished his executive responsibilities on 1 January 2016, his former role as Chief Executive and Executive Chairman have governance and independence implications.	The UK Corporate Governance Code recommends that the roles of Chairman and Chief Executive should not be exercised by the same individual, that a Chief Executive should not go on to chair the same company, and that a Chairman should be independent on appointment, unless the company explains why these principles should not apply.
Succession planning: Executive Board and divisional board level	The Group is now enacting the findings of the review and refresh of the talent mapping and succession planning process commenced in the previous year, ensuring succession planning is an evolving and dynamic process, rather than a static annual compliance exercise.	Succession planning at Board level is now replicated at Executive Board and divisional board levels, ensuring talent and potential are nurtured and development needs are met, enabling quality internal candidates to be available to progress to Executive Board and main Board level positions, and ensuring a progressive refreshing of those boards.
Board induction Full, formal and tailored induction	An effective induction programme is vital to Peter Truscott, an external candidate, to support him in his role as CEO leading the Group.	The UK Governance Code states that new directors are to receive a full, formal and tailored induction on joining the Board. As part of this, directors should avail themselves of opportunities to meet major shareholders.

MITIGATING ACTIONS AND RESULT

Greg Fitzgerald's tenure was for a limited transition period while the new CEO was recruited and established in post. During that time, the Deputy Chairman assumed responsibility for performance of the Board. Greg Fitzgerald has announced that he will step down as Chairman at the 2016 AGM.

Greg Fitzgerald is not considered independent, therefore, the number of Board Committees on which he may sit or chair is limited. There are, however, sufficient independent non-executive directors to ensure the size and composition of the Committees are appropriate and comply with the relevant provisions of the UK Corporate Governance Code.

Each executive director and senior manager is directly responsible for their own succession plans and the development plans of their successors. A report on progress and changes to their plans is made to the main Board and Nomination Committee.

Building on the successful induction programmes delivered to new non-executive directors during the previous financial year, a comprehensive programme was developed for Peter Truscott, which included a three-month handover period with the Executive Chairman, before Greg Fitzgerald relinquished his executive responsibilities.

Board: attendance

All meetings were led by the Chairman, including a specific performance assessment day at which individual appraisals were completed. The General Counsel and Company Secretary was in attendance. The Deputy Chairman/Senior Independent Director separately led a meeting of the non-executive directors to assess the performance of the Chairman, without him present. A summary of Board and Committee attendance appears on the next page.

Board: remit

There is a formal schedule of matters reserved for authorisation by the Board, the specifics of which have not materially changed from those disclosed in previous years. The Board held its annual strategy awayday in October 2015 where it reviewed progress against the Group business plan to 2018; was updated on market conditions and investor expectations, and succession planning initiatives undertaken during the year; and where it assessed the impact of the Miller Construction and Shepherd Homes acquisitions after 12 and six months respectively. A session was also dedicated to the initial thoughts of the new Chief Executive.

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

Board: information, advice, insurance and indemnity

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

All directors have access to the advice and services of the General Counsel and Company Secretary. No director sought independent advice during the financial year.

The Group maintains appropriate Directors' and Officers' Liability Insurance on behalf of, and provides individual indemnities to, the directors, and General Counsel and Company Secretary, which complies with the provisions of Section 234 of the Companies Act 2006.

Board evaluation: 2015 update and 2016 external evaluation

As reported in the 2015 Annual Report and Financial Statements, the 2015 Board evaluation, which was performed internally using specialist performance evaluation software, focused on Board mechanics and effectiveness; Group performance and delivery of the enhanced strategy; and governance and sustainability. The findings were presented to the May 2015 Board meeting, from which the following substantial action points were developed and agreed at the September 2015 meeting:

- Board dinners: occasional pre-meeting dinners have been scheduled to conduct management presentations and provide Board exposure to the next tier of management, especially when held in conjunction with site visits.
- Succession planning: the Board as a whole has continued to receive six-monthly updates on the refreshed succession planning process (as reported in the 2015 Annual Report and Financial Statements) as well as the succession plans themselves.

Governance review continued

As required by the UK Corporate Governance Code, the Group undertook an externally facilitated performance evaluation in 2016. The planning process began several months ahead of the evaluation with the General Counsel and Company Secretary researching evaluation service providers and seeking recommendations from Board members, especially the non-executive directors. From this list a shortlist of three firms was developed, which were then interviewed by the Chairman and General Counsel and Company Secretary, resulting in the appointment of Independent Audit. There is no other connection between Independent Audit and the Group.

The 2016 evaluation was conducted by way of interviews with each Board member, Executive Board members and the General Counsel and Company Secretary preceded by a review of Board packs and other materials and observing proceedings at a Board meeting. The evaluation as a whole looked at Board processes, Board dynamics, and the Group's governance structures, as well as meeting practicalities. The interviews focused on Board composition and experience, succession planning, dynamics and relationships, strategy, risks and quality of information.

Individual performance evaluations focused on the effectiveness of the contributions made by directors. Consideration was given to the aggregate time commitments of the non-executive directors. The Board is satisfied that each director is committed to his or her role. The findings and recommendations were presented to, and approved by, the Board in May 2016, with recommendations being addressed over the forthcoming financial year.

Overall, the external evaluation confirmed that the Board is operating effectively and has the appropriate balance of skills and experience to draw on, with recommendations being made, among other matters, in relation to transitioning of leaving directors, continuing to have ongoing discussions on long-term strategy and succession planning, and continuing to embed culture and ethics within the Group.

2015/16 Board and Committee attendance table

Number of meetings (scheduled/attended)	Board	Executive Board	Audit Committee	Nomination Committee	Remuneration Committee
Greg Fitzgerald[1] Chairman	8	5	by invitation	2	by invitation
Peter Ventress Deputy Chairman and Senior Independent Director	8	n/a	3	2	4
Andrew Jenner Non-executive Director	8	n/a	3	2	4
Ishbel Macpherson Non-executive Director	8	n/a	3	2	4
Terry Miller[2] Non-executive Director	7	n/a	3	2	4
Gavin Slark Non-executive Director	8	n/a	3	2	4
Peter Truscott[3] Chief Executive	6	8	by invitation	by invitation	by invitation
Ken Gillespie[4] Chief Operating Officer	8	11	n/a	n/a	n/a
Graham Prothero Finance Director	8	11	by invitation	n/a	n/a
Kevin Corbett General Counsel and Company Secretary	7	9	2	2	3

1 Greg Fitzgerald ceased to be Executive Chairman on 31 December 2015 and, accordingly, ceased to be a member of or to attend Executive Board meetings on this date.

2 Terry Miller attended the AGM by telephone but was unable to attend the Board meeting prior to the AGM due to a prior family commitment.

3 Peter Truscott was appointed to the Board on 1 October 2015.

4 Ken Gillespie was unable to attend one meeting for its full duration due to an urgent operational matter and participated in part by telephone.

2015/16 Board focus

In addition to the standing items discussed at each Board meeting, which include health, safety and sustainability performance, Group risk register reviews, divisional updates, Group financial performance and institutional investor issues and feedback, the calendar of 2015/16 Board activities and areas of focus were as follows:

July 2015
- Approval of 2015/16 Group budget
- Presentation – risk review
- Interim governance review
- Review of insurance renewals

September
- Major contracts and compliance review
- Full year results and Annual Report
- New CEO induction and transitional arrangements
- Annual corporate governance review
- 2015 Board evaluation feedback

October
- Strategy meeting – progress against the Group business plan to 2018, market conditions and investor expectations, succession planning and post-acquisition and integration analysis
- Broker presentation – HSBC and Peel Hunt

November
- AGM
- Cyber security
- Final salary pension scheme buy-in
- 2015 Board evaluation action points update and 2016 external evaluation planning
- Major contracts and compliance review update

December
- 2016–2019 business plan
- Executive Chairman's committee memberships following assumption of non-executive role
- Implementation of findings of major contracts and compliance review

February 2016
- Presentation and review – IT and Oracle, Procurement, HR
- Half year results
- Institutional feedback following CEO appointment and assumption of Non-executive Chairman role

April
- Site visit – St Clements, London (Linden Homes)
- Presentations – Linden Homes, Partnerships, Affordable Housing & Regeneration
- EU referendum

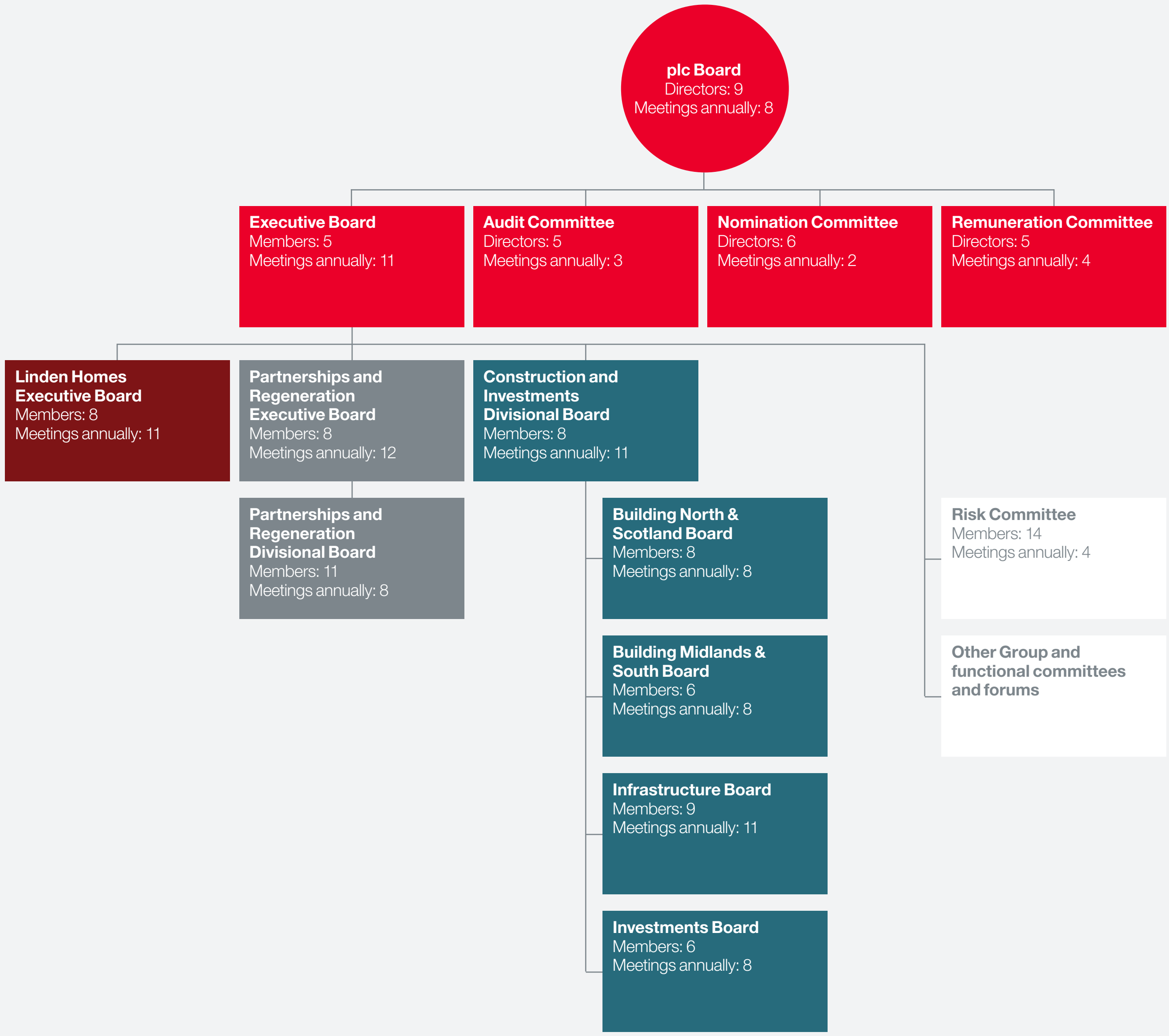
May
- Presentation – Investments and facilities management
- Outline strategy beyond 2018
- Results of externally-facilitated Board performance evaluation
- Succession planning

Executive Board report

Membership of the Executive Board is detailed on pages 50 and 51. The Group HR Director also attends each meeting of the Executive Board. From 6 September 2016, Stephen Teagle, Chief Executive of Partnerships and Regeneration; Tom Nicholson, Linden Homes Divisional Chairman East, and Andrew Hammond, Linden Homes, Divisional Chairman West, joined the Executive Board. Executive management is the responsibility of the Chief Executive. He chairs the Executive Board, which in turn takes responsibility for the operational management of the Group under terms of reference delegated by the main Board. From October 2014 to December 2015, the Executive Board was chaired by the Executive Chairman. The Executive Board also has further delegated responsibility for making recommendations to the main Board on all items included in the formal schedule of matters reserved for main Board authorisation. The Executive Board receives and considers regular performance and operational reports and presentations from divisional management. The Assistant Company Secretary acts as secretary to the Executive Board. The minutes of Executive Board meetings are included as part of the Group Board pack.

The Executive Board meets on a monthly basis and additional meetings are convened when necessary to consider and authorise specific operational or project matters. Following the appointment of Peter Truscott and the assumption of a non-executive role by Greg Fitzgerald, the Executive Board has increased its focus on considering long-term strategic issues and matters of Group-wide policy. The meeting agenda has been reorganised to this effect, with health, safety and sustainability as the first agenda item at every meeting, which highlights the importance of such matters to the Group. Executive responsibility for operational matters of each business has been devolved to a greater extent to the executive boards of each business, which are also held on a monthly basis, in the preceding week to the Executive Board.

Group governance structure



As at 30 June 2016

Audit Committee Report

Committee Chair's annual statement

The Committee has continued to monitor and review the results, risk management and internal control framework of the Group, as it continues to grow each of its businesses. This included particular emphasis on those aspects of the 2014 UK Corporate Governance Code that were effective for the first time during the financial year.

The Committee considers that the 2016 Annual Report and Financial Statements are fair, balanced and understandable in terms of the form and content of the strategic, governance and financial information presented therein. The Group has evolved the format of the Annual Report and Financial Statements over recent financial years and this Annual Report represents an acceleration of that process as we move towards the concept of 'Integrated Reporting'.

Peter Ventress and Gavin Slark have established themselves as valuable members of the Committee, having joined us shortly before the beginning of this reporting period. We continue to work well with the PricewaterhouseCoopers (PwC) audit team.

Audit Committee: composition and attendance

Membership of the Audit Committee is detailed on pages 50 and 51. The Chairman, Chief Executive and Finance Director attend all Committee meetings by invitation, together with the Director of Risk & Internal Audit and the Group Financial Controller. The Committee Chair has a strong financial background and is a member of the Institute of Chartered Accountants which satisfies the UK Corporate Governance Code requirement that the Committee's membership has recent and relevant financial experience. The General Counsel and Company Secretary or his nominee act as secretary to the Committee.

Audit Committee: remit and activities

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

The authorities and calendar of work remain in line with the requirements of the UK Corporate Governance Code. At each meeting, Committee members take time, in the absence of executive directors, to review separately and discuss any issues meriting their attention. The adjacent table summarises the key activities during the financial year.

The Committee also continues to meet with internal and external audit teams, without executive management present.

During the financial year, the risk and internal audit team focused on delivering its agreed calendar of audit reviews, under its rolling three-year internal audit plan, and also on providing commercial and risk management support across the Group at the request of the Committee, the Executive Board and senior management.

During the year, the Committee considered the changes to the UK Corporate Governance Code and the introduction of the viability statement, as part of its review of risk and controls. The wording of the viability statement and the period chosen was extensively discussed and agreed by the Committee.

"The Audit Committee has primarily focused its attention on the results of internal and external audits and maintaining appropriate processes to ensure the Annual Report is fair, balanced and understandable, together with assessing and implementing the requirements of the 2014 UK Corporate Governance Code."

Andrew Jenner
Audit Committee Chair

As disclosed in note 5 to the financial statements, no significant non-audit related services were provided by the incumbent external auditor, PwC during the financial year, although the Group did receive non-audit-related advice and services covering general corporate matters.

Policies and review mechanisms governing the provision of material non-audit services, and safeguarding the objectivity and independence of the external auditor, remained in force throughout the financial year. The policy specifies the types of non-audit services for which the use of the external auditor is pre-approved (ie approval has been given in advance as a matter of policy); the services for which specific approval from the Audit Committee is required before the auditor is contracted; and the services from which the external auditor is excluded. In respect of pre-approved services, a financial threshold is in place, applicable to individual and aggregated services in any year. Furthermore, should the total value of non-audit service engagements exceed a defined percentage of the total Group audit fee for the previous financial period, the Audit Committee shall consider and give specific prior approval for any subsequent non-audit service engagements.

Each year, the Committee assesses the effectiveness of the external audit process which includes discussing feedback from the members of the Committee and key senior management within the Group. The Committee is satisfied that PwC is fully independent and accordingly has recommended to the Board that a resolution to re-appoint PwC is proposed at the 2016 AGM. PwC has been an auditor of the Group since its initial appointment in 2001 and retained this appointment following a competitive tender completed in 2014. The PwC team under its current partner, Jonathan Hook, is considered by the Committee to have the appropriate balance of involvement with and knowledge of the Group and its operations, as well as independence and merit.

The Financial Reporting Council (FRC) has amended the UK Corporate Governance Code to require audit tendering every 10 years on a comply or explain basis for FTSE 350 companies. On 26 September 2014, the Competition Commission, now the Competition Markets Authority, published its final Order on mandatory audit tendering for FTSE 350 companies.

This Order came into effect on 1 January 2015 and applies to financial years beginning on or after 1 January 2015 and therefore applies to the year which is subject to this Annual Report. The Order confirms that FTSE 350 companies will need to undertake a tendering process in respect of their statutory audit services at least every 10 years. Furthermore, if a company has not completed a tendering appointment process of statutory auditors for five consecutive financial years, the Order requires the Audit Committee of such a company to state in its annual report when the company intends to conduct the tender and why such proposed date is in the best interests of the company (and such statement must be repeated in each subsequent report until a competitive tender is conducted).

The requirement for conducting mandatory audit tenders every 10 years is subject to transitional arrangements set out in the Order and, accordingly, this requirement does not apply to PwC's proposed re-appointment as auditor which will be proposed to the shareholders at the 2016 AGM. PwC was re-appointed as auditor following a competitive tender in 2014.

The Committee reviewed the integrity of the Group's financial statements and all formal announcements relating to the Group's financial performance. This included an assessment of each critical accounting policy, as set out in note 1, as well as review and debate over the following areas of significance:

- Contract revenue and provisions: in conjunction with the annual audit, the Committee reviewed a paper setting out key judgments in respect of revenue recognition and contract provisions, in relation to individually significant long-term construction contracts.
- Going concern: the Committee assessed the available bank facilities, and the associated covenants and sensitivities. The related paper also considered other commercial and economic risks to the Group's going concern status. The Committee reported to the Board on its findings.
- Goodwill impairment review: during the year, the Committee considered the judgments made in relation to the valuation methodology adopted by management and the model input used, as well as the sensitivities used by management and the related disclosures.
- Accounting policy for land: the Committee assessed the appropriateness of the accounting policy for land and the associated disclosures in note 1 to the financial statements.
- Disclosure of significant transactions and non-GAAP accounting measures.

Calendar of 2015/16 Committee activities and areas of focus

Month	Activity or area of focus
September 2015	→ Committee review of 2014/15 full year results, including external auditor presentation, going concern review and approval of 'fair, balanced and understandable' process → Risk, internal audit and whistleblowing reports → Review of 2014 UK Corporate Governance Code → IFRS 15 (revenue recognition) update
February 2016	→ Committee review of 2015/16 half year results, including external auditor presentation, going concern review and approval of 'fair, balanced and understandable' process → Risk, internal audit and whistleblowing reports → Corporate governance and financial reporting update
May 2016	→ Risk, internal audit and whistleblowing reports → Corporate governance and financial reporting update, with particular focus on the viability statement → Approval of external audit plan → Approval of internal audit plan

Nomination Committee Report

Nomination Committee: composition and attendance

Membership of the Nomination Committee is detailed on pages 50 and 51. Greg Fitzgerald joined the Committee with effect from 1 January 2016. The Committee was chaired by Terry Miller throughout the year. The General Counsel and Company Secretary acts as secretary to the Committee.

Nomination Committee: remit

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

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

The principal task of the Committee during the year has been the monitoring and oversight of the previously agreed succession planning process, as well as the succession plans themselves. Towards the end of the previous year, the Group's executive management comprehensively strengthened and refreshed the succession planning process, developing a common assessment framework for the main Board, Executive Board and divisional board levels. Recognising that succession planning over these senior levels within the Company is not static, the Committee has been receiving regular updates on both the ongoing succession planning and talent mapping process, together with the individuals identified, and any development requirements necessary to ensure effective succession. Succession planning and leadership requirements, including actions being taken to identify replacements for senior management roles, will continue to be the subject of direct focus and engagement by the Committee. The Committee is also committed to embedding diversity and inclusion at Board level and generally throughout the Group.

The Committee has also begun the process of reviewing the composition of the Board, and overseeing plans for recruitment of a new non-executive director, in light of the previously announced retirement of the Chairman (and succession of the current Deputy Chairman to that role) in November 2016 and the end of the term for the Chair of the Audit Committee in 2017.

Additionally, while negotiations concerning their appointment to the Board and Executive Board were concluded in the previous financial year, the Committee oversaw the inductions of both Peter Truscott and Bill Hocking, building on the successful induction programme given to non-executive director appointments in the previous year.

At the year end, the Committee comprised a majority of independent non-executive directors, complying with provision B.2.1 of the UK Corporate Governance Code. External consultants, The Zygos Partnership (Zygos) and Norman Broadbent plc (Norman Broadbent), who advised on Board appointments in the year.

There is no other connection between Zygos and the Group or Norman Broadbent and the Group.

"The Committee has been overseeing the strengthened and refreshed succession planning process, as well as the succession plans themselves."

Terry Miller
Nomination Committee Chair

Other governance matters

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

Shareholder relations

The Company continues to prioritise maintaining effective relationships with all its shareholders and seeks to engage with interested parties. The Board, and in particular the Chief Executive and Finance Director, continue to organise meetings with existing and prospective institutional shareholders. The Chairman also attended institutional shareholder meetings, especially during his tenure as Executive Chairman.

The Board as a whole continues to engage actively with institutional shareholders in line with the UK Stewardship Code, whether on key matters of specific relevance to the Group and its operations or general market themes, and specific reports regarding shareholder views are provided to the Board for analysis and discussion. Separately, the Senior Independent Director and other non-executive directors are available to attend meetings with shareholders and address any significant concerns stakeholders may have.

The Group's AGM, held in November each year, continues to be a popular means for private shareholders to receive updates on Group performance, including presentations from Board members and opinions on progress. All directors of the Company were in attendance in person or by phone at the 2015 AGM. All arrangements for the meeting including notice period and voting arrangements, including the poll voting procedure, followed the requirements of the UK Corporate Governance Code and related best practice.

Reporting, risk, internal audit and controls

The governance review commencing on page 52 details the specific actions undertaken by the Group during the financial year, including those with a risk management focus. The Board's approach to risk and internal audit, including its systems in relation to the preparation of consolidated accounts, and the material controls of the Group's established internal control framework are disclosed in the 'principal risks' section on pages 18 to 21.

The Group's governance reporting structure shown on page 57 clarifies the effective Group, business and operational board structures upon which the delegated authorities matrices and Corporate and Finance Manuals are overlaid, and reflects changes made in 2014. Effective from 1 July 2015, a further phase of a Group simplification project has effectively aligned the legal ownership structure of the Group with its operating and reporting structure, facilitating reporting and management.

During the financial year, the Group implemented the findings of a substantial external compliance review of its policies and procedures relating to commercial operations and major projects, which was undertaken in the prior year. This included the launch of a substantially reinvigorated Code of Conduct. As well as rolling out the Code of Conduct throughout the Group, copies were sent to supply chain partners and joint venture partners, and are available on the Group's website.

There were no significant internal control failings or weaknesses during the year. Any matters of non-compliance with the provisions of the Group Corporate and Finance Manuals have been rectified either during the financial year or by the date of this Annual Report. A separate programme of 18 internal audits was also completed across the Group's operations and progress checks were completed against previous recommendations.

Compliance statement

The Group believes that the highest standards of corporate governance are integral to the delivery of its strategy, providing the means by which the Board may manage the expectations of stakeholders to optimise sustainable performance.

The UK Corporate Governance Code 2014 (the Code), is the governance code to which the Group is subject, and which sets out principles relating to the good governance of companies. The Code is available at www.frc.org.uk.

As a member of the FTSE 250, Galliford Try has committed to complying with the provisions of the Code and, in doing so, seeks both to support and foster the highest standards of corporate governance. Throughout the year, the Group has fully complied with the requirements of the Code, with the exception of provisions A.2.1 (as regards to combining temporarily the roles of Chairman and Chief Executive) and A.3.1 (as regards to independence of Chairman on appointment). In these areas of non-compliance, the temporary combination of the roles of Chairman and Chief Executive was resolved by 31 December 2015 when Greg Fitzgerald became Non-executive Chairman following the arrival of Peter Truscott as Chief Executive on 1 October 2015. In respect of the independence on appointment of the Chairman, Greg Fitzgerald has announced his retirement at the 2016 AGM. Accordingly, the directors recognise that the situation is for a specific and limited time period, and consider that this temporary deviation from full compliance with the Code is in the best interests of the Company and its shareholders as a whole.

The Group remains compliant with the UK Listing Authority's Disclosure and Transparency Rules 7.2.5 and 7.2.6 and related information can be found in the Directors' Report on pages 75 to 77.

For and on behalf of the Board

Kevin Corbett
General Counsel and Company Secretary

Remuneration Policy and Report

"The principal work of the Committee this year has been to review the design of the Group's long-term incentive plans at executive and senior manager level to ensure that the new plan proposed to shareholders is appropriate and in line with the market and best practice."

Ishbel Macpherson
Remuneration Committee Chair

Committee Chair's annual statement

The principal work of the Committee this year has been to review the Group's long-term incentive plans at executive and senior manager level to ensure they remain relevant to the needs of the Group. As our current Long Term Incentive Plan (LTIP) approaches the end of its 10-year life, we will table a new LTIP to shareholders for approval at the AGM this November. The plan is broadly unchanged from the existing LTIP, with changes made to reflect current market and best practice.

The Group performed well over the year, as highlighted elsewhere in this Annual Report, and accordingly we are confident that there remains a strong link between individual reward and business performance.

Details regarding the specific variable elements of pay received by the executive directors can be found in the Directors' Remuneration Report on pages 67 to 74. These payments reflect another year of strong performance delivered for shareholders in pursuit of the strategy of disciplined and sustainable growth.

As to the application of the approved Remuneration Policy for the present financial year, the Committee continues to monitor and review pay and conditions across the Group, and in particular the wider executive population immediately beneath the senior team. Merit-based salary increases were awarded to all staff on review in July 2016, with an average rise across the Group of 2.62% with the intention that awards will be increased to an aggregate 3% over the year ahead. Further details regarding salary increases awarded to Peter Truscott and Graham Prothero (which were in line with average increases across the workforce), together with the changed arrangements following Greg Fitzgerald's assumption of a Non-executive Chairman's role, can be found in the Directors' Remuneration Report.

As a result of the outcome of the recent EU referendum, which has set the UK on a path to leave the EU, a degree of uncertainty prevails, and may continue to do so for some time. The Committee feels that it does not have sufficient clarity on the likely impact on the housebuilding and construction sectors to enable it to set meaningful three-year targets. Given that LTIP awards will not be made unless shareholders approve the Plan Rules at the AGM in November, the Committee has decided to delay setting targets for these awards until closer to the grant date.

The targets attached to the 2016/17 LTIP awards are therefore not set out in this report but will instead be disclosed in the relevant RNS announcement, as well as in the 2016/17 Directors' Remuneration Report. The awards will be made in line with the shareholder-approved Remuneration Policy and the Committee will consult with major shareholders if any significant changes to the performance measures are proposed.

The Committee has also considered the structure of FY 2017 Annual Bonus Plan in order to fairly balance the incentivisation of management and the interests of shareholders in this uncertain period. The targets have been simplified to focus purely on profit and cash and the stretch between threshold and target performance has been widened, as has the stretch between target and maximum performance. Target performance has not been changed in light of the outcome of the EU referendum. These targets will be fully disclosed in next year's Directors' Remuneration Report.

The changes we are proposing under the new LTIP rules are all within the existing Remuneration Policy as approved by shareholders in 2014, and this preparatory work stands us in good stead for our review of the Policy for 2017-20, which we will commence in the coming year. This process will include any necessary consultation with shareholders before presentation of the Policy to shareholders at the 2017 AGM.

Ishbel Macpherson
Remuneration Committee Chair

Remuneration: strategy

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

Remuneration Policy

During the year, the Committee ensured the consistent operation of the Remuneration Policy as approved by shareholders at the 2014 AGM. Full details of the Remuneration Policy can be found on pages 52 to 57 of the 2014 Annual Report and Financial Statements and we summarise the key aspects below.

In summary, the Group's Remuneration Policy is to:

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

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

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

The service contracts and letters of appointment for the Board directors serving as at 30 June 2016 are detailed below:

	Contract date[1]	Notice period[2,3] (months)
Non-executive directors		
Greg Fitzgerald	17 December 2015	6
Andrew Jenner	1 January 2009	6
Ishbel Macpherson	1 February 2014	6
Terry Miller	1 February 2014	6
Gavin Slark	13 May 2015	6
Peter Ventress	30 April 2015	6
Executive directors		
Peter Truscott[4]	30 April 2015	12
Graham Prothero	18 June 2012	12
Ken Gillespie[5]	19 February 2013	12

1 Contract dates shown are the directors' initial contract as an executive director or non-executive director of the Company. Executive directors have a rolling notice period as stated. Non-executive appointments are reviewed after a period of three years and their appointments are subject to a rolling notice period as stated. All serving directors apart from Greg Fitzgerald, who is retiring, will stand for re-election at the 2016 AGM.

2 There are no contractual provisions requiring payments to directors on loss of office or termination, other than payment of notice periods. The Remuneration Committee may seek to mitigate such payments where appropriate.

3 Subject to the discretion of the Nomination Committee, the Group's practice is to agree notice periods of no more than six months for non-executive directors and no more than 12 months for executive directors.

4 Peter Truscott joined the Group on 1 October 2015.

5 Ken Gillespie stepped down from the Board on 31 July 2016 and will retire from the Group in 2017.

Executive directors' service contracts are available at the Company's registered office and will be available for inspection at the AGM.

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

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

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

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

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

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

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

Policy on recruitment

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

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

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

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

Legacy arrangements

Authority is contained within the approved Remuneration Policy for the Group to honour any commitments entered into with current or former directors (such as the payment of a pension or vesting and exercise of a past LTIP award) that have been disclosed to shareholders in previous Directors' Remuneration Reports.

External directorships

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

Shareholder consultation and voting analysis

The Committee actively consults with relevant institutional shareholders regarding, and in advance of, substantial changes to Remuneration Policy or individual executive salary packages. It has not been necessary to approach shareholders during the year, although in July 2016 the Committee wrote to major institutional shareholders inviting views and comments on the proposed new LTIP rules and confirming that the Committee will consult with major institutional shareholders as necessary on a new Remuneration Policy to be proposed at the 2017 AGM.

The Directors' Remuneration Report from page 67 onwards has been subject to audit.

Policy on recruitment

Element	General policy	Specifics
Salary	At a level required to attract the most appropriate candidate.	Discretion to pay lower base salary with incremental increases, as new appointee becomes established in the role.
Pension and benefits	In line with policy for executive directors.	20% of basic salary.
Bonus	In line with existing schemes.	Specific targets could be introduced where necessary within the annual bonus limit (150% of base salary for the Chief Executive and 100% for other directors). Pro-rating applied as appropriate for intra-year joiners.
Long Term Incentive Plan	In line with Group policies and LTIP rules.	An award may be made in the year of joining or can be delayed until the following year. Targets would normally be the same as for awards to other directors.
Other share awards	The Committee may make an incentive award to replace deferred pay forfeited by an executive leaving a previous employer.	Awards would, where possible, be consistent with the awards forfeited in terms of structure, value, vesting periods and performance conditions.

Components of executive reward

Component and link to strategy	Operation	Framework to assess performance and maximum opportunity
Salary		
To provide a competitive and appropriate level of basic fixed pay, sufficient to attract, motivate and retain executive directors of high calibre, able to develop and execute the Group's strategy.	Normally reviewed annually, with any changes typically taking effect from 1 July. The Committee sets salaries taking into consideration pay and employment conditions across the Group, the economic environment, the responsibilities and accountabilities of each role, the experience of each individual, his or her marketability and the Group's key dependencies on the individual. Reference is also made to salary levels among relevant housebuilder and construction peers and, other companies of equivalent size and complexity. The Committee reserves the right to reduce salary levels (and has done so in the past) if the circumstances warrant it.	When reviewing salaries, both Group and individual performance are considered. There is no prescribed maximum. The Committee's policy on salary increases for executive directors is for increases to be broadly in line with the average across the workforce, unless there is a promotion or material change in role or business circumstances in which case increases may be higher. Last year's salaries are set out in the Directors' Remuneration Report.
Benefits		
To provide cost-effective and market-competitive benefits.	Benefits provided to executive directors currently comprise entitlements to a company car or cash equivalent allowance, private medical and permanent health insurance, and life assurance. The benefits provided may be subject to minor amendment from time to time by the Committee within the Remuneration Policy.	The cost of benefit provision varies from year to year, depending on the cost to the Group, and there is no prescribed maximum limit. Benefit costs are monitored and controlled to ensure that they remain appropriate and represent a small element of total remuneration costs.
Pension		
To provide a market-competitive retirement benefit.	The executive directors may each receive contributions to a money purchase pension scheme or salary supplements in lieu of Company pension contributions.	20% of basic salary.
Annual Bonus Plan		
Rewards the achievement of stretching annual goals that support the Group's annual and strategic objectives. Compulsory deferral of part of the bonus into shares provides alignment with shareholders.	Executive directors and selected senior management, subject to invitation and approval by the Committee, may participate in the Annual Bonus Plan. Where the bonus earned and payable equates to over 50% of the recipient's basic salary in any one financial year, two-thirds of the bonus earned in excess of that 50% salary threshold is required to be deferred into restricted shares. Although beneficially held by the participants, the restricted shares are legally retained by the trustee of the Galliford Try Employee Benefit Trust (EBT) for three years, and are subject to forfeiture provisions, unless otherwise agreed by the Committee. Subject to continued employment, the restricted shares are legally transferred to participants on the third anniversary of allocation. The Committee operates clawback provisions within the Annual Bonus Plan, which facilitate the retrieval of payments made to directors and executive management in circumstances of error, financial misstatement or misconduct.	Dependent on achieving specified financial (no less than 50% of the bonus) and strategic targets, the bonus may be scaled back if certain non-financial targets are not achieved. Last year's performance measures are described in the Directors' Remuneration Report on page 69. The maximum opportunity is 150% of salary for the Chief Executive and 100% of salary for other executive directors. At least half of the annual bonus opportunity may be earned for on-target performance. Bonuses start to be earned from 0% of salary for achieving threshold performance.

Remuneration Policy and Report continued

Component and link to strategy	Operation	Framework to assess performance and maximum opportunity
Long Term Incentive Plan (LTIP)		
Rewards the achievement of sustained long-term financial and operational performance and is therefore aligned with the delivery of value to shareholders. Facilitates share ownership to provide further alignment with shareholders. Making of annual awards aids retention.	Under the rules of the 2006 LTIP (and the new LTIP rules which are proposed for shareholder approved at the 2016 AGM), the Committee is authorised to recommend that the trustee of the EBT grant provisional share allocations to invited participants annually. The vesting of any award depends on the achievement of performance conditions linked to specific grants over an associated three-year plan cycle. The Committee operates clawback provisions within the LTIP, which facilitate the retrieval of payments made to directors and executive management in circumstances of error, financial misstatement or misconduct. The rules of the 2006 LTIP expire on 26 October 2016, and an updated set of LTIP rules will be presented to shareholders for approval at the 2016 AGM.	Measures have been based on EPS growth and relative Total Shareholder Return (TSR), measured against two unweighted industry peer groups. The Committee may vary the measures and targets that are included in the plan and the weightings between them from year to year. Any material changes to the measures would be subject to prior consultation with the Company's major shareholders. Details of performance conditions are provided on page 70. The maximum value of a base award that may be granted in any financial year to any individual will not exceed 100% of their basic annual salary as at the award date. In the event of outstanding performance there is the potential to achieve vesting of up to 200% of the base award. As noted elsewhere in this Annual Report, the Committee has deferred setting the criteria for the 2016 LTIP award until closer to the grant date. The minimum level of vesting that may occur is 7.5% of basic salary. Dividends may accrue on LTIP awards over the vesting period and, subject to the discretion of the Committee, be paid out either as cash or shares on vesting, in respect of the number of shares that have vested.
All-employee schemes		
To encourage employee share participation.	The Group may from time to time operate tax-approved share plans (such as an approved Save As You Earn scheme for the benefit of all staff) for which executive directors could be eligible.	The schemes are subject to the limits set by HM Revenue & Customs (HMRC), which may be further limited at the Committee's discretion.
Shareholding guidelines		
To ensure the interests of the executive directors are aligned to those of shareholders.	The Group's share retention policy requires executive directors to build and maintain a shareholding over a five-year period equivalent in value to at least 100% of basic salary or, in the case of the Chief Executive, at least 150% of basic salary.	
Non-executive fees		
To provide a competitive and appropriate level of fees sufficient to attract, motivate and retain a Chairman and non-executive directors of high calibre.	The Chairman and Deputy Chairman are paid a single fixed fee. The remaining non-executive directors are paid a basic fee. The chairs of Board Committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. The level of these fees is reviewed periodically by the Committee and Chief Executive for the Chairman, and by the Chairman and executive directors for the non-executive directors and the Deputy Chairman. Fees are set taking into consideration market levels in comparably sized FTSE companies and relevant housebuilder and construction peers, the time commitment and responsibilities of the role and the experience and expertise required. Non-executive directors, including the Chairman, are entitled to reimbursement of reasonable expenses. Non-executive directors cannot participate in any of the Group's annual bonus or share plans and are not eligible for any pension entitlements from the Group. The Chairman is eligible to participate in the Group's medical assurance plan.	The Committee and the executive directors are guided by the general pay increase for the broader employee population, but on occasions may need to recognise, for example, changes in responsibility or time commitments. Current fee levels are disclosed on page 73.

Directors' Remuneration Report

Remuneration Committee: composition and attendance

Membership of the Remuneration Committee is detailed on pages 50 to 51. The Committee was chaired by Ishbel Macpherson throughout the year. During the financial year the other members were Terry Miller, Andrew Jenner, Peter Ventress and Gavin Slark. The General Counsel and Company Secretary acts as secretary to the Committee. The Chairman, Chief Executive and Group HR Director have standing invitations to attend all Committee meetings, although each meeting commences with the non-executives meeting without executive management present. No director, or the General Counsel and Company Secretary, is present when his or her own remuneration is being considered.

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

Calendar of 2015/16 Committee activities and areas of focus

Month	Activity or area of focus
July 2015	→ Salary review outcome → Update on EPS and TSR performance measures to 30 June 2015 → Preparatory approval of 2015/16 Annual Bonus Plan targets and metrics → Consideration of the draft 2015 Directors' Remuneration Report disclosures
September 2015	→ Approval of 2015 grants under the Annual Bonus Plan, LTIP, potential new participants in the Long Term Bonus Plan and awards to the new CEO under Listing Rule 9.4.2.(2) → Consideration of SAYE invitation → Consideration of EBT shareholdings and market purchases → Approval of the 2015 Directors' Remuneration Report → Review and approval of Greg Fitzgerald's remuneration and departure terms in advance of his transition to Non-executive Chairman
May 2016	→ Group and senior management remuneration review → Review and approval of Ken Gillespie's departure terms on his retirement in 2017 → Proposals for Annual Bonus Plan 2016/17 → Review of Annual Bonus Plan to 2015/16 → Proposals for new LTIP rules → Review of LTIP performance conditions for 2013, 2014 and 2015 awards → Review of Long Term Bonus Plan participants and proposed additions → Update on proposed new Long Term Bonus Plan → Review of EBT shareholdings and future market purchases → Review of NBS fees, services and conflicts

Remuneration advice and advisors

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

New Bridge Street (NBS) is the Committee's sole remuneration consultant, having been appointed by the Committee in January 2011 following a competitive tender. Services provided to the Committee by NBS encompassed remuneration guidance, regulatory guidance and share plan-related consultancy. Fees paid to NBS for services provided to the Committee during the financial year were £51,123.

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

The General Counsel and Company Secretary, together with the Group HR Director, also advises the Committee as necessary and, where appropriate, makes arrangements for the Committee to receive independent legal advice at the request of the Committee Chair.

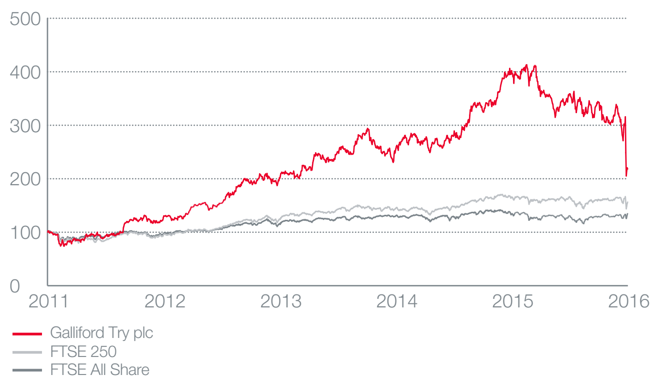
Recent Group performance

The Group continued its strong financial performance during the year despite volatility ahead of and after the EU referendum. The closing mid-market quotation for the Company's shares on 30 June 2016 was £9.13 (2015: £17.37). The high and low during the year were £18.13 and £8.58 respectively (2015: £17.83 and £11.19).

Comparative TSR performance over the last three financial years, reflecting share price movements plus dividends reinvested, ranked the Company between eigth and ninth place, and above first place against its dual comparator groups drawn from the housebuilding and construction industries.

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

Total Shareholder Return (TSR)



This graph shows the value, by 30 June 2016, of £100 invested in Galliford Try plc shares on 30 June 2011 compared with £100 invested in the FTSE 250 Index or the FTSE All Share Index on the same date. The other points plotted are the values at intervening financial year ends on 30 June.

Remuneration Policy and Report continued

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

Profit before tax, earnings per share and total dividend per share growth for the financial year ended on 30 June 2016 was 18%, 17% and 21% against the prior year respectively. Those increases compare to a 7% annualised increase in total Group remuneration to £290 million, for the year ended 30 June 2016.

The total gross remuneration of the Chief Executive and the percentage achieved of the maximum Annual Bonus Plan and LTIP awards, is shown below for the last six financial years. Peter Truscott was appointed Chief Executive on 1 October 2015. His predecessor, Greg Fitzgerald was Chief Executive until 21 October 2014, and Executive Chairman until 31 December 2015.

	Year ended 30 June						
	2011	2012	2013	2014	2015	**2016**	
						Chairman	**Chief Executive**
Total remuneration (£000)	2,559	2,468	4,114	3,212	2,811	**1,262**	**1,461**[2]
Annual bonus (% of maximum)	94%	88%	94%	97%	79%	**72%**	**72%**
LTIP (% of maximum)	75%	93%	87%	63%	63%	**47%**[1]	**–**[3]

1 LTIP value estimated based on average share price of £12.79 in the last quarter of the financial year (1 April 2016 to 30 June 2016).

2 Single remuneration figure for Peter Truscott includes the value of any compensatory bonus payments or LTIP awards made during the year as further explained in the table below.

3 Peter Truscott's LTIP award that vested in April 2016 was in compensation for lost share plan award in his previous position and did not relate to performance of the Group.

Directors' remuneration and single figure annual remuneration

The remuneration of the directors serving during the financial year was as follows (together with 2015 comparative figures):

	Salary and fees £000		Annual bonus £000		Taxable benefits[1] £000		Pension[2] £000		LTIP[3] £000		Sharesave £000		Total £000	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015[4]	**2016**	2015	**2016**	2015
Peter Truscott[5]	**375**	–	**709**	–	**9**	–	**75**	–	**293**	–	**–**	–	**1,461**	–
Graham Prothero	**375**	349	**271**	277	**16**	16	**75**	70	**390**	814	**–**	–	**1,127**	1,526
Ken Gillespie	**390**	351	**227**	309	**13**	13	**78**	71	**385**	959	**33**	–	**1,126**	1,703
Greg Fitzgerald[6]	**369**	550	**300**	656	**23**	26	**55**	110	**515**	1,469	**–**	–	**1,262**	2,811
Andrew Jenner	**47**	46	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**47**	46
Ishbel Macpherson	**47**	46	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**47**	46
Terry Miller	**47**	46	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**47**	46
Gavin Slark	**40**	5	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**40**	5
Peter Ventress	**69**	11	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**69**	11

1 Includes benefits such as car allowance and medical insurance.

2 This is a salary supplement paid to the directors in lieu of direct pension contributions.

3 Estimate based on average price of £12.79 for the last quarter of the financial year (1 April 2016 to 30 June 2016). Pursuant to the 2013 LTIP, 40,232, 30,532 and 30,076 shares, respectively, will vest to Greg Fitzgerald, Graham Prothero and Ken Gillespie on 30 September 2016.

4 LTIP figures reported in 2015 for that year were based on an estimated value. These have now been updated with the actual value as at the date of vesting.

5 Peter Truscott joined the Group on 1 October 2015 and his remuneration, including previous employment forfeited bonus and performance share plan awards, has been pro-rated accordingly. The bonus figure for Peter Truscott in this table is an aggregate figure which includes: (i) a payment of circa £406,000 under the Group's Annual Bonus Plan as disclosed in the table on page 69; and (ii) a compensatory payment of £303,396 paid in lieu of forfeit Taylor Wimpey plc bonus for the period 1 January to 30 September 2015 as described on page 74.

6 Greg Fitzgerald became Non-executive Chairman on 1 January 2016 and his remuneration has been pro-rated accordingly.

Annual Bonus Plan

For the financial year to 30 June 2016, Group targets and performance against those targets were as set out in the table below. The Executive Chairman, Chief Executive and Finance Director's targets were based wholly on Group targets, whereas the Chief Operating Officer's targets were based on 50% Group targets and 50% Construction division targets. Senior management has been subject to similar targets, which were applied to their respective divisional or business unit performance. The bonus outcome was subject to a scale back if certain non-financial targets in relation to health and safety, and HR, were not achieved.

	% of bonus				
Measure	Threshold	On-target	Maximum	Actual performance	Payout % of bonus
Group targets (Executive Chairman[1], Chief Executive, Finance Director)					
Group profit[2]	0%	30%	60%	Above target	40.6
Group cash management[3]	0%	10%	20%	Above target	15.5
Group margin enhancement[4]	3.5%	3.5%	8%	Above target	5.5
Housebuilding division gross profit shortfall[5]	3.5%	3.5%	3.5%	At maximum	3.5
Construction division work secured[6]	3.5%	3.5%	3.5%	At maximum	3.5
Succession planning[8]	5%	5%	5%	At maximum	5.0
Total	**15.5%**	**55.5%**	**100%**		**73.6**
Chief Operating Officer targets					
Group profit[2]	0%	15%	30%	Above target	20.3
Group cash management[3]	0%	5%	10%	Above target	7.75
Group margin enhancement[4]	1.75%	1.75%	4%	Above target	2.75
Housebuilding division gross profit shortfall[5]	1.75%	1.75%	1.75%	At maximum	1.75
Succession planning[8]	5%	5%	5%	At maximum	5.0
Construction division profit[7]	15%	16.5%	30%	Above threshold	15.3
Construction division cash management[3]	0%	5%	10%	Above threshold	1.15
Construction division margin enhancement	1.75%	1.75%	4%	Below threshold	0
Construction division work secured[6]	2.625%	2.625%	5.25%	At maximum	5.25
Total	**27.875%**	**54.375%**	**100%**		**59.25**

1 Greg Fitzgerald participated in the Annual Bonus Plan during his tenure as Executive Chairman for the period 1 July 2015 – 31 December 2015, and received a pro-rated entitlement under the Annual Bonus Plan accordingly.

2 Threshold for any bonus to be paid on Group profit before tax was £129 million and £49 million for the full year and half year respectively. On-target was £131 million and £50 million respectively and maximum was £144 million and £55 million respectively. Actual performance was £135 million and £53 million respectively.

3 Cash management related to monthly month end cash/debt figures in accordance with a predetermined cash budget schedule. Monthly cash threshold at which bonus started to be paid was budget. Maximum bonus was paid at 10% improvement on cash budget with a further increment in December 2015 and June 2016. The average monthly month end target was £235 million net debt for Group and £121 million cash for Construction compared to an achieved average of £204 million in Group and £93 million in Construction respectively.

4 Margin enhancement relates to division-specific margin enhancement targets as determined on a management accounts basis. Threshold and target was budget (being 16.4% for Linden Homes, 3.2% for Partnerships and 1.0% for Construction) with maximum paid on 20bps enhancement. Actual performance was at maximum for Linden Homes and Partnerships but below threshold for Construction.

5 Target performance was zero gross profit shortfall (required land acquisitions) for 2017 as measured at end February 2016. There were no additional threshold or maximum targets. Actual performance met the target.

6 Target performance was for 80% of work secured as at June 2016 for the new financial year. There were no additional threshold or maximum targets. Actual performance was 82%.

7 Threshold for any bonus to be paid on Construction division profit/(loss) before tax on a management account basis was £12.5 million and £4.5 million for the full year and half year respectively. On target performance was £13.6 million and £4.7 million for the full year and half year respectively. Maximum was £22.0 million and £8.0 million respectively. Actual performance was £12.5 million and £4.9 million respectively.

8 This target requires each participant to have implemented succession planning measures in relation to his or her own position as well as the positions of their immediate reports. The Committee was satisfied that these targets were met.

The Committee determined that in respect of the year to 30 June 2016, the resulting Annual Bonus Plan awards were as follows:

	On-target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus payable for 2015/16 (% of salary)	Actual bonus payable for 2015/16 (£000)	Cash (£000)	Shares (£000)
Greg Fitzgerald[1]	82.5	150	108.5	300	300	–
Peter Truscott[2]	82.5	150	108.5	406	260	146
Graham Prothero	55.5	100	72.3	271	215	56
Ken Gillespie	54.375	100	58.3	227	205	22

1 Greg Fitzgerald participated in the Annual Bonus Plan during his tenure as Executive Chairman for the period 1 July 2015 – 31 December 2015, and received a pro-rated entitlement under the Annual Bonus Plan accordingly. Greg Fitzgerald will receive the full Annual Bonus payment in cash prior to his retirement in November 2016.

2 Similarly, Peter Truscott joined the Group on 1 October 2015 and received a pro-rated entitlement under the Annual Bonus Plan.

Remuneration Policy and Report continued

The Committee considered the performance against targets set at the start of the year for profit before tax, margin, cash flow and other performance metrics, and looked at a broader assessment of management, key strategic decisions taken during the year and business performance. Bonus deductors were also considered: first based on a health and safety matrix in force across the entire Group that reduces bonus by specified percentages relating to the number of accidents, incidents and other reportable events, and second an HR-related target based on the completion of an annual performance and target setting appraisal. Targets were met to the extent shown in the table on the previous page.

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

Long Term Incentive Plan performance conditions

Date of grant	Performance conditions	Comparator group
September 2012	→ Vesting based on TSR and EPS performance over the three years to 30 June 2015. → Vesting of up to 50% of the base award will be based on EPS performance. 15% will vest for aggregate earnings per share of 203 pence over the period, increasing to 50% vesting for aggregate EPS of 248 pence. → Vesting of up to 75% of the base award will be based on achieving: 7.5% for median performance against the housebuilding comparator group, increasing to 25% vesting if the Company's TSR is 24% (8% per annum) higher than that of the median ranked comparator company. Vesting can increase to a maximum of 75% of base award (25% per annum) for achieving a TSR that is 75% (25% per annum) higher than the median ranked comparator company. Any vesting above 25% also requires the maximum EPS target to have been achieved. → Vesting of up to 75% of the base award is subject to TSR performance relative to a comparator group of construction companies on the same basis as for housebuilding companies. → Actual performance achieved for the 2012 LTIP performance period ending 30 June 2015 was: EPS of 279.1 pence and TSR of 196.1% which was below the median against its housebuilding comparator group and higher than 75% in excess of the median against the construction comparator group. This resulted in vesting of 125% of base awards.	**Housebuilding** Barratt Developments plc; Bellway plc; The Berkeley Group Holdings plc; Bovis Homes Group plc; M J Gleeson plc; Persimmon plc; Redrow plc; and Taylor Wimpey plc. **Construction** Balfour Beatty plc; Carillion plc; Costain Group plc; Henry Boot plc; Keller Group plc; Kier Group plc; and Morgan Sindall Group plc.
September 2013	→ Vesting based on TSR and EPS performance over the three years to 30 June 2016. → Vesting of up to 50% of the base award will be based on EPS performance. 15% will vest for aggregate EPS of 258 pence over the period, increasing to 50% vesting for aggregate EPS of 315 pence. → Vesting of up to 75% of the base award based on the same TSR and EPS conditions for 2012 awards for each of the housebuilding and construction comparator groups. → Actual performance achieved for the 2013 LTIP performance period ending 30 June 2016 was: EPS of 343.4 pence and TSR of 54% which was below median against its housebuilding comparator group and 29% above the median ranked company against the construction comparator group. This resulted in vesting of 93.4% of base awards.	**Housebuilding** Barratt Developments plc; Bellway plc; The Berkeley Group Holdings plc; Bovis Homes Group plc; Crest Nicolson Holdings plc; M J Gleeson plc; Persimmon plc; Redrow plc; and Taylor Wimpey plc. **Construction** Balfour Beatty plc; Carillion plc; Costain Group plc; Henry Boot plc; Keller Group plc; Kier Group plc; and Morgan Sindall Group plc.
September 2014	→ Vesting based on TSR and EPS performance over the three years to 30 June 2017. → Vesting of up to 50% of the base award will be based on EPS performance. 15% will vest for aggregate EPS of 334 pence over the period, increasing to 50% vesting for aggregate EPS of 408 pence. → Vesting of up to 75% of the base award based on the same TSR and EPS conditions for the 2013 awards for each of the housebuilding and construction comparator groups.	Same as for the September 2013 grant.
September 2015	→ Vesting based on TSR and EPS performance over the three years to 30 June 2018. → Vesting of up to 50% of the base award will be based on EPS performance. 15% will vest for aggregate EPS of 410 pence over the period, increasing to 50% vesting for aggregate EPS of 500 pence. → Vesting of up to 75% of the base award based on the same TSR and EPS conditions for the 2013 awards for each of the housebuilding and construction comparator groups.	Same as for the September 2013 grant.

Directors' share plan interests

Further detail regarding the proportion of LTIP awards subject to the three-year performance period ending 30 June 2016, and vesting in September 2016, is given in the preceding table on page 70. Outstanding awards held by directors are detailed in the table below.

Director	Plan	Date	Share price at grant	Base award quantum at 1 July 2015	Awarded	Face value of award[2] £000	Vested (125.0% of base awards for LTIP)	**Base award quantum at 30 June 2016**	Value of awards vested during financial year £000	Actual or anticipated vesting date
Greg Fitzgerald	Long Term Incentive Plan[1]	26.09.12	£6.67	73,013	–	974	91,266	**–**	1,469	26.09.15
	Long Term Incentive Plan	30.09.13	£10.40	51,690	–	1,075	–	**40,232[4]**	–	30.09.16
	Long Term Incentive Plan	30.09.14	£12.49	–	44,035	1,100	–	**22,017[4]**	–	30.09.17
	Annual Bonus Plan	26.09.12	£7.10	17,133	–	–	17,133	**–**	276	26.09.15
	Annual Bonus Plan	30.09.13	£10.40	32,571	–	–	32,571	**–**	497	31.12.15
	Annual Bonus Plan	30.09.14	£12.31	27,577	–	–	27,577	**–**	421	31.12.15
	Annual Bonus Plan	25.09.15	£16.81	–	15,095	–	15,095	**–**	230	31.12.15
Peter Truscott	Long Term Incentive Plan[1]	21.10.15	£15.03	–	22,304	335[3]	22,304	**–**	293	18.04.16
	Long Term Incentive Plan	21.10.15	£16.43	–	22,884	752[5]	–	**22,884**	–	30.09.17
	Long Term Incentive Plan	25.09.15	£17.36	–	26,400	917	–	**26,400**	–	25.09.18
Graham Prothero	Long Term Incentive Plan[1]	01.02.13	£6.67	40,458	–	540	50,572	**–**	814	26.09.15
	Long Term Incentive Plan	30.09.13	£10.40	32,690	–	680	–	**30,076**	–	30.09.16
	Long Term Incentive Plan	30.09.14	£12.49	27,902	–	697	–	**27,902**	–	30.09.17
	Long Term Incentive Plan	25.09.15	£17.36	–	21,601	750	–	**21,601**	–	25.09.18
	Annual Bonus Plan	30.09.13	£10.40	2,971	–	–	–	**2,971**	–	30.09.16
	Annual Bonus Plan	30.09.14	£12.31	8,572	–	–	–	**8,572**	–	30.09.17
	Annual Bonus Plan	25.09.15	£16.81	–	4,073	–	–	**4,073**	–	25.09.18
	Sharesave	21.10.15	Exercise price £13.72	–	1,500	–	–	**1,500**	–	01.01.21
Ken Gillespie	Long Term Incentive Plan[1]	26.09.12	£6.67	47,646	–	636	59,557	**–**	959	26.09.15
	Long Term Incentive Plan	30.09.13	£10.40	32,202	–	670	–	**30,532**	–	30.09.16
	Long Term Incentive Plan	30.09.14	£12.49	27,485	–	687	–	**24,431[4]**	–	30.09.17
	Long Term Incentive Plan	25.09.15	£17.36	–	22,465	780	–	**12,481[4]**	–	25.09.18
	Annual Bonus Plan	26.09.12	£7.10	6,942	–	–	6,942	**–**	112	26.09.15
	Annual Bonus Plan	30.09.13	£10.40	6,866	–	–	–	**6,866**	–	30.09.16
	Annual Bonus Plan	30.09.14	£12.31	4,665	–	–	–	**4,665**	–	30.09.17
	Annual Bonus Plan	25.09.15	£16.81	–	5,445	–	–	**5,445**	–	25.09.18
	Sharesave	19.11.10	Exercise price £2.71	2,876	–	–	2,876	**–**	41	19.01.16
	Sharesave	21.10.15	Exercise price £13.72	–	900	–	–	**900**	–	01.01.19

1 Each LTIP award is a provisional allocation of a number of shares which is equal in value as at the date of grant to 100% of the individual's basic salary as at the date of grant. The award is subject to performance conditions over a three-year period as described on page 70.

2 The face values of the LTIP awards are calculated on the basis of the share price at grant of a base award, and assumes maximum vesting at 200% of award, as per the rules of the LTIP.

3 The face value of this award is calculated on the basis of the share price at grant of a base award, and actual vesting at 100% of award, as per the rules of the Taylor Wimpey 2013 PSP, on which the performance conditions were based. Please also refer to page 74 for more information.

4 Awards pro-rated pursuant to good leaver provisions as per the plan rules. These awards remain subject to the performance conditions attached to each award at the time of grant.

5 Please refer to page 74 for more information on this award.

Remuneration Policy and Report continued

Directors' share interests

As at 30 June 2016, the directors held the following beneficial, legal and unvested bonus share plan interests in the Company's ordinary share capital:

	Legally		Beneficially[1]		
Director	As at 30 June 2015	**As at 30 June 2016**	As at 30 June 2015	**As at 30 June 2016**	Total
Greg Fitzgerald	632,818	**806,146**	77,281	**–**	806,146
Peter Truscott[2]	–	**11,821**	–	**–**	11,821
Graham Prothero	–	**26,803**	11,543	**15,616**	42,419
Ken Gillespie	129,802	**167,922**	18,473	**16,976**	184,898
Andrew Jenner	13,433	**13,433**	–	**–**	13,433
Ishbel Macpherson	–	**2,125**	–	**–**	2,125
Terry Miller	–	**200**	–	**–**	200
Gavin Slark	–	**1,200**	–	**–**	1,200
Peter Ventress	–	**4,250**	–	**–**	4,250

1 Greg Fitzgerald's, Ken Gillespie's and Graham Prothero's respective beneficial interests are held by the EBT in connection with the Annual Bonus Plan. Further details in relation to interests in LTIP, Annual Bonus Plan and sharesave schemes are provided in the share plans table above.

2 Peter Truscott joined the Group on 1 October 2015.

There were no changes in the directors' interests from 30 June 2016 to the date of this Annual Report.

Compliance with executive shareholding policy

As at 30 June 2016, Ken Gillespie was compliant with the minimum shareholding policy referred to on page 66, having shareholdings in market value on 30 June 2016 representing 392% of his base salary.

Following their appointments in February 2013 and October 2015, Graham Prothero and Peter Truscott (respectively) have five years to acquire the required shareholding and have undertaken to retain future shares vesting to them (net of shares sold for tax) for this purpose.

External directorships

During the year, Greg Fitzgerald served as a Non-executive Director of the NHBC, for which he received and retained an annual fee of £36,125, and as a Chairman of Ardent Hire Solutions Limited, for which he received and retained a fee of £56,666. Greg Fitzgerald stepped down as a Non-executive Director of the NHBC on 31 July 2016. Ken Gillespie remained a non-fee-earning Director of the Scottish Contractors Group, a non-profit industry body.

Implementation of Policy on exit payments in year

The Committee has undertaken to disclose in full any exit payments to executive directors triggered during the financial year. None were payable in the 2015/16 financial year.

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

Payments for loss of office and payments to former directors

In the year to 30 June 2016, the Group made no payments to any director for loss of office.

Percentage change in remuneration of Executive Chairman/ Chief Executive and across workforce for 2015/16

% change	Average across workforce	Executive Chairman/ Chief Executive[1]
Salary	3.3	(6.8)
Bonus	(22)[2]	(15.2)
Benefits	7.9[3]	(42.6)

1 The figures have been calculated by: (a) combining (i) the Chief Executive's salary, bonus (for performance only and excluding any 'compensatory' bonus) and benefits for the period 1 October 2015 to 30 June 2016; and (ii) the Executive Chairman's salary, performance bonus and benefits for the period between 1 July 2015 and 30 September 2015; and then (b) comparing these aggregate figures against the Executive Chairman's figures for the year to 30 June 2015.

2 Based on comparison of average aggregate bonus awards divided by average numbers of staff.

3 Based on comparison of cost to the Group of benefits for the tax years ending in April 2015 and April 2016.

Relative importance of spend on pay

	2014/15	**2015/16**	% change
Total overall spend on pay (£m)	271.0	**289.9**	7
Dividends (£m)	55.8	**67.9**	22
Share buyback (£m)	–	**–**	–
Group profit before tax (£m)	114.0	**135.0**	18
Group corporation tax expense (£m)	21.7	**26.1**	20
Effective tax rate (%)	19.0	**19.3**	2

The equivalent total overall spend on pay in 2016 is disclosed in note 3 to the financial statements. The total overall spend on pay equates to average remuneration per staff member of £50,900 per annum as at 30 June 2016 (2015: £51,400).

Forward-looking implementation of Policy

Base salaries

At the 2016 salary review completed in May, the directors carefully scrutinised pay and employment conditions across the Group. Against the backdrop of strong financial performance, industry-wide salary increases and a need to continue to retain key operational staff to deliver the enhanced 2018 strategy, average salary increases of 2.62% were accordingly approved for all staff across the Group's divisions and central functions, subject to individual personal performance. The overall pay budget increased by 3%, of which 0.5% related to discretionary increases above the average pay increase, awarded to selected staff to reflect market adjustments and promotions.

With effect from 1 July 2016, Peter Truscott was awarded an annual salary increase of 3% (£15,000) to £515,000. Graham Prothero was awarded an annual salary increase of 3% (£11,250) to £386,250. Ken Gillespie was not awarded a salary increase, as he stepped down from the Board on 31 July 2016 and intends to leave the Group's employment in 2017. These increases were in line with the average 2.62% pay increase across the workforce which is expected to rise to 3% throughout the year ahead.

Annual bonus

The Committee has decided that for the financial year to 30 June 2017, the existing bonus structure remains appropriately aligned to corporate strategy. It will therefore remain in its current form, subject to adjustment of targets, with an opportunity of 150% of salary for the Chief Executive and an opportunity of 100% of salary for the other executive directors.

As noted on page 62, the Committee has sought to simplify the Annual Bonus targets so that the level of award will be based solely on performance against a combination of Group targets for profit and cash management.

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

LTIP

As stated earlier in this report, the current LTIP rules expire in October 2016, and a new set of rules will be proposed at the 2016 AGM, to be held in November 2016. The revised rules are in line with the Group's current Remuneration Policy and no changes have been made to the maximum limits under the plan, although dividend equivalents may be payable under the revised rules in line with the Remuneration Policy. A summary of the proposed new rules is contained in the 2016 Notice of AGM.

It is anticipated that awards to be granted in 2016 will be made under the new LTIP rules. Subject to shareholder approval, it is intended that awards will be granted following the 2016 AGM for a three-year performance period from 1 July 2016 to 30 June 2019. The base award levels under the 2016 LTIP will continue to be 100% of base salary, with a stretch vesting opportunity of up to 200% of the base award. The former Chief Operating Officer, Ken Gillespie, will not participate in the 2016 LTIP as he intends to retire prior to the completion of the performance period.

Due to the inevitable uncertainty in the wake of the UK's decision to leave the EU, the Committee has decided to delay setting the targets attached to the 2016/17 LTIP award until closer to the grant date. The agreed targets will be disclosed in the relevant RNS announcement, as well as in the 2016/17 Directors' Report on Remuneration. The awards will be made in line with the shareholder-approved Remuneration Policy and the Committee will consult with major shareholders if any significant changes to the performance measures are proposed.

All-employee share schemes

The Group operates an HMRC approved sharesave scheme for the benefit of all staff. During the year, eligible employees were invited to participate in a three-or-five-year scheme which granted options to purchase shares at a 20% discount to the share price as at the grant date. The rules of the sharesave scheme were renewed for a further 10-year period at the 2015 AGM.

Chairman and non-executive fees

Following his assumption of the role of Non-executive Chairman from 1 January 2016, the fee level for Greg Fitzgerald has been set at £190,000 per annum, together with membership of the Group's medical assurance plan.

The standard non-executive fee has remained at £40,000 per annum throughout the financial year and to date, and this is not anticipated to change for 2016/17. The fee supplement for the three chairs of Board Committees is £7,500. The Deputy Chairman receives a fee of £65,000 per annum, with a fee supplement of £4,000 for the role of Senior Independent Director.

New Chief Executive

Peter Truscott was appointed to the Board on 1 October 2015, and received a pro-rata salary of £500,000 per annum for the financial year ended on 30 June 2016. He participates in the Annual Bonus Plan (with a maximum of 150% of salary per annum pro-rated for the year ended 30 June 2016) and LTIP (with a base award of 100% of salary per annum) in line with the Remuneration Policy, and as disclosed elsewhere in this Report. His entitlement to other benefits, including pension provision, medical benefits, and membership of the Group's Life Assurance scheme is the same as other executive directors.

In recognition of remuneration forfeited on termination of his previous employment with Taylor Wimpey plc, and as determined by the Remuneration Committee in accordance with the Group's current Recruitment Policy, certain compensation payments have been awarded to Peter Truscott as described below.

- Bonus forfeited for the period 1 January to 30 September 2015: this bonus would have been payable in April 2016 based on Taylor Wimpey's performance as disclosed in its Directors' Remuneration Report and determined with reference to the level of bonus (in percentage terms, as against a maximum of 150%) earned by the Taylor Wimpey Chief Executive Officer. The percentage was 78%, and accordingly, Peter Truscott has received a sum of £303,396.
- Two awards in respect of forfeited 2013 and 2014 Taylor Wimpey Performance Share Plan awards: the value of the awards forfeited was determined by the Remuneration Committee based on an average of the Taylor Wimpey plc and Galliford Try plc share prices in a five-day period prior to the announcement of Peter Truscott's appointment to the Group. The first award of 22,304 Galliford Try plc shares, representing Taylor Wimpey Performance Share Plan awards made in 2013, vested 30 days after the publication of Taylor Wimpey's Directors' Remuneration Report in April 2016, and was based on the actual level of vesting disclosed in that report, which was 100%. The second award of 22,884 Galliford Try plc shares, representing Taylor Wimpey awards made in 2014 shall vest on 30 September 2017, subject to the same performance conditions as awards made in 2014 under the Galliford Try plc LTIP.

The value of these awards has been calculated to be the same value and form as those forfeited.

Employee Benefit Trust and dilution

The EBT is the primary mechanism by which shares required to satisfy the executive incentive plans are provided. During the financial year, the EBT purchased 465,176 shares in the market at an average price of £14.76, which resulted in a balance held at 30 June 2016 of 540,480 shares.

Including the purchase of shares, the Group provided net additional funds to the EBT during the financial year of £11.9 million, by extending the existing EBT loan facility.

In only issuing 582,147 new shares during or since the financial year, the Company has complied with the dilution guidelines of the Investment Association. Applying the guidelines, the Group has 6.9% headroom against 'the 10 percent in 10 years' rule and 3.8% headroom against the 'five percent in 10 years' rule for discretionary plans.

Shareholder voting on the Directors' Remuneration Report

The Committee takes account of annualised shareholder voting trends in connection with the Directors' Remuneration Report votes. Votes cast in support of the annual advisory resolution to approve the Directors' Remuneration Report during the last five AGMs are as follows: 99.26% (2015), 99.46% (2014), 98.52% (2013), 99.16% (2012), and 87.66% (2011). Votes withheld in each of those years represented: 2.21% (2015), 0.32% (2014), 3.16% (2013), 2.78% (2012), and 1.91% (2011). In 2015, 0.74% of the votes cast were against the Directors' Remuneration Report.

In 2014 the vote was split into two resolutions: an advisory vote relating to the Directors' Remuneration Report for that year, together with a binding vote on the Remuneration Policy for the three-year period 2014-17. Shareholders voted in support of the Remuneration Policy by 98.13% in favour, with 0.08% of votes withheld. A further resolution in respect of the Remuneration Policy for the period 2017-20 will be proposed at the 2017 AGM, following disclosure of the policy in the Annual Report and Financial Statements for the year ending 30 June 2017.

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

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

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

For and on behalf of the Board

Ishbel Macpherson
Chair of the Remuneration Committee

14 September 2016

Directors' Report

The directors present their Annual Report and audited financial statements for the Group for the year ended 30 June 2016.

Principal activities

Galliford Try is a housebuilding and construction group, primarily operating in the UK. Galliford Try plc, registered in England and Wales with company number 00836539, is the Group Parent Company. More detailed information regarding the Group's activities during the year under review, and its future prospects, is provided on pages 1 to 49. The principal subsidiaries and joint ventures operating within the Group's divisions are shown in notes 12 and 35 to the financial statements.

Strategic Report

The Group is required by section 414A of the Companies Act 2006 to present a Strategic Report in the Annual Report. This can be found on pages 1 to 49.

The Strategic Report contains, where appropriate, an indication of the directors' view on likely future developments in the business of the Group.

The Corporate Governance Report on pages 52 to 61 is a statement for the purposes of Disclosure and Transparency Rule 7.2.1.

The Annual Report and Financial Statements use financial and non-financial KPIs wherever possible and appropriate.

Results, dividends and capital

The profit for the year, net of tax, of £108.9 million is shown in the consolidated income statement on page 84. The directors have recommended a final dividend of 56 pence per share, which together with the interim dividend of 26 pence declared in February, results in a total dividend for the financial year of 82 pence. The total dividend for the financial year will distribute a total of £67.9 million. Subject to approval by shareholders in general meeting, the final dividend will be payable on 23 November 2016, to shareholders on the register at close of business on 28 October 2016.

Please refer to page 28 for an overview of the Group's capital structure and funding.

Share capital, authorities and restrictions

The Company has one class of ordinary share capital, having a nominal value of 50 pence. The ordinary shares rank pari passu in respect of voting and participation and are listed for trading on the main market of the London Stock Exchange. At 30 June 2016, the Company had 82,872,012 ordinary shares in issue (2015: 82,289,865).

The directors are authorised on an annual basis to issue shares, to allot a limited number of shares in the Company for cash other than to existing shareholders, and to make market purchases of shares within prescribed limits. The current authorities are set out in 2015 AGM notice. Resolutions to be proposed at the 2016 AGM will renew all three of the directors' standing authorities relating to share capital, which are further explained in the Notice of AGM sent separately to shareholders. Other than usual activity in connection with the Group's share plans, no shares have been issued or purchased by the Company under the relevant authorities either during the financial year or to the date of this Annual Report.

There are no restrictions on the transfer of the Company's shares, with the exceptions that certain shares held by the Galliford Try Employee Benefit Trust (EBT) are restricted for the duration of the applicable performance periods under relevant Group share plans, and directors and persons discharging managerial responsibilities are periodically restricted in dealing in the Company's shares under the Group's share dealing policy which reflects the requirements of the now superseded Model Code and the Market Abuse Regulation which came into effect on 3 July 2016. In certain specific circumstances, the directors are permitted to decline to register a transfer in accordance with the Company's articles of association. There are no other limitations on holdings of securities, and no requirements to obtain the approval of the Company, or other holders of securities in the Company, prior to the share transfer. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or voting rights.

There are no securities carrying specific rights with regard to control of the Company, with the exception that the EBT holds shares in the Company in connection with Group share plans which have rights with regard to control of the Company that are not exercisable directly by the employee. The EBT abstains from voting in respect of any shares so held. The EBT currently holds 0.65% of the issued share capital of the Company for the purposes of satisfying employee share options or share awards (2015: 0.55%).

Articles of Association

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

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

Significant direct and indirect holdings

As at 14 September 2016, being the date of this Annual Report, the Company had been made aware, pursuant to the FCA's Disclosure and Transparency Rules, of the following beneficial interests in 3% or more of the Company's ordinary share capital:

Shareholder	Interest	% capital
Standard Life Investments	5,754,388	6.95
Brewin Dolphin Ltd	4,293,613	5.18
Aberforth Partners LLP	3,535,408	4.27

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

Change of control provisions

The only agreements likely to have a material impact on the Group's operations in the event of any change of control over the Group continue to relate to the Group's revolving credit facility and surety arrangements, details of which are set out in the notes to the Financial Statements.

All of the Group's share plans contain provisions relating to a change of control. The respective plan rules permit outstanding awards to vest on a proportional basis and then become exercisable in the event of a change of control, subject to the satisfaction of any applicable performance conditions and the prior approval of the Remuneration Committee. Other than in relation to share schemes as described above, the Group has not entered into any agreements with its directors or employees which provide for compensation in the event of a takeover or change of control in the Group.

The agreements governing the Group's joint ventures all have appropriate change of control provisions, none of which is material in the context of the wider Group.

Board and directors' interests and indemnities

Summary biographies of the Board directors as at 30 June 2016 are on pages 50 and 51. Peter Truscott was appointed as Chief Executive on 1 October 2015 and Ken Gillespie stepped down from the Board on 31 July 2016. Andrew Richards, who was not a member of the Board but was a member of the Executive Board, left the Group in April 2016. Greg Fitzgerald announced his retirement from the Board with effect from the conclusion of the 2016 AGM on 11 November 2016.

There have been no other changes to the Board, either during or since the financial year end.

With effect from 6 September 2016, each of Andrew Hammond (Divisional Chairman West for Linden Homes), Tom Nicholson (Divisional Chairman East for Linden Homes), and Stephen Teagle (Chief Executive, Partnerships and Regeneration) joined the Executive Board.

The interests of the directors in the share capital of the Company are set out in the Directors' Remuneration Report on page 72, where details of executive directors' service contracts and non-executive directors' letters of appointment can also be found.

The Company operates a formal ongoing procedure for the disclosure, review and authorisation of directors' actual and potential conflicts of interest, in accordance with the Companies Act 2006. In addition, conflicts of interest are reviewed, and as necessary further authorised, by the Board on an annual basis. Details of Directors' and Officers' Liability Insurance and qualifying third party indemnities are given on page 55 of the Corporate Governance Report.

Employees

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

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

Employee engagement and consultation is encouraged through the use of regular informal discussions/feedback, formal annual appraisals, business unit staff forums, periodic employee surveys and the new 360 feedback programme mentioned on page 47.

Further information on the Group's employees, employment practices and employee involvement is provided in the Strategic Report on pages 1 to 49 and the Remuneration Policy and Report on pages 62 to 74. Information on the Group's approach to environmental, social and community matters, including a consideration of the impact of the Group's business on the environment, is provided in the Strategic Report on pages 48 to 49.

Significant agreements

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

Charitable and political donations

For information regarding charitable donations made in time or materials please refer to the Strategic Report on page 49.

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

Emissions
Details of the Group's carbon dioxide emissions for the financial year have been included on page 48 and are included by reference in this report.

Creditor payment policy
Group policy regarding creditor payment is to agree payment terms contractually with suppliers and land vendors, ensure the relevant terms of payment are included in contracts, and to abide by those terms when satisfied that goods, services or assets have been provided in accordance with the agreed contractual terms. In November 2013, the Group became a signatory to the Prompt Payment Code which contains, among other things, commitments to pay suppliers within agreed contract terms.

Financial instruments
Further information regarding the Group's financial instruments including interest rate hedges, related policies and a consideration of its liquidity and other financing risks can be found in the financial review from page 26, and in note 25 to the financial statements.

Important developments since year end
Other than changes to the market conditions, outlined in the Strategic Report, there have been no material events or developments affecting the Company or any of its operating subsidiaries since 30 June 2016.

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

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

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

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

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

AGM
The AGM will be held at the offices of Royal Bank of Scotland, 3rd Floor Conference Centre, 250 Bishopsgate, London EC2M 4AA on 11 November 2016 at 11.30 am. The notice convening the AGM, sent to shareholders separately, explains the items of business which are not of a routine nature.

Fair, balanced and understandable
In accordance with the principles of the UK Corporate Governance Code and as further described on pages 58 and 59, the Group has arrangements in place to ensure that the information presented in this Annual Report is fair, balanced and understandable. The directors consider, on the advice of the Audit Committee, that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Approval of Report
This Directors' Report, the Strategic Report on pages 1 to 49 and the Corporate Governance and Directors' Remuneration Reports on pages 52 to 74, were approved by the Board of directors on 14 September 2016.

For and on behalf of the Board

Kevin Corbett
General Counsel and Company Secretary

14 September 2016

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law, the directors must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that 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 and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors whose names and functions are listed on pages 50 and 51, confirms that to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained in pages 1 to 49 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

For and on behalf of the Board

Peter Truscott
Chief Executive

14 September 2016

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

Independent auditors' report

to the members of Galliford Try plc

Report on the financial statements

Our opinion

In our opinion:

- Galliford Try plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2016 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

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

- the Balance sheets as at 30 June 2016;
- the Consolidated income statement and the Consolidated statement of comprehensive income for the year then ended;
- the Statements of cash flows for the year then ended;
- the Consolidated and Company statement of changes in equity for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Our audit approach

Overview

Materiality

- Overall Group materiality: £6,750,000 which represents 5% of profit before tax.

Audit scope

- The Group is structured in six principal segments, being Linden Homes, Partnerships and Regeneration, Building, Infrastructure, PPP Investments and Central Costs. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at these segments. Of the Group's six segments, we identified that Linden Homes, Building, Infrastructure, Partnerships and Regeneration and Central Costs, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics.
- Taken together, the reporting units in scope accounted for 99.7% of Group revenue and 98.8% of Group profit before tax.

Areas of focus

- Fraud in revenue recognition.
- Linden Homes developments may not be appropriately valued.
- Construction contracts may not be appropriately valued.

The scope of our audit and our areas of focus

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

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

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

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

Area of focus	How our audit addressed the area of focus
Fraud in revenue recognition	
Most businesses face a risk of fraud in revenue recognition. Construction contract accounting is inherently complex and we focused on this area because there is judgment involved in estimating the costs to complete of projects which increases the inherent risk of fraud. Revenue from fixed price construction contracts is recognised based upon management's assessment of the value of works carried out considering performance against the programme of works, measurement of the works, detailed evaluation of the costs incurred and comparison to external certification of the work performed. Profit is not recognised until the outcome of the contract is reasonably certain. Refer to note 1: Accounting policies on pages 90 and 91 of the Annual Report and Financial Statements (Annual Report), and Audit Committee Report on page 59 of the Annual Report.	→ For Construction revenue, we identified and assessed key judgments inherent in the estimation of significant construction contract projects, by validating stage-of-completion and costs to completion on significant projects using surveyors' latest valuations, as well as evaluating the final outcome on projects completed in the year in relation to previous estimates made. → We agreed revenue recognised on a sample of major projects to supporting documentation such as customer contracts and signed variations. → We tested the timing of construction contract revenue recognition, taking into account contractual obligations, the percentage of the contract completed, third-party certifications and the timing of cash receipts. → For Linden Homes' revenue, we tested a sample of sales by examining legal completion documents. We also considered the third-party release of mortgage finance, where appropriate, to check building work was complete. → We performed data analysis to identify potentially unusual journal entries impacting revenue and performed testing on those items. We found no material misstatements from our testing.
Linden Homes developments may not be appropriately valued	
The valuation of developments is dependent upon the correct estimation and allocation of common costs on Linden Homes' sites. Common costs are allocated proportionately across the site using projected site margin to give a common gross profit margin on all units on that site, therefore changes in the total common costs incurred on a site over the life of the development can cause the profit margin to fluctuate. There is risk that costs may be incorrectly estimated and allocated, resulting in developments not being recoverable. Older or slower-moving developments can be an indication of potential impairment. Refer to note 1: Accounting Policies on page 93 of the Annual Report.	→ We identified and tested the operating effectiveness of key controls around the estimation and allocation of common costs on sites, estimation of costs to complete and calculation of projected site margins. → We compared management's assumptions on future sales prices for a sample of sites to completed sales and available industry data. → We identified and assessed a sample of key judgments inherent in estimates of site and project margins, particularly around changes in the allocation of common costs on sites and any disputes or unresolved negotiations with subcontractors. → We agreed a sample of costs incurred on sites, including common costs, to supporting documentation. → We evaluated the ageing of developments and investigated large, older and slower-moving items by obtaining and corroborating explanations for the levels of provisions held against such developments. We found no material misstatements from our testing.
Construction contracts may not be appropriately valued	
The valuation of amounts recoverable on construction contracts is dependent on judgments around stage of completion and remaining costs to complete, as well as the associated provisions. In some of the Group's projects there are assumptions about recovery of values from clients, designers, subcontractors or insurers, and value is recorded within work in progress which is not yet agreed. There is risk surrounding the recoverability of the work in progress and the completeness of provisions in place. Refer to note 1: Accounting Policies on page 91 of the Annual Report and the Audit Committee Report on page 59 of the Annual Report.	→ We assessed the evidence provided by management regarding recovery of the un-agreed value on projects. This included external expert and legal advice and correspondence from clients, subcontractors and insurers. We considered the adequacy of provisions held. → We tested the operating effectiveness of key controls around stage-of-completion, costs to complete and forecast margin calculations. → We identified and assessed a sample of key judgments inherent in estimation of significant projects, particularly around stage of completion, costs to complete and provisions on loss-making contracts through our testing of contract review meetings, reading correspondence with the customer and subcontractors, and obtaining audit evidence on customer/supplier disputes and insurance claims. → We compared the final outcome on projects completed in the year to previous estimates made on those projects to assess the reliability of management's estimates. → We tested whether valid contractual agreements or other documentation was in place to support a sample of balances. → We identified, and obtained and corroborated explanations for, unusual fluctuations in margins on significant projects. We found no material misstatements from our testing.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In identifying these areas of focus and in ensuring that we performed enough work to be able to give an opinion on the financial statements as a whole, we took into account: the segmental structure of the Group; the accounting processes and controls; and the industry in which the Group operates, and tailored the scope of our audit accordingly. The Group is structured in six principal segments, being Linden Homes, Partnerships and Regeneration, Building, Infrastructure, PPP Investments and Central Costs. The Group financial statements are a consolidation of these six segments in total. The business segmental reporting also reflects the Group's management and internal reporting structure.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at these reporting units. Of the group's six reporting units, we identified that Linden Homes, Building, Infrastructure, Partnerships and Regeneration and centralised functions, in our view, required an audit of their entire financial information, either due to their size or their risk characteristics. Taken together, the reporting units in scope accounted for 99.7% of Group revenue and 98.8% of Group profit before tax.

This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the group financial statements as a whole. The Group consolidation, financial statement disclosures and a number of complex items were audited by the Group engagement team at the head office. These included assessment of the valuation of goodwill and legacy defined benefit pension scheme balances.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

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

Overall Group materiality	£6,750,000 (2015: £5,550,000).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	Consistent with last year, we applied this benchmark as a generally accepted auditing practice applicable for a trading group of companies.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £300,000 (2015: £277,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 77, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

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

Other required reporting

Consistency of other information

Companies Act 2006 reporting

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

ISAs (UK & Ireland) reporting

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

→ information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
→ the statement given by the directors on page 77, in accordance with provision C.1.1 of the UK Corporate Governance Code (the Code), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report.
→ the section of the Annual Report on pages 58 and 59, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

→ the directors' confirmation on page 20 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
→ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
→ the directors' explanation on page 19 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit;
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' Remuneration Report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to 10 further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 78, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

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

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

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

Jonathan Hook
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

14 September 2016

Consolidated income statement

for the year ended 30 June 2016

	Notes	2016 Total £m	2015 Pre-exceptional items £m	2015 Exceptional items £m	2015 Total £m
Group revenue	2	**2,494.9**	2,348.4	–	2,348.4
Cost of sales		**(2,223.2)**	(2,081.2)	–	(2,081.2)
Gross profit		**271.7**	267.2	–	267.2
Administrative expenses		**(152.3)**	(144.2)	(3.7)	(147.9)
Profit on disposal of property plant and equipment	5	**5.2**	–	–	–
Share of post tax profits from joint ventures	13	**19.2**	5.0	–	5.0
Profit before finance costs		**143.8**	128.0	(3.7)	124.3
Profit from operations	2	**157.5**	138.9	(3.7)	135.2
Share of joint ventures' interest and tax		**(9.4)**	(6.6)	–	(6.6)
Amortisation of intangibles	9	**(4.3)**	(4.3)	–	(4.3)
Profit before finance costs		**143.8**	128.0	(3.7)	124.3
Finance income	4	**7.6**	4.6	–	4.6
Finance costs	4	**(16.4)**	(14.9)	–	(14.9)
Profit before income tax	5	**135.0**	117.7	(3.7)	114.0
Income tax expense	6	**(26.1)**	(22.5)	0.8	(21.7)
Profit for the year	29	**108.9**	95.2	(2.9)	92.3
Earnings per share					
– Basic	8	**132.5p**	116.3p		112.8p
– Diluted	8	**131.3p**	114.4p		110.9p

Consolidated statement of comprehensive income

for the year ended 30 June 2016

	Notes	2016 £m	2015 £m
Profit for the year		**108.9**	92.3
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss			
Actuarial (losses) recognised on retirement benefit obligations	30	**(11.9)**	(5.8)
Deferred tax on items recognised in equity that will not be reclassified	24	**1.0**	1.2
Current tax through equity	6	**2.3**	0.5
Total items that will not be reclassified to profit or loss		**(8.6)**	(4.1)
Items that may be reclassified subsequently to profit or loss			
Movement in fair value of derivative financial instruments:			
– Movement arising during the financial year	25	**(5.4)**	(0.4)
– Reclassification adjustments for amounts included in profit or loss	25	**1.2**	0.1
Deferred tax on items recognised in equity that may be reclassified	6	**(1.0)**	1.0
Total items that may be reclassified subsequently to profit or loss		**(5.2)**	0.7
Other comprehensive (expense) for the year net of tax		**(13.8)**	(3.4)
Total comprehensive income for the year		**95.1**	88.9

Balance sheets

at 30 June 2016

	Notes	Group 2016 £m	Group 2015 £m (Restated – note 1)	Company 2016 £m	Company 2015 £m
Assets					
Non-current assets					
Intangible assets	9	**16.7**	20.9	**–**	–
Goodwill	10	**135.5**	135.5	**–**	–
Property, plant and equipment	11	**19.1**	20.8	**–**	–
Investments in subsidiaries	12	**–**	–	**69.4**	68.4
Investments in joint ventures	13	**24.8**	9.2	**–**	–
Financial assets					
– Available for sale financial assets	14	**16.9**	11.0	**–**	–
Trade and other receivables	18	**75.8**	28.3	**–**	–
Retirement benefit asset	30	**–**	1.2	**–**	–
Deferred income tax assets	24	**2.2**	3.0	**1.4**	3.2
Total non-current assets		**291.0**	229.9	**70.8**	71.6
Current assets					
Inventories	15	**0.1**	0.3	**–**	–
Developments	16	**820.8**	813.3	**–**	–
Trade and other receivables	18	**718.0**	711.5	**252.8**	263.5
Current income tax assets		**–**	–	**3.5**	1.7
Cash and cash equivalents	19	**166.3**	164.9	**498.4**	456.1
Total current assets		**1,705.2**	1,690.0	**754.7**	721.3
Total assets		**1,996.2**	1,919.9	**825.5**	792.9
Liabilities					
Current liabilities					
Financial liabilities					
– Borrowings	22	**(0.3)**	(0.3)	**–**	–
Trade and other payables	20	**(1,059.2)**	(984.2)	**(270.0)**	(248.1)
Current income tax liabilities		**(12.2)**	(14.5)	**–**	–
Provisions for other liabilities and charges	21	**(0.3)**	(0.4)	**–**	–
Total current liabilities		**(1,072.0)**	(999.4)	**(270.0)**	(248.1)
Net current assets		**633.2**	690.6	**484.7**	473.2
Non-current liabilities					
Financial liabilities					
– Borrowings	22	**(174.7)**	(181.9)	**(171.6)**	(170.9)
– Derivative financial liabilities	25	**(4.5)**	(0.3)	**(4.5)**	(0.3)
Retirement benefit obligations	30	**(4.3)**	–	**–**	–
Other non-current liabilities	23	**(139.1)**	(167.2)	**–**	–
Provisions for other liabilities and charges	21	**(1.6)**	(1.9)	**–**	–
Total non-current liabilities		**(324.2)**	(351.3)	**(176.1)**	(171.2)
Total liabilities		**(1,396.2)**	(1,350.7)	**(446.1)**	(419.3)
Net assets		**600.0**	569.2	**379.4**	373.6
Equity					
Ordinary shares	26	**41.4**	41.1	**41.4**	41.1
Share premium	26	**194.4**	191.8	**194.4**	191.8
Other reserves	28	**4.8**	4.8	**3.0**	3.0
Retained earnings	29	**359.4**	331.5	**140.6**	137.7
Total equity attributable to owners of the Company		**600.0**	569.2	**379.4**	373.6

The financial statements on pages 84 to 127 were approved and authorised for issue by the Board on 14 September 2016 and signed on its behalf by:

Peter Truscott
Chief Executive

Graham Prothero
Finance Director

Galliford Try plc
Registered number: 00836539

Consolidated and Company statements of changes in equity

for the year ended 30 June 2016

	Notes	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m
Consolidated statement						
At 1 July 2014		41.1	191.8	4.8	296.5	534.2
Profit for the year		–	–	–	92.3	92.3
Other comprehensive (expense)		–	–	–	(3.4)	(3.4)
Total comprehensive income for the year		–	–	–	88.9	88.9
Transactions with owners:						
Dividends	7	–	–	–	(49.3)	(49.3)
Share-based payments	27	–	–	–	3.9	3.9
Purchase of own shares	29	–	–	–	(8.5)	(8.5)
At 1 July 2015		41.1	191.8	4.8	331.5	569.2
Profit for the year		**–**	**–**	**–**	**108.9**	**108.9**
Other comprehensive (expense)		**–**	**–**	**–**	**(13.8)**	**(13.8)**
Total comprehensive income for the year		**–**	**–**	**–**	**95.1**	**95.1**
Transactions with owners:						
Dividends	7	**–**	**–**	**–**	**(59.3)**	**(59.3)**
Share-based payments	27	**–**	**–**	**–**	**4.0**	**4.0**
Purchase of own shares	29	**–**	**–**	**–**	**(11.9)**	**(11.9)**
Issue of shares	26	**0.3**	**2.6**	**–**	**–**	**2.9**
At 30 June 2016		**41.4**	**194.4**	**4.8**	**359.4**	**600.0**
Company statement						
At 1 July 2014		41.1	191.8	3.0	87.4	323.3
Profit for the year		–	–	–	103.4	103.4
Other comprehensive income		–	–	–	0.8	0.8
Total comprehensive (expense)		–	–	–	104.2	104.2
Transactions with owners:						
Dividends	7	–	–	–	(49.3)	(49.3)
Share-based payments	27	–	–	–	3.9	3.9
Purchase of own shares	29	–	–	–	(8.5)	(8.5)
At 1 July 2015		41.1	191.8	3.0	137.7	373.6
Profit for the year		**–**	**–**	**–**	**74.2**	**74.2**
Other comprehensive income		**–**	**–**	**–**	**(4.1)**	**(4.1)**
Total comprehensive income		**–**	**–**	**–**	**70.1**	**70.1**
Transactions with owners:						
Dividends	7	**–**	**–**	**–**	**(59.3)**	**(59.3)**
Share-based payments	27	**–**	**–**	**–**	**4.0**	**4.0**
Purchase of own shares	29	**–**	**–**	**–**	**(11.9)**	**(11.9)**
Issue of shares	26	**0.3**	**2.6**	**–**	**–**	**2.9**
At 30 June 2016		**41.4**	**194.4**	**3.0**	**140.6**	**379.4**

Statements of cash flows

for the year ended 30 June 2016

	Notes	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Cash flows from operating activities					
Continuing operations					
Profit before finance costs		**143.8**	124.3	**72.6**	101.6
Adjustments for:					
Depreciation and amortisation	11 & 9	**8.6**	8.4	**–**	–
Profit on sale of property, plant and equipment	5	**(5.2)**	–	**–**	–
Profit on sale of available for sale financial assets	14	**(0.5)**	(7.0)	**–**	–
Dividends received from subsidiary undertakings		**–**	–	**(75.7)**	(112.3)
Share-based payments	27	**4.0**	3.9	**3.0**	3.6
Share of post-tax profits from joint ventures	13	**(19.2)**	(5.0)	**–**	–
Movement on provisions		**(0.4)**	(0.6)	**–**	–
Other non-cash movements		**0.4**	0.7	**–**	5.6
Net cash generated from/(used in) operations before pension deficit payments and changes in working capital		**131.5**	124.7	**(0.1)**	(1.5)
Deficit funding payments to pension schemes	30	**(6.6)**	(6.2)	**–**	–
Net cash generated from/(used in) operations before changes in working capital		**124.9**	118.5	**(0.1)**	(1.5)
Decrease in inventories		**0.2**	–	**–**	–
(Increase) in developments		**(7.5)**	(101.6)	**–**	–
(Increase) in trade and other receivables		**(54.0)**	(190.0)	**–**	–
Increase/(decrease) in trade and other payables		**46.1**	240.9	**(1.5)**	0.4
Net cash generated from/(used in) operations		**109.7**	67.8	**(1.6)**	(1.1)
Interest received		**7.6**	3.6	**–**	–
Interest paid		**(14.6)**	(11.7)	**–**	–
Income tax (paid)/received		**(25.3)**	(20.1)	**1.7**	3.1
Net cash generated from operating activities		**77.4**	39.6	**0.1**	2.0
Cash flows from investing activities					
Dividends received from joint ventures	13	**3.6**	0.4	**–**	–
Acquisition of available for sale financial assets	14	**(6.6)**	(1.4)	**–**	–
Proceeds from available for sale financial assets	14	**1.2**	12.8	**–**	–
Purchase of intangible assets	9	**(0.1)**	–	**–**	–
Business combinations		**–**	(21.6)	**–**	–
Cash acquired with acquired subsidiary undertakings		**–**	23.6	**–**	–
Loan with subsidiary companies		**–**	–	**34.1**	30.7
Dividends received from subsidiary undertakings		**–**	–	**75.7**	52.4
Acquisition of property, plant and equipment	11	**(7.8)**	(6.7)	**–**	–
Proceeds from sale of property, plant and equipment	11	**10.4**	0.1	**–**	–
Net cash generated from investing activities		**0.7**	7.2	**109.8**	83.1
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital	26	**2.9**	–	**2.9**	–
Purchase of own shares	29	**(11.9)**	(8.5)	**(11.9)**	(8.5)
Increase in borrowings	22	**(8.4)**	35.5	**0.7**	0.4
Dividends paid to Company shareholders	7	**(59.3)**	(49.3)	**(59.3)**	(49.3)
Net cash (used in) financing activities		**(76.7)**	(22.3)	**(67.6)**	(57.4)
Net increase in cash and cash equivalents		**1.4**	24.5	**42.3**	27.7
Cash and cash equivalents at 1 July	19	**164.9**	140.4	**456.1**	428.4
Cash and cash equivalents at 30 June	19	**166.3**	164.9	**498.4**	456.1

Notes to the consolidated financial statements

1 Accounting policies

General information

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

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

Basis of accounting

These consolidated financial statements have been prepared in accordance with EU adopted International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), IFRS Interpretations Committee (IFRS IC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of available for sale investments, retirement benefit obligations, share-based payments and financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss. The Group has consistently applied all accounting standards and interpretations issued by the International Accounting Standards Board and IFRS IC, and endorsed by the EU, relevant to its operations and effective on 1 July 2015, other than updating its policy on timing of recognition of conditional land acquisitions as set out in the inventories and developments policy below.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Parent Company income statement and statement of comprehensive income. The profit for the Parent Company for the year was £74.2 million (2015: profit £103.4 million).

New amendments to standards that became mandatory for the first time for the financial year beginning 1 July 2015 are listed below. The new amendments had no significant impact on the Group's results other than certain revised disclosures.

- Annual improvements 2010-2012 and 2011-2013.
- Amendment to IAS 19 'Employee benefits' on defined benefit plans.

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

- IFRS 9 'Financial instruments' and the amendment on general hedge accounting (effective 1 January 2018).
- IFRS 14 'Regulatory deferral accounts' (effective 1 January 2016).
- IFRS 15 'Revenue from contracts with customers' and subsequent amendments/clarifications (effective 1 January 2018).
- IFRS 16 'Leases' (effective 1 January 2019).
- Amendment to IFRS 11 'Joint arrangements on acquisition of an interest in a joint operation' (effective 1 January 2016).
- Amendment to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' (effective 1 January 2016).
- Amendment to IAS 27 'Separate financial statements' on equity accounting (effective 1 January 2016).
- Amendment to IFRS 9 'Financial instruments' on general hedge accounting (effective 1 January 2018).
- Amendment to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures' (effective 1 January 2016).
- Amendments to IAS 1,'Presentation of financial statements' disclosure initiative (effective 1 January 2016).
- Amendments to IAS 12,'Income taxes' on Recognition of deferred tax assets for unrealised losses (effective 1 January 2017).
- Amendments to IAS 7, Statement of cash flows (effective 1 January 2017).
- Other changes recommended in 'Annual Improvements 2014' (effective from 1 January 2016).

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

The Group is currently reviewing the impact of IFRS 15 and IFRS 16 to determine both the accounting and disclosure implications. Initial impact assessments are underway in respect of each standard.

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

Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, 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 judgments 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.

Notes to the consolidated financial statements

1 Accounting policies (continued)
Critical accounting estimates and judgments (continued)
Material estimates and assumptions are made in particular with regards to establishing the following policies:

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

(ii) Estimation of costs to complete and contract provisions
In order to determine the profit and loss that the Group is able to recognise on its developments and construction contracts in a specific period, the Group has to allocate total costs of the developments and construction contracts between the proportion completing in the period and the proportion to complete in a future period. The assessment of the total costs to be incurred and final contract value requires a degree of estimation, as does the assessment of a development's valuation. However, Group management has established internal controls to review and ensure the appropriateness of estimates made on an individual contract basis, including any necessary contract provisions.

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

– inflation rate;
– life expectancy;
– discount rate; and
– salary and pension growth rates.

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

Basis of consolidation
The Group financial statements incorporate the results of Galliford Try plc, its subsidiary undertakings and the Group's share of the results of joint ventures. Subsidiaries are all entities over which the Group has control. The exposure or right to variable returns from its involvement with an investee, and the ability to influence those returns, are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, until the date that control ceases.

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

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

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

Exceptional items
Material non-recurring items of income and expense are disclosed in the income statement as exceptional items. Examples of items which may give rise to disclosure as exceptional items include gains and losses on the disposal of businesses, investments and property, plant and equipment, cost of restructuring and reorganisation of businesses, asset impairments and pension fund settlements and curtailments. The Group also classifies certain inventory provision reversals as exceptional to the extent that they relate to provisions previously recognised as exceptional losses.

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

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

Revenue and profit are recognised as follows:

(i) Housebuilding and land sales
Revenue from private housing sales is recognised at legal completion, net of incentives. Revenue from land sales is recognised on the unconditional exchange of contracts. Profit is recognised on a site by site basis by reference to the expected result of each site. Contracting development sales for affordable housing are accounted for as construction contracts.

(ii) Facilities management contracts
Revenue is recognised on an accruals basis once the service has been performed, with reference to value provided to the customer. Profit is recognised by reference to the specific costs incurred relating to the service provided.

1 Accounting policies (continued)

Revenue and profit (continued)

(iii) Construction contracts

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

(a) Fixed price contracts – revenue is recognised based upon an internal assessment of the value of works carried out. This assessment is arrived at after due consideration of the performance against the programme of works, measurement of the works, detailed evaluation of the costs incurred and comparison to external certification of the work performed. The amount of profit to be recognised is calculated based on the proportion that costs to date bear to the total estimated costs to complete. Profit is 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 Group is made as soon as it is believed that a liability will arise, but claims and variations made by the Group are not recognised in the income statement until the outcome is capable of being reliably measured. Provision will be made against any potential loss as soon as it is identified.

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

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

Housing grants and Government funding

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

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

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

Bid costs for PFI/PPP contracts

Bid costs relating to PFI/PPP projects are not carried in the balance sheet as recoverable until the Group has been appointed preferred bidder or has received an indemnity in respect of the investment or costs, and regards recoverability of the costs as virtually certain. Costs that are carried on the balance sheet are included within amounts recoverable on construction contracts, within trade and other receivables.

Rent receivable

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

Interest income and expense

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

Income tax

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

Deferred income tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes with the exception of the initial recognition of goodwill arising on an acquisition. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on rates and laws that have been enacted or substantively enacted by the balance sheet date. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying temporary differences can be deducted.

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

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

1 Accounting policies (continued)

Goodwill

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

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

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

Intangible assets

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

Intangible assets are being amortised over the following periods:

(a) Brand – on a straight-line basis over four to 10 years.

(b) Customer contracts – in line with expected profit generation, varying from one to nine years.

(c) Customer relationships – on a straight-line basis over three years.

(d) Computer software – once the software is fully operational, amortisation is on a straight-line basis over up to 10 years.

Property, plant and equipment

All property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Land and buildings comprise mainly offices.

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

Freehold buildings	2% on cost
On cost or reducing balance:	
Plant and machinery	15% to 33%
Fixtures and fittings	10% to 33%

In addition to systematic depreciation the book value of property, plant and equipment would be written down to estimated recoverable amount should any impairment in the respective carrying values be identified.

The asset residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each balance sheet date.

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

Joint ventures and joint operations

The Group applies IFRS 11 to all joint arrangements. Investments in joint arrangements are classified as either joint ventures or joint operations, depending on the contractual rights and obligations of each investor.

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

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

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months of the balance sheet date. On initial recognition the asset is recognised at fair value plus transaction costs. Available for sale financial assets are measured at subsequent reporting dates at fair value subject to the exemption in paragraph 46 of IAS 39. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the net profit or loss for the period.

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

1 Accounting policies (continued)

Leases

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

Inventories and developments

Inventories and developments are valued at the lower of cost and net realisable value. Work in progress is valued at the lower of cost, including direct costs and directly attributable overheads, and net realisable value. On initial recognition, land is included within developments at its fair value, which is its cost to the Group.

Land inventory is recognised at the time a liability is recognised. Previously the Group generally recognised land inventory after the exchange of conditional contracts, when it was considered virtually certain the contract would be completed. Having completed a review of the policy in the year, and a comparison of our sector peer group, the Group has determined it is more appropriate to recognise land inventory on unconditional exchange of contract or once the acquisition has completed. This had the effect of reducing land inventory and development land payables at 30 June 2016 by £105 million, and reducing the interest charge on discounted payables by £0.6 million in the year. The Group has restated its 30 June 2015 land inventory and development land payables figures accordingly, by £166 million, but determined that the impact on previous period results and reserves was not material.

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

Trade receivables

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

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

Cash and cash equivalents

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

Bank deposits with an original term of more than three months are classified as short-term deposits where the cash can be withdrawn on demand and the penalty for early withdrawal is not significant. Cash held in escrow accounts is classified as a short-term deposit where the escrow agreement allows the balance to be converted to cash, if replaced by a bond repayable on demand.

Bank and other borrowings

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

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement, using the effective interest rate method. Refinancing costs associated with new borrowing arrangements are included within the borrowing amount and amortised over the period of the loan.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate and subsequently held at amortised cost. The discount to nominal value is amortised over the period of the credit term and charged to finance costs using the effective interest rate. Changes in estimates of the final payment due are taken to developments (land) and, in due course, to cost of sales in the income statement.

Provisions for liabilities and charges

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

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

Notes to the consolidated financial statements

1 Accounting policies (continued)

Derivative financial instruments

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

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

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

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

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

Foreign currency

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

Retirement benefit obligations

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

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

Accounting for Employee Share Ownership Plan

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

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense over the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions such as growth in earnings per share. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution.

Dividend policy

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

Equity instruments

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

Investments in subsidiaries

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

2 Segmental reporting

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

The chief operating decision-makers (CODM) have been identified as the Group's Chief Executive and Finance Director. The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments as Linden Homes; Partnerships & Regeneration; Construction, including Building and Infrastructure; and PPP Investments. The business of each segment is described in the Strategic Report.

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.

2 Segmental reporting (continued)
Primary reporting format – business segments

	Linden Homes £m	Partnerships & Regeneration £m	Construction Building £m	Construction Infrastructure £m	Construction Total £m	PPP Investments £m	Central costs £m	Total £m
Year ended 30 June 2016								
Group revenue and share of joint ventures' revenue	**840.8**	**300.6**	**1,013.8**	**489.6**	**1,503.4**	**25.0**	**0.6**	**2,670.4**
Share of joint ventures' revenue	**(132.3)**	**(15.5)**	**(0.7)**	**(9.8)**	**(10.5)**	**(17.2)**	**–**	**(175.5)**
Group revenue	**708.5**	**285.1**	**1,013.1**	**479.8**	**1,492.9**	**7.8**	**0.6**	**2,494.9**
Segment result:								
Profit/(loss) from operations before share of joint ventures' profit	**120.8**	**9.6**	**8.9**	**6.8**	**15.7**	**(1.4)**	**(15.8)**	**128.9**
Share of joint ventures' profit	**26.4**	**2.1**	**0.1**	**–**	**0.1**	**–**	**–**	**28.6**
Profit/(loss) from operations *	**147.2**	**11.7**	**9.0**	**6.8**	**15.8**	**(1.4)**	**(15.8)**	**157.5**
Share of joint ventures' interest and tax	**(8.7)**	**(0.7)**	**–**	**–**	**–**	**–**	**–**	**(9.4)**
Profit/(loss) before finance costs, amortisation and taxation	**138.5**	**11.0**	**9.0**	**6.8**	**15.8**	**(1.4)**	**(15.8)**	**148.1**
Finance income	**6.4**	**0.3**	**–**	**0.5**	**0.5**	**0.8**	**(0.4)**	**7.6**
Finance (costs)	**(46.6)**	**(0.8)**	**(0.2)**	**–**	**(0.2)**	**(1.1)**	**32.3**	**(16.4)**
Profit/(loss) before amortisation and taxation	**98.3**	**10.5**	**8.8**	**7.3**	**16.1**	**(1.7)**	**16.1**	**139.3**
Amortisation of intangibles	**(1.0)**	**–**	**(2.2)**	**–**	**(2.2)**	**–**	**(1.1)**	**(4.3)**
Profit before taxation	**97.3**	**10.5**	**6.6**	**7.3**	**13.9**	**(1.7)**	**15.0**	**135.0**
Income tax expense								**(26.1)**
Profit for the year								**108.9**
Year ended 30 June 2015								
Group revenue and share of joint ventures' revenue	779.0	329.4	906.9	386.3	1,293.2	28.8	0.3	2,430.7
Share of joint ventures' revenue	(47.4)	(10.8)	(1.1)	(9.9)	(11.0)	(13.1)	–	(82.3)
Group revenue	731.6	318.6	905.8	376.4	1,282.2	15.7	0.3	2,348.4
Segment result:								
Profit/(loss) from operations before share of joint ventures' profit	113.9	8.5	7.7	7.7	15.4	3.7	(14.2)	127.3
Share of joint ventures' profit	10.4	0.9	0.3	–	0.3	–	–	11.6
Profit/(loss) from operations *	124.3	9.4	8.0	7.7	15.7	3.7	(14.2)	138.9
Exceptional items	–	–	(3.7)	–	(3.7)	–	–	(3.7)
Share of joint ventures' interest and tax	(6.0)	(0.5)	–	–	–	(0.1)	–	(6.6)
Profit/(loss) before finance costs, amortisation and taxation	118.3	8.9	4.3	7.7	12.0	3.6	(14.2)	128.6
Finance income	4.2	–	–	0.8	0.8	–	(0.4)	4.6
Finance (costs)	(42.7)	(0.3)	(0.8)	–	(0.8)	(0.6)	29.5	(14.9)
Profit/(loss) before amortisation and taxation	79.8	8.6	3.5	8.5	12.0	3.0	14.9	118.3
Amortisation of intangibles	(1.0)	–	(2.2)	–	(2.2)	–	(1.1)	(4.3)
Profit before taxation	78.8	8.6	1.3	8.5	9.8	3.0	13.8	114.0
Income tax expense								(21.7)
Profit for the year								92.3

* 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 arm's length basis, is eliminated from Group revenue above. In the year to 30 June 2016 this amounted to £79.9 million (2015: £97.9 million) of which £35.7 million (2015: £43.1 million) was in Building, £42.9 million (2015: £53.5 million) was in Infrastructure and £1.3 million (2015: £1.3 million) was in central costs.

Notes to the consolidated financial statements

2 Segmental reporting (continued)

Balance Sheet

	Notes	Linden Homes £m	Partnerships & Regeneration £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Central £m	Total £m
30 June 2016									
Goodwill & intangible assets		**53.4**	**6.0**	**47.7**	**37.2**	**84.9**	**–**	**7.9**	**152.2**
Working capital employed		**601.7**	**38.0**	**(81.6)**	**(74.0)**	**(155.6)**	**15.4**	**(43.0)**	**456.5**
Net cash/(debt)	19	**(525.0)**	**(12.1)**	**90.1**	**71.0**	**161.1**	**(7.8)**	**375.1**	**(8.7)**
Net assets		**130.1**	**31.9**	**56.2**	**34.2**	**90.4**	**7.6**	**340.0**	**600.0**
Total Group liabilities									**(1,396.2)**
Total Group assets									**1,996.2**
30 June 2015									
Goodwill & intangible assets		54.4	6.0	49.9	37.2	87.1	–	8.9	156.4
Working capital employed		615.5	2.4	(126.6)	(54.0)	(180.6)	8.0	(15.2)	430.1
Net cash/(debt)	19	(560.1)	15.0	127.6	45.1	172.7	1.0	354.1	(17.3)
Net assets		109.8	23.4	50.9	28.3	79.2	9.0	347.8	569.2
Total Group liabilities									(1,350.7)
Total Group assets									1,919.9

Return on net assets for Linden Homes is calculated as Linden Homes EBITA divided by average of the aggregate of Linden Homes and Central net assets.

Other segmental information

	Notes	Linden Homes £m	Partnerships & Regeneration £m	Construction: Building £m	Construction: Infrastructure £m	Construction: Total £m	PPP Investments £m	Central £m	Total £m
Year ended 30 June 2016									
Investment in joint ventures	13	**20.9**	**2.9**	**0.1**	**–**	**0.1**	**0.9**	**–**	**24.8**
Contracting revenue		**0.6**	**268.6**	**958.9**	**479.1**	**1,438.0**	**2.2**	**–**	**1,709.4**
Capital expenditure – property, plant and equipment	11	**1.3**	**–**	**0.1**	**1.4**	**1.5**	**–**	**5.0**	**7.8**
Depreciation	11	**0.3**	**0.1**	**0.1**	**1.8**	**1.9**	**–**	**2.0**	**4.3**
(Decrease)/increase in provision for receivables	5	**(0.5)**	**–**	**(0.3)**	**–**	**(0.3)**	**–**	**–**	**(0.8)**
Share-based payments	3	**0.2**	**0.1**	**0.2**	**0.1**	**0.3**	**–**	**3.4**	**4.0**
Amortisation of intangible assets	9	**1.0**	**–**	**2.2**	**–**	**2.2**	**–**	**1.1**	**4.3**
Year ended 30 June 2015									
Investment in joint ventures	13	4.1	4.0	0.3	–	0.3	–	0.8	9.2
Contracting revenue		0.1	312.8	851.4	375.0	1,226.4	1.5	–	1,540.8
Capital expenditure – property, plant and equipment	11	0.8	–	–	1.5	1.5	–	4.4	6.7
Depreciation	11	0.1	0.1	0.8	1.7	2.5	–	1.4	4.1
(Decrease)/increase in provision for receivables	5	(0.2)	–	0.4	–	0.4	–	–	0.2
Share-based payments	3	0.1	–	0.1	0.1	0.2	–	3.6	3.9
Acquisition of intangible assets	9	–	–	12.1	–	12.1	–	–	12.1
Amortisation of intangible assets	9	1.0	–	2.2	–	2.2	–	1.1	4.3

3 Employees and directors

Employee benefit expense during the year

	Notes	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Wages and salaries		**243.9**	229.7	**–**	–
Social security costs		**28.7**	26.9	**–**	2.1
Other pension costs	30	**17.3**	14.4	**–**	–
Share-based payments	27	**4.0**	3.9	**3.0**	3.6
Total		**293.9**	274.9	**3.0**	5.7

Average monthly number of people (including executive directors) employed

	Group 2016 Number	Group 2015 Number	Company 2016 Number	Company 2015 Number
By business group:				
Linden Homes	**1,104**	1,068	**–**	–
Partnerships & Regeneration	**509**	451	**–**	–
– Building	**1,871**	1,617	**–**	–
– Infrastructure	**1,745**	1,734	**–**	–
Construction	**3,616**	3,351	**–**	–
PPP Investments	**64**	53	**–**	–
Group	**403**	345	**9**	8
Total	**5,696**	5,268	**9**	8

Remuneration of key management personnel

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

	2016 £m	2015 £m
Salaries and short-term employee benefits	**5.8**	4.1
Retirement benefit costs	**0.4**	0.1
Share-based payments	**1.2**	1.5
Total	**7.4**	5.7

Notes to the consolidated financial statements

4 Net finance costs

Group	2016 £m	2015 £m
Interest receivable on bank deposits	0.1	0.1
Interest receivable from joint ventures	7.0	3.5
Net finance income on retirement benefit obligations	0.2	0.2
Unwind of discount on shared equity receivables	–	0.8
Other	0.3	–
Finance income	7.6	4.6
Interest payable on borrowings	(15.5)	(12.3)
Unwind of discounted payables	(0.8)	(2.0)
Other	(0.1)	(0.6)
Finance costs	(16.4)	(14.9)
Net finance costs	(8.8)	(10.3)

5 Profit before income tax

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

	Notes	2016 £m	2015 £m
Employee benefit expense	3	293.9	274.9
Depreciation of property, plant and equipment	11	4.3	4.1
Amortisation of intangible assets	9	4.3	4.3
(Profit) on disposal of property, plant and equipment		(5.2)	–
Operating lease rentals payable		25.8	26.6
Developments recognised as an expense		525.3	565.9
Repairs and maintenance expenditure on property, plant and equipment		1.4	1.1
(Decrease)/increase in provision for receivables	18	(0.8)	0.2
Restructuring cost		2.5	–
Exceptional cost		–	3.7

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

Profit on disposal of property, plant and equipment in 2016 includes amounts in relation to the sale of the Galliford Try plant accommodation portfolio during the year. The restructuring cost in the year to June 2016 related to a restructuring of Linden Homes carried out during the year.

The exceptional cost in 2015 of £3.7 million related to the integration of Miller Construction and comprised mainly redundancy and other restructuring costs. There were no exceptional items in 2016.

Services provided by the Group's auditors and network firms

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

	2016 £m	2015 £m
Fees payable to Company's auditor for the audit of Parent Company and consolidated financial statements	0.2	0.2
Total audit services	0.2	0.2
The audit of financial statements of the Company's subsidiaries	0.4	0.3
Audit-related assurance services	0.1	0.1
Other non-audit services	–	0.2
Total other services	0.5	0.6
Total	0.7	0.8

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

6 Income tax expense

Group	Note	2016 £m	2015 £m
Analysis of expense in year			
Current year's income tax			
Current tax		**24.4**	26.2
Deferred tax	24	**–**	(3.4)
Adjustments in respect of prior years			
Current tax		**0.9**	(3.5)
Deferred tax	24	**0.8**	2.4
Income tax expense		**26.1**	21.7
Tax on items recognised in other comprehensive income			
Deferred tax expense/(credit) for share-based payments	24	**1.8**	(1.0)
Current tax (credit) for retirement benefit obligations		**(1.3)**	–
Current tax (credit) for share-based payments		**(1.0)**	(0.5)
Deferred tax (credit) on derivative financial instruments	24	**(0.8)**	–
Deferred tax (credit) on retirement benefit obligations	24	**(1.0)**	(1.2)
Tax recognised in other comprehensive income		**(2.3)**	(2.7)
Total taxation		**23.8**	19.0

The total income tax expense for the year of £26.1 million (2015: £21.7 million) is lower (2015: lower) than the blended standard rate of corporation tax in the UK of 20.0% (2015: 20.75%). The differences are explained below:

	2016 £m	2015 £m
Profit before income tax	**135.0**	114.0
Profit before income tax multiplied by the blended standard corporation tax rate in the UK of 20.0% (2015: 20.75%)	**27.0**	23.6
Effects of:		
Expenses not deductible for tax purposes	**0.1**	0.1
Non-taxable income	**(1.0)**	(0.8)
Joint ventures	**(1.7)**	(0.1)
Change in rate of current income tax	**–**	(0.1)
Adjustments in respect of prior years	**1.7**	(1.0)
Income tax expense	**26.1**	21.7

The standard rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Group's profits for the accounting period to 30 June 2015 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.

Notes to the consolidated financial statements

7 Dividends

Group and Company	2016 £m	2016 pence per share	2015 £m	2015 pence per share
Previous year final	**37.8**	**46.0**	31.3	38.0
Current period interim	**21.5**	**26.0**	18.0	22.0
Dividend recognised in the year	**59.3**	**72.0**	49.3	60.0

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

	2016 £m	2016 pence per share	2015 £m	2015 pence per share
Interim	**21.5**	**26.0**	18.0	22.0
Final	**46.4**	**56.0**	37.8	46.0
Dividend relating to the year	**67.9**	**82.0**	55.8	68.0

The directors are proposing a final dividend in respect of the financial year ended 30 June 2016 of 56 pence per share, bringing the total dividend in respect of 2016 to 82 pence per share (2015: 68 pence). The final dividend will absorb approximately £46.4 million of equity. Subject to shareholder approval at the AGM to be held on 11 November 2016, the dividend will be paid on 23 November 2016 to shareholders who are on the register of members on 28 October 2016.

8 Earnings Per Share

Basic and diluted earnings per share (EPS)

Basic EPS 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 Trust, which are treated as cancelled.

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

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

	2016 Earnings £m	2016 Weighted average number of shares	2016 Per share amount pence	2015 Earnings £m	2015 Weighted average number of shares	2015 Per share amount pence
Basic EPS – pre-exceptional						
Earnings attributable to ordinary shareholders pre-exceptional items	**108.9**	**82,166,065**	**132.5**	95.2	81,833,586	116.3
Basic EPS						
Earnings attributable to ordinary shareholders post-exceptional items	**108.9**	**82,166,065**	**132.5**	92.3	81,833,586	112.8
Effect of dilutive securities:						
Options		**748,016**			1,400,331	
Diluted EPS	**108.9**	**82,914,081**	**131.3**	92.3	83,233,917	110.9

9 Intangible assets

Group	Customer contracts and relationships £m	Computer software £m	Brand £m	Total £m
Cost				
At 1 July 2014	–	10.8	10.8	21.6
Additions	12.1	–	–	12.1
At 1 July 2015	12.1	10.8	10.8	33.7
Additions	**–**	**0.1**	**–**	**0.1**
At 30 June 2016	**12.1**	**10.9**	**10.8**	**33.8**
Accumulated amortisation				
At 1 July 2014	–	(0.6)	(7.9)	(8.5)
Amortisation in year	(2.2)	(1.1)	(1.0)	(4.3)
At 1 July 2015	(2.2)	(1.7)	(8.9)	(12.8)
Amortisation in year	**(2.2)**	**(1.1)**	**(1.0)**	**(4.3)**
At 30 June 2016	**(4.4)**	**(2.8)**	**(9.9)**	**(17.1)**
Net book amount				
At 30 June 2016	**7.7**	**8.1**	**0.9**	**16.7**
At 30 June 2015	9.9	9.1	1.9	20.9
At 30 June 2014	–	10.2	2.9	13.1

The increase in customer contracts and relationships in the year to 30 June 2015 arose from the acquisition of Miller Construction. The acquired intangible assets are being amortised over periods ranging from two to 10 years.

All amortisation charges in the year have been included in administrative expenses. Computer software relates to the introduction of the Group's reporting systems. The remaining period of amortisation on computer software is seven years and six months. The remaining period of amortisation on brand is one year and on customer contracts and relationships is eight years.

10 Goodwill

Group	£m
Cost	
At 1 July 2014	115.7
Additions in year to 30 June 2015	20.5
At 30 June 2015 and 30 June 2016	**136.2**
Aggregate impairment at 1 July 2014, 1 July 2015 and 30 June 2016	(0.7)
Net book amount	
At 30 June 2015 and 30 June 2016	**135.5**
30 June 2014	115.0

The increase in goodwill in the year to 30 June 2015 arose from the acquisition of Miller Construction and Shepherd Homes. This was allocated to the Building and Linden Homes segments respectively.

Notes to the consolidated financial statements

10 Goodwill (continued)

Goodwill is allocated to the Group's CGUs identified according to business segment. The goodwill is attributable to the following business segments:

	2016 £m	2015 £m
Linden Homes	**52.5**	52.5
Partnerships & Regeneration	**5.8**	5.8
Building	**40.0**	40.0
Infrastructure	**37.2**	37.2
	135.5	135.5

Impairment review of goodwill and key assumptions

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

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

Cash flows beyond the budgeted three-year period are extrapolated using an estimated growth rate of 2% per annum within each segment. The growth rate used is the Group's estimate of the average long-term growth rate for the market sectors in which the CGU operates. A pre-tax discount rate of 13.7% (2015: 12.1%) in Linden Homes, 10.1% (2015: 9.9%) in Partnerships & Regeneration, 10.1% (2015: 9.3%) in Building and 11.6% (2015: 10.1%) in Infrastructure has been applied to the future cash flows, based on a estimate of the weighted average cost of capital of each division.

Sensitivities

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

The detailed sensitivity analysis indicates that an increase of more than 22% (2015: 17%) in the pre-tax discount rate or a reduction of 27% (2015: 21%) in the forecast operating cash flows of the Linden Homes CGU could give rise to an impairment. The goodwill in the other segments is less sensitive to the detailed assumptions used and hence no additional disclosure is considered necessary.

11 Property, plant and equipment

Group	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2014	2.2	11.9	13.7	27.8
Additions	0.5	4.5	1.7	6.7
Acquisitions	5.5	0.4	0.2	6.1
Disposals	–	(0.3)	–	(0.3)
At 1 July 2015	8.2	16.5	15.6	40.3
Additions	**–**	**4.6**	**3.2**	**7.8**
Disposals	**–**	**(10.3)**	**(1.2)**	**(11.5)**
At 30 June 2016	**8.2**	**10.8**	**17.6**	**36.6**
Accumulated depreciation				
At 1 July 2014	(0.8)	(5.7)	(9.1)	(15.6)
Charge for the year	(0.6)	(1.7)	(1.8)	(4.1)
Disposals	–	0.2	–	0.2
At 1 July 2015	(1.4)	(7.2)	(10.9)	(19.5)
Charge for the year	**(0.2)**	**(1.8)**	**(2.3)**	**(4.3)**
Disposals	**–**	**5.1**	**1.2**	**6.3**
At 30 June 2016	**(1.6)**	**(3.9)**	**(12.0)**	**(17.5)**
Net book amount				
At 30 June 2016	**6.6**	**6.9**	**5.6**	**19.1**
At 30 June 2015	6.8	9.3	4.7	20.8
At 30 June 2014	1.4	6.2	4.6	12.2

There has been no impairment of property, plant and equipment during the year (2015: £Nil). Fixed assets included £0.9 million net book value, and £0.6 million depreciation, for assets held under finance leases (2015: £1.5 million and £0.5 million, respectively).

The Company has no property, plant or equipment.

Notes to the consolidated financial statements

12 Investments in subsidiaries

Company	2016 £m	2015 £m
Cost		
At 1 July	**75.2**	197.8
Transfers to other subsidiary undertakings	**–**	(143.8)
Capital contributions	**1.0**	21.2
At 30 June	**76.2**	75.2
Aggregate impairment		
At 1 July	**(6.8)**	(1.6)
Impairments	**–**	(5.2)
At 30 June	**(6.8)**	(6.8)
Net book value		
At 30 June	**69.4**	68.4

The capital contribution in 2016 of £1.0 million (2015: £0.3 million) related to share based payments for share options granted by the Company to employees of subsidiary undertakings in the Group (note 27). The capital contribution in 2015 also included a further £20.9 million contribution from the Company to Galliford Try Construction & Investments Holdings Limited.

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

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

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

1 Shares of these subsidiary companies are owned directly by the Company.

2 Incorporated in Scotland.

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

A full list of the Group's undertakings is set out in note 35.

13 Investments in joint ventures

Group	2016 £m	2015 £m
At 1 July	**9.2**	4.6
Dividend received from joint ventures	**(3.6)**	(0.4)
Share of post tax profit	**19.2**	5.0
At 30 June	**24.8**	9.2

Joint ventures

At 30 June 2016 the Group held interests in joint ventures, all of which are incorporated in England and Wales or in Scotland, as set out in note 35.

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

	2016 £m	2015 £m
Current assets	**467.4**	353.4
Non-current assets	**0.4**	0.3
Current liabilities	**(322.6)**	(290.2)
Non-current liabilities	**(120.4)**	(54.3)
	24.8	9.2
Amounts due from joint ventures	**197.5**	189.0
Amounts due to joint ventures	**(15.5)**	(15.9)
Revenue	**175.5**	82.3
Expenses	**(146.9)**	(70.7)
	28.6	11.6
Finance cost	**(7.7)**	(6.3)
Income tax	**(1.7)**	(0.3)
Share of post tax profits from joint ventures	**19.2**	5.0

The Group's share of unrecognised losses of joint ventures is £29.5 million (2015: £24.7 million), of which net £4.8 million arose during the period.

As at 30 June 2016, amounts due from joint ventures of £197.5 million (2015: £189 million) were considered for impairment. The impairment reviews were based on future financial budgets based on past performance and expectation of market developments. The key assumptions used were consistent with those applied in the goodwill impairment reviews as described in note 10. No impairment has been provided for these balances in the year ended 30 June 2016 (2015: £Nil).

The Group has no commitments (2015: £Nil) to provide further of subordinated debt to its joint ventures.

The joint ventures had external bank funding of £65 million at 30 June (2015: £68 million). The joint ventures have no significant contingent liabilities to which the Group is exposed (2015: £Nil). The joint ventures had no capital commitments as at 30 June 2016 (2015: £Nil).

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

Notes to the consolidated financial statements

14 Available for sale financial assets

Group	2016 £m	2015 £m
At 1 July	**11.0**	23.4
Additions	**6.6**	11.7
Unwind of discount on shared equity receivables	**–**	0.8
Impairment	**–**	(0.5)
Disposals	**(0.7)**	(24.4)
At 30 June	**16.9**	11.0

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

The Group has sold the majority of its shared equity portfolio. During the year the Group's net investment in shared equity receivables decreased by £0.1 million (2015: £21.5 million). There was £Nil million new shared equity receivables in the period and £Nil million (2015: £0.8 million) arose on the unwind of the discount applied on initial recognition of the receivables at fair value, which has been shown as finance income in the income statement. An impairment of £Nil million (2015: £0.5 million) arose due to the variation in current assumptions compared to the original calculations. There were disposals in the year of £0.1 million (2015: £21.8 million), relating to the repayment of shared equity receivables and the sale of the portfolio, generating a profit on disposal of £0.1 million (2015: £0.4 million).

None of the financial assets are past their due dates (2015: Nil) and the directors expect an average maturity profile of 10 years.

During the year additional subordinated loans and other investments of £6.6 million (2015: £1.4 million) were made to its PPP/PFI investments, and the Group disposed of interests held at £0.6 million (2015: £2.6 million), generating a profit on disposal of £0.5 million (2015: £6.6 million). The additions in 2015 include £10.3 million of equity securities acquired with Miller Construction. The fair value of these unlisted investments is based on future expected cash flows discounted using an average rate of 9% (2015: 9%) based on the type of investment and stage of completion of the underlying assets held.

15 Inventories

Group	2016 £m	2015 £m
Materials and consumables	**0.1**	0.3

No inventories have been written off during the year.

16 Developments

Group	2016 £m	2015 £m (Restated – note 1)
Land	**538.7**	579.3
Work in progress	**282.1**	234.0
	820.8	813.3

	2016	2015
Movement on development provisions	**£m**	£m
Balance at 1 July	**1.0**	1.4
Utilised on sales	**(0.3)**	(0.3)
Reversed in the year	**–**	(0.1)
Created in the year	**1.5**	–
Balance at 30 June	**2.2**	1.0

£28.7 million (2015: £27.4 million) of developments are carried at fair value less costs to sell rather than at historic cost.

Further information on Group developments, including sales in hand and landbank information, can be found in the Strategic Report. The restatement in 2015 is explained in note 1.

17 Construction contracts

Group	2016 £m	2015 £m
Contracts in progress at balance sheet date:		
Amounts recoverable on construction contracts included in trade and other receivables	**283.7**	260.4
Payments received on account on construction contracts included in trade and other payables	**(77.8)**	(32.1)
	205.9	228.3

Contracting revenue is disclosed in note 2. The aggregate amount of cost incurred plus recognised profits (less recognised losses) for all contracts in progress at the balance sheet date was £3,832.5 million (2015: £3,794.8 million).

Retentions held by customers for contract work amounted to £76.9 million (2015: £72.5 million).

18 Trade and other receivables

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Amounts falling due within one year:				
Trade receivables	**162.6**	178.2	**–**	–
Less: provision for impairment of receivables	**(0.8)**	(1.6)	**–**	–
Trade receivables – net	**161.8**	176.6	**–**	–
Amounts recoverable on construction contracts	**283.7**	260.4	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**252.8**	263.5
Amounts due from joint ventures	**125.3**	161.2	**–**	–
Other receivables	**49.6**	46.4	**–**	–
Prepayments and accrued income	**97.6**	66.9	**–**	–
	718.0	711.5	**252.8**	263.5

	2016 £m	2015 £m	2016 £m	2015 £m
Amounts falling due in more than one year:				
Amounts due from joint ventures	**75.4**	27.8	**–**	–
Other receivables	**0.4**	0.5	**–**	–
	75.8	28.3	**–**	–

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

	2016 £m	2015 £m
At 1 July	**(1.6)**	(1.4)
Decrease/(increase) in provision for receivables impairment	**0.8**	(0.2)
At 30 June	**(0.8)**	(1.6)

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

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

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

Management believes that the concentration of credit risk with respect to trade receivables is limited due to the Group's customer base being large and unrelated. Major water industry customers accounted for in total 3% (2015: 4%) of Group revenue in the year. However, the customers involved comprise a variety of entities including those both in the public and commercial sectors. In addition, within the commercial sector each customer has an unrelated ultimate parent company.

Notes to the consolidated financial statements

18 Trade and other receivables (continued)

The maturity of non-current receivables is as follows:

	2016 £m	2015 £m
In more than one year but not more than two years	**0.9**	0.5
In more than two years but not more than five years	**31.2**	0.5
In more than five years	**43.7**	27.3
	75.8	28.3

Of the amounts due in more than five years £10.2 million is due within 14 years and £33.4 million is due within six years (2015: £27.3 million within seven years). These amounts are unsecured and interest rates vary from bank base rate plus 1.75% to 10%.

As of 30 June 2016, trade receivables of £37.1 million (2015: £32.1 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and there are no indications that they will not meet their payment obligations in respect of the trade receivables recognised in the balance sheet that are past due and unprovided. The ageing analysis of these trade receivables is as follows:

	2016 £m	2015 £m
Number of days past due date		
Less than 30 days	**16.6**	8.6
Between 30 and 60 days	**4.9**	3.1
Between 60 and 90 days	**3.0**	3.1
Between 90 and 120 days	**3.4**	2.5
Greater than 120 days	**9.2**	14.8
	37.1	32.1

As of 30 June 2016, trade receivables of £2.2 million (2015: £4.5 million) were considered for impairment based on management's judgment and review of the trade receivables listings. The amount provided for these balances was £0.8 million (2015: £1.6 million). No other amounts that are neither past due not impaired required additional provisions. The allocation of the provision is as follows:

	2016 £m	2015 £m
Number of days past due date:		
Greater than 120 days	**0.8**	1.6
	0.8	1.6

19 Cash and cash equivalents

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Cash at bank and in hand	**166.3**	164.9	**498.4**	456.1
Cash and cash equivalents for cash flow purposes	**166.3**	164.9	**498.4**	456.1

Cash at bank above includes £2.2 million (2015: £2.5 million) of restricted cash. The effective interest rate received on cash balances is 0.6% (2015: 0.8%).

Group	2016 £m	2015 £m
Net (debt)		
Cash and cash equivalents excluding bank overdrafts	**166.3**	164.9
Current borrowings (note 22)	**(0.3)**	(0.3)
Non-current borrowings (note 22)	**(174.7)**	(181.9)
Net (debt)	**(8.7)**	(17.3)

20 Trade and other payables

	Group		Company	
	2016 £m	2015 £m (Restated – note 1)	**2016 £m**	2015 £m
Payments received on account on construction contracts	**77.8**	32.1	**–**	–
Trade payables	**296.6**	270.6	**–**	–
Development land payables	**104.2**	94.6	**–**	–
Amounts due to subsidiary undertakings	**–**	–	**269.1**	245.7
Amounts due to joint ventures	**31.9**	15.9	**–**	–
Other taxation and social security payable	**17.0**	25.2	**–**	–
Other payables	**7.0**	3.3	**–**	–
Accruals and deferred income	**524.7**	542.5	**0.9**	2.4
	1,059.2	984.2	**270.0**	248.1

Developments of £106.4 million (2015: £170.0 million) have been pledged as security for current and non-current development land payables. Other payables are unsecured. Accruals and deferred income includes £12.2 million (2015: £9.1 million) deferred income. The restatement in 2015 is explained in note 1.

21 Provisions for other liabilities and charges

Group	Property related £m	Total £m
At 1 July 2015	2.3	2.3
Utilised in year	**(0.4)**	**(0.4)**
At 30 June 2016	**1.9**	**1.9**
Analysis of total provisions		
Current	**0.3**	**0.3**
Non-current	**1.6**	**1.6**
At 30 June 2016	**1.9**	**1.9**

Property related provisions

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

22 Financial liabilities – borrowings

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Current				
Obligations under finance leases and hire purchase contracts	**0.3**	0.3	**–**	–
Non-current				
Bank loans[1]	**174.1**	180.8	**171.6**	170.9
Obligations under finance leases and hire purchase contracts	**0.6**	1.1	**–**	–
	174.7	181.9	**171.6**	170.9

1 The bank loans and overdrafts are unsecured. They currently incur interest at 2.0 – 2.3% (2015: 2.0 – 2.3%) over LIBOR. The Group has entered into interest rate swaps as set out in note 25. The bank loans are classified as non-current as the Group expects to, and has the discretion to, roll over the obligations under its existing bank facility.

Notes to the consolidated financial statements

23 Other non-current liabilities

	Group		Company	
	2016 £m	2015 £m (Restated – note 1)	2016 £m	2015 £m
Development land payables	**98.6**	130.2	**–**	–
Other payables	**0.6**	3.4	**–**	–
Accruals and deferred income	**39.9**	33.6	**–**	–
	139.1	167.2	**–**	–

Developments of £106.4 million (2015: £170.0 million) have been pledged as security for current and non-current development land payables. Other payables are unsecured. Accruals and deferred income includes £30.0 million (2015: £25.7 million) deferred income. The restatement in 2015 is explained in note 1.

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

	Financial liabilties at amortised cost			
	Development land payables £m	Amounts due to joint venture undertakings £m	Other financial liabilities at amortised cost £m	Total £m
Within one year	**104.2**	**31.9**	**816.1**	**952.2**
More than one year and less than two years	**87.5**	**–**	**10.5**	**98.0**
More than two years	**11.1**	**–**	**–**	**11.1**
30 June 2016	**202.8**	**31.9**	**826.6**	**1,061.3**

	Financial liabilities at amortised cost			
	Development land payables £m (Restated – note 1)	Amounts due to joint venture undertakings £m	Other financial liabilities at amortised cost £m	Total £m (Restated – note 1)
Within one year	94.6	15.9	807.3	917.8
More than one year and less than two years	80.8	–	11.3	92.1
More than two years	49.4	–	–	49.4
30 June 2015	224.8	15.9	818.6	1,059.3

24 Deferred income tax

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities. The net deferred tax position at 30 June was:

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Deferred income tax assets – non-current	**5.7**	7.1	**1.4**	3.2
Deferred income tax assets	**5.7**	7.1	**1.4**	3.2
Deferred income tax liabilities – non-current	**(3.5)**	(4.1)	**–**	–
Deferred income tax liabilities	**(3.5)**	(4.1)	**–**	–
Net deferred income tax	**2.2**	3.0	**1.4**	3.2

24 Deferred income tax (continued)

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

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
At 1 July	**3.0**	2.4	**3.2**	2.1
Current year's deferred income tax	**–**	3.4	**(0.8)**	–
Adjustment in respect of prior years	**(0.8)**	(2.5)	**–**	–
Income/(expense) recognised in equity	**–**	2.2	**(1.0)**	1.1
Change in rate of deferred income tax	**–**	0.1	**–**	–
On acquisition of subsidiaries	**–**	(2.6)	**–**	–
At 30 June	**2.2**	3.0	**1.4**	3.2

Deferred income tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred income tax assets, as it is probable that these assets will be recovered.

Movements in deferred income tax assets and liabilities during the year are shown below:

Deferred income tax assets Group	Retirement benefit obligations £m	Share-based payments £m	Other £m	Total £m
At 1 July 2014	–	2.1	2.7	4.8
Income taken to income statement	–	–	3.7	3.7
Adjustment in respect of prior years	–	–	(2.4)	(2.4)
Income recognised in equity	–	1.0	–	1.0
At 30 June 2015	–	3.1	4.0	7.1
(Expense) taken to income statement	**–**	**(0.8)**	**(0.4)**	**(1.2)**
(Expense)/income recognised in equity	**–**	**(1.8)**	**0.8**	**(1.0)**
Transfer from deferred income tax liabilities	**0.8**	**–**	**–**	**0.8**
At 30 June 2016	**0.8**	**0.5**	**4.4**	**5.7**

Deferred income tax liabilities Group	Fair value adjustments £m	Retirement benefit obligations £m	Accelerated tax depreciation £m	Total £m
At 1 July 2014	(1.6)	(0.2)	(0.6)	(2.4)
Income/(expense) taken to income statement	1.3	(1.2)	(0.4)	(0.3)
On acquisition of subsidiaries	(2.6)	–	–	(2.6)
Income recognised in equity	–	1.2	–	1.2
At 30 June 2015	(2.9)	(0.2)	(1.0)	(4.1)
Income taken to income statement	**0.9**	**–**	**0.3**	**1.2**
Adjustment in respect of prior years	**(1.2)**	**–**	**0.4**	**(0.8)**
Income recognised in equity	**–**	**1.0**	**–**	**1.0**
Transfer to deferred income tax assets	**–**	**(0.8)**	**–**	**(0.8)**
At 30 June 2016	**(3.2)**	**–**	**(0.3)**	**(3.5)**

Deferred income tax assets Company	Share-based payments £m	Other £m	Total £m
At 1 July 2014	2.1	–	2.1
Income recognised in equity	1.0	0.1	1.1
At 30 June 2015	3.1	0.1	3.2
(Expense) taken to income statement	**(0.8)**	**–**	**(0.8)**
(Expense)/income recognised in equity	**(1.8)**	**0.8**	**(1.0)**
At 30 June 2016	**0.5**	**0.9**	**1.4**

25 Financial Instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Financial assets and liabilities are offset and the net amount reported when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Cash and cash equivalents comprise £599.8 million of bank accounts in credit offset against £433.5 million overdrafts with the same counterparty (2015: £578.1 million and £413.2 million respectively).

The Group and Company operate within financial risk policies and procedures approved by the Board. It is, and has been throughout the year, the Group's policy that no trading in financial instruments shall be undertaken. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Group's and Company's financial instruments principally comprise bank borrowings, cash and cash equivalents, receivables and payables, available for sale financial assets and interest rate swaps that arise directly from its operations and its acquisitions.

Capital risk management

The Group is funded by ordinary shares, retained profits and a single bank facility. The Group's and Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The capital requirements of the Group's divisions differ, with housebuilding (including Linden Homes and the mixed-tenure developments of Partnerships & Regeneration) typically requiring debt and construction typically being cash generative, and the economic cycle of each business is also different. The Group manages its capital taking these differing requirements into account.

In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In 2016, the Group increased its bank facilities to £450 million, following a review of its future capital requirements undertaken in the context of the Group's strategy to 2018, and the Group is targeting period-end gearing of no more than 30%.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. The Group held net debt at 30 June 2016 and had gearing of 1%. The Group also held net debt at 30 June 2015, with gearing of 3%. The Group also has capital requirements in the covenants in its bank facilities, as set out later in this note. The Group has complied with all bank covenants during the year.

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

All material activities of the Group take place within the UK and consequently there is little direct exchange risk other than payments to overseas suppliers who require settlement in their currency. If there is any material foreign exchange exposure, the Group's policy is to enter into forward foreign currency contracts. The Group and Company have no material currency exposure at 30 June 2016 (2015: Nil).

(ii) Price risk

The Group is affected by the level of UK house prices. These are in turn affected by factors such as mortgage availability, employment levels, interest rates, consumer confidence and availability of land with planning. While it is not possible to fully mitigate such risks the Group continues to monitor its geographical spread within the UK concentrating its operations in areas that management believes minimise the effect of local microeconomic fluctuations. As at 30 June 2016, the Group's house price linked financial instruments consisted entirely of shared equity receivables held as available for sale financial assets and the sensitivity to house price inflation and discount rates was not significant. The concentration of the financial risk lies within price risk as a result of these financial instruments being linked to house prices.

The Group has no quoted investments that are exposed to equity securities price risk. The Group and Company are not exposed to commodity price risk.

(iii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from movement in cash and cash equivalents and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group's policy is to accept a degree of interest rate risk as long as the effect of various changes in rates remains within prescribed ranges. Details of the interest rate swaps entered into by the Group are set out below.

The Group analyses its interest rate exposure on a dynamic basis. On a regular basis the Group calculates the impact on the income statement of a defined interest rate shift on the Group's borrowing position.

Based on the forecasts performed, the impact on post tax profit and equity of a 1% decrease or increase in interest rates for a year would be a maximum increase of £0.8 million (2015: £0.7 million) or decrease of £1.0 million (2015: £0.8 million), respectively.

25 Financial Instruments (continued)

Financial risk factors (continued)

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits and borrowings with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables (including shared equity receivables) and committed transactions. The Group has a credit risk exposure to the providers of its banking facilities. These are primarily provided by HSBC Bank plc, Abbey National Treasury Services plc (Santander), The Royal Bank of Scotland plc and Barclays Bank plc, being four of the UK's leading financial institutions. Further details of credit risk relating to trade and other receivables are disclosed in note 18. No credit limits were exceeded during the reporting period, and management does not expect any material losses from non-performance of any counterparties, including in respect of receivables not yet due.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group finances its operations through a mixture of retained profits and bank borrowings. The contracting operations of the Group generally generate cash. The housebuilding operations, however, utilise cash and any future downturn in the housebuilding market may require additional borrowings, in addition to retained earnings, to finance the maintenance of the landbank and associated work in progress. Management monitors rolling forecasts of the Group's liquidity reserve, which comprises undrawn borrowing facilities (see below) and cash and cash equivalents (note 19) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group, in accordance with practices and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. On a daily basis throughout the year, the bank balances or borrowings in all the Group's operating companies are aggregated into a total cash or borrowings figure, in order that the Group can obtain the most advantageous interest rate.

In accordance with IAS 39 'Financial instruments: recognition and measurement', the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No such embedded derivatives have been identified.

Financial liabilities – derivative financial liabilities

The fair value of interest rate swaps is detailed below:

Group and Company	2016 £m	2015 £m
At 30 June 2015		
Non-current liabilities	**(4.5)**	(0.3)

During the year ending 30 June 2012 the Group entered into a five-year interest rate swap contract that expires in May 2017. The notional principal amount of the outstanding interest rate swap contract at 30 June 2016 was £75 million (2015: £75 million) and the fixed interest rate is 1.5% (2015: 1.5%). During the year ending 30 June 2015 the Group entered into a five-year interest rate swap contract that expires in February 2020. The notional principal amount of the outstanding interest rate swap contract at 30 June 2016 was £100 million (2015: £100 million) and the fixed interest rate is 1.4% (2015: 1.4%). Each swap is designated as a cash flow hedge and changes in fair value are recognised directly in reserves. A loss of £4.2 million (2015: £0.3 million) was recognised in other comprehensive income in the period. Gains and losses recognised in reserves will be released to the income statement within finance costs over the period to maturity of the contract, and £1.2 million (2015: £0.1 million) was recognised in the current year.

Fair values of non-derivative financial assets and financial liabilities

Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at the prevailing interest rate. The fair value of current borrowings equals their carrying amounts as the impact of discounting is not significant.

		2016		2015	
Fair value of non-current borrowings	Note	**Book value £m**	**Fair value £m**	Book value £m	Fair value £m
Non-current borrowings	22	**174.7**	**174.7**	181.9	181.9

Notes to the consolidated financial statements

25 Financial Instruments (continued)

Fair value of other financial assets and financial liabilities

Primary financial instruments held or issued to finance the Group's operations:

	Note	2016 Book value £m	2016 Fair value £m	2015 Book value £m (Restated – note 1)	2015 Fair value £m (Restated – note 1)
Financial liabilities:					
Current borrowings	22	**0.3**	**0.3**	0.3	0.3
Current financial liabilities measured at amortised cost	23	**952.2**	**952.2**	917.8	917.8
Non-current financial liabilities measured at amortised cost	23	**109.1**	**109.1**	141.5	141.5
Financial assets:					
Available for sale financial assets	14	**16.9**	**16.9**	11.0	11.0
Loans and receivables	18	**620.4**	**620.4**	644.6	644.6
Non-current loans and receivables	18	**75.8**	**75.8**	28.3	28.3
Cash and cash equivalents	19	**166.3**	**166.3**	164.9	164.9

Prepayments and accrued income are excluded from the loans and receivables balance; and statutory liabilities, deferred income and payments received on account on construction contracts are excluded from financial liabilities measured at amortised cost. A maturity analysis of the Group's non-derivative financial liabilties is given in note 23.

There is no difference between the book value and the fair value of the Company's other financial assets and financial liabilities.

Borrowing facilities

The Group had the following undrawn committed borrowing facilities available at 30 June:

	2016 Floating rate £m	2015 Floating rate £m
Expiring:		
In more than two years	**259.7**	211.4
	259.7	211.4

In February 2014 the Group agreed a five-year £400 million unsecured revolving credit facility with HSBC Bank plc, Abbey National Treasury Services plc (Santander), Barclays Bank plc and The Royal Bank of Scotland plc. In February 2015, the Group agreed a one-year extension on the facility, to 2020, and in March 2016 agreed an increase in the facility to £450 million. The facility provides long-term finance and bonding facilities and is subject to covenants over interest cover, gearing (adjusted to take account of development land payables) and minimum consolidated tangible net assets. Interest is calculated by aggregating margin, LIBOR and relevant costs.

25 Financial Instruments (continued)

Fair value estimation

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

- Level 1 – quoted market prices or dealer quotes in active markets for similar instruments.
- Level 2 – the fair value of equity securities and interest rate swaps is calculated as the present value of the estimated future cash flows, based on observable yield curves, as set out in note 14.
- Level 3 – other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. The fair value of available for sale financial assets is set out in note 14.

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June:

	30 June 2016			30 June 2015		
	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	–	0.7	0.7	–	0.8	0.8
– Equity securities	16.2	–	16.2	10.2	–	10.2
Total	**16.2**	**0.7**	**16.9**	10.2	0.8	11.0
Liabilities						
Liabilities at fair value through income statement						
– Derivatives used for hedging	(4.5)	–	(4.5)	(0.3)	–	(0.3)

There we no transfers between levels during the period.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The Company's only liabilities that are measured at fair value are derivatives used for hedging, as shown in the table above.

Fair value measurements using significant unobservable inputs (Level 3)

	30 June 2016	30 June 2015
Opening balance	0.8	22.3
Unwinding of discount on shared equity receivables	–	0.8
Impairment	–	(0.5)
Disposals	(0.1)	(21.8)
Closing balance	**0.7**	0.8

The key assumptions used in Level 3 valuations include future house price movements, the expected timing of receipts, credit risk and discount rates. The typical repayment period is 10-15 years and the timing of receipts is based on historical data. The discount rate of 5.5% and future house price movements used to compute the fair value (typically 2.5%) are based on local market conditions. The sensitivity to house price inflation and discount rates is set out earlier in this note. If receipts were to occur earlier than expected, the fair value would increase.

The total impact in the period of Level 3, taken to the income statements, is a net charge of £Nil million (30 June 2015: £0.1 million) in cost of sales and £Nil million (30 June 2015: £0.8 million) finance income.

Notes to the consolidated financial statements

26 Ordinary shares and share premium

Group and Company	Number of shares	Ordinary shares £m	Share premium £m	Total £m
At 1 July 2014	82,274,395	41.1	191.8	232.9
Allotted under share option schemes	15,470	–	–	–
At 1 July 2015	82,289,865	41.1	191.8	232.9
Allotted under share option schemes	**582,147**	**0.3**	**2.6**	**2.9**
At 30 June 2016	**82,872,012**	**41.4**	**194.4**	**235.8**

Number of shares refers to 50 pence ordinary shares, which are issued and fully paid. There are no shares issued but not fully paid.

At 30 June 2016 the total number of shares outstanding under the SAYE share option scheme was 1,230,395 (2015: 1,352,517) and under the LTIPs was 885,819 (2015: 1,169,309) as detailed below:

	SAYE share option scheme			LTIPs			
Shares under option	**Year of grant**	**Exercise price per share**	**Exercise period ending**	**Shares awarded**	**Year of grant**	**Share price at grant**	**Vesting date**
808	**2011**	**271p**	**30.06.16**	**313,839**	**2014**	**1040p**	**30.09.16**
657	**2013**	**657p**	**30.06.16**	**295,694**	**2015**	**1266p**	**30.09.17**
155,500	**2013**	**657p**	**30.06.18**	**253,402**	**2016**	**1641p**	**26.09.18**
348,363	**2015**	**931p**	**30.06.18**	**22,884**	**2016**	**1562p**	**30.09.17**
151,494	**2015**	**931p**	**30.06.20**				
431,535	**2016**	**1,372p**	**30.06.19**				
142,038	**2016**	**1,372p**	**30.06.21**				
1,230,395				**885,819**			

27 Share-based payments

The Company operates performance-related share incentive plans for executives, details of which are set out in the Directors' Remuneration Report. The Company also operates sharesave schemes. The total charge for the year relating to employee share-based payment plans was £4.0 million (2015: £3.9 million), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £1.4 million (2015: £4.9 million).

Savings related share options

The Company operates an HMRC approved sharesave scheme under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at grant, in either three or five years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. These funds are used to fund the option exercise. This scheme is open to all employees meeting the minimum employment period. No performance criteria are applied to the exercise of sharesave options.

The options were valued using the binomial option-pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Share price at grant date	Exercise price	Contract date	Expected volatility	Option life (years)	Risk free rate	Dividend yield	Employee turnover before vesting	Fair value per option
19.11.10	280p	271p	01.01.11	47%	5	2.4%	4.5%	10%	90.0p
14.11.12	711p	657p	01.01.13	31%	3	0.5%	4.2%	10%	135.5p
14.11.12	711p	657p	01.01.13	46%	5	0.9%	4.2%	10%	222.2p
10.11.14	1175p	931p	01.01.15	23%	3	1.2%	4.5%	10%	214.4p
10.11.14	1175p	931p	01.01.15	28%	5	1.6%	4.5%	10%	254.5p
21.10.15	1562p	1372p	01.01.16	22%	3	0.8%	4.4%	10%	217.6p
21.10.15	1562p	1372p	01.01.16	25%	5	1.2%	4.4%	10%	259.2p

27 Share-based payments (continued)

Savings related share options (continued)

The expected volatility is based on historical volatility in the movement in the share price over the last three or five years up to the date of grant depending on the option life. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. A reconciliation of savings related share awards over the year to 30 June 2016 is shown below:

	2016 Number	**2016** Weighted average exercise price	2015 Number	2015 Weighted average exercise price
Outstanding at 1 July	**1,352,517**	**704p**	822,522	530p
Awards	**638,457**	**1372p**	640,176	931p
Forfeited	**(72,000)**	**1074p**	(39,014)	759p
Cancelled	**(93,262)**	**1068p**	(46,348)	747p
Expired	**(13,170)**	**958p**	(9,349)	621p
Exercised	**(582,147)**	**488p**	(15,470)	560p
Outstanding at 30 June	**1,230,395**	**1101p**	1,352,517	704p
Exercisable at 30 June	**–**	**–**	–	–

The weighted average fair value of awards granted during the year was 228 pence (2015: 227 pence). There were 582,147 share options exercised during the year ended 30 June 2016 (2015: 15,470) and the weighted average share price at the date of exercise was 1,476 pence (2015: 1,361 pence). The weighted average remaining contractual life is two years 11 months (2015: two years five months).

Performance-related long-term incentive plans

The Company operates performance-related share incentive plans for executives, details of which are set out in the Directors' Remuneration Report. The awards that vest are satisfied by the transfer of shares for no consideration.

The options were valued using a Monte Carlo model. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	Share price at grant date	Vesting period/ option life (months)	Risk free rate	Dividend yield	Fair value per option
26.09.12	728.5p	36	0.3%	4.1%	771p
01.02.13	843.0p	32	0.5%	3.6%	936p
30.09.13	1040.0p	36	0.9%	3.6%	1005p
30.09.14	1266.0p	36	1.3%	4.2%	885p
26.09.15	1641.0p	36	0.8%	4.1%	831p
21.10.15	1562.0p	6	0.4%	4.4%	1495p
21.10.15	1562.0p	23	0.5%	4.4%	1069p

The expected volatility is based on historical volatility in the movement in the share price of the Company and its comparator group and the correlations between them over the last three years. The expected life is the average expected period to exercise. The risk free rate is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. A reconciliation of performance-related share awards over the year to 30 June is shown below:

	2016 Number	2015 Number
Outstanding at 1 July	**1,164,312**	1,522,842
Granted	**415,122**	514,573
Forfeited	**(93,637)**	(81,613)
Exercised	**(604,978)**	(791,490)
Outstanding at 30 June	**880,819**	1,164,312
Exercisable at 30 June	**–**	–

The weighted average fair value of awards granted during the year was 831 pence (2015: 852 pence). There were 604,978 options exercised during the year ended 30 June 2016 (2015: 791,490). The weighted average remaining contractual life is Nil as the shares are exercised on the day that they vest (2015: Nil).

Notes to the consolidated financial statements

28 Other reserves

	Group £m	Company £m
At 30 June 2015 and 30 June 2016	**4.8**	**3.0**

The Group's other reserves relates to a merger reserve amounting to £4.7 million (2015: £4.7 million) and the movement on available for sale financial assets amounting to £0.1 million (2015: £0.1 million).

29 Retained earnings

	Notes	Group £m	Company £m
At 1 July 2014		296.5	87.4
Profit for the year		92.3	103.4
Actuarial gains recognised related to retirement benefit obligations	30	(5.8)	–
Deferred and current tax on movements in equity	24	2.7	1.1
Dividends paid	7	(49.3)	(49.3)
Share-based payments	27	3.9	3.9
Purchase of own shares		(8.5)	(8.5)
Movement in fair value of derivative financial instruments		(0.3)	(0.3)
At 30 June 2015		331.5	137.7
Profit for the year		**108.9**	**74.2**
Actuarial gains recognised related to retirement benefit obligations	**30**	**(11.9)**	**–**
Deferred and current tax on movements in equity	**24**	**2.3**	**0.1**
Dividends paid	**7**	**(59.3)**	**(59.3)**
Share-based payments	**27**	**4.0**	**4.0**
Purchase of own shares		**(11.9)**	**(11.9)**
Movement in fair value of derivative financial instruments		**(4.2)**	**(4.2)**
At 30 June 2016		**359.4**	**140.6**

The cumulative amount of goodwill arising on acquisition and written off directly against reserves is £9.5 million (2015: £9.5 million).

At 30 June 2016, the Galliford Try Employee Share Trust (the Trust) held 540,480 (2015: 475,405) shares. The nominal value of the shares held is £0.3 million (2015: £0.2 million). 465,176 shares were acquired during the year (2015: 240,000) at a cost of £6.9 million (2015: £3.3 million) and a further £5.0 million (2015: £5.2 million) was paid in relation to other share related transactions. 400,101 (2015: 442,775) shares were transferred during the year. The cost of funding and administering the Trust is charged to the income statement of the Company in the period to which it relates. The market value of the shares at 30 June 2016 was £4.9 million (2015: £8.3 million). No shareholders (2015: None) have waived their rights to dividends.

30 Retirement benefit obligations

All employees are entitled to join the Galliford Try Pension Scheme, a defined contribution scheme established as a stakeholder plan, with a company contribution based on a scale dependent on the employee's age and the amount they choose to contribute. Since 1 July 2013 all non-participating and newly employed staff have been auto-enrolled into the separate stakeholder plan and are entitled to increase their contribution rates in line with existing members. Since 1 April 2009, the Group has operated a pension salary sacrifice scheme which means that all employee pension contributions are paid as employer contributions on their behalf.

The Group also operates three defined benefit pension schemes, as detailed below.

Pension costs for the schemes were as follows:

	2016 £m	2015 £m
Defined benefit schemes – expense recognised in the income statement	0.2	0.2
Defined contribution schemes	17.1	14.2
Total included within employee benefit expenses (note 3)	17.3	14.4

Of the total charge for all schemes £6.7 million (2015: £8.0 million) and £10.4 million (2015: £6.2 million) were included, respectively, within cost of sales and administrative expenses. £0.2m (2015: £0.2 million) was included within net finance costs.

Defined benefit schemes

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

The Trustees of each scheme are required to act in the best interests of the plans' beneficiaries and responsible for the investment strategy of the Scheme. For the Galliford Try Final Salary Pension Scheme the Trustee is Galliford Try Pension Trustee Limited. The appointment of the Directors to the Board is determined by the plan's Trust documentation. Currently the Trustee Board includes member-nominated, Company-nominated and independent directors. The Group is ultimately responsible for making up any shortfall in the Scheme over a period agreed with the Trustees. To the extent that actual experience is different to that assumed, the contributions required by the Group could vary in the future. The two key risks faced by pension schemes are longevity (i.e. members living longer than expected) and investment risk (i.e. the scheme's assets perform poorly relative to the liabilities).

An independent actuary performs detailed triennial valuations together with periodic interim reviews. The most recent completed formal actuarial valuation for the Galliford Try Final Salary Pension Scheme was as at 1 July 2012 and was prepared by Mercer the scheme actuary. The latest valuation, as at 1 July 2015, is ongoing. The Galliford Try Final Salary Pension Scheme closed to future accrual with effect from 31 March 2007. In June 2016 the Galliford Try Final Salary Pension Scheme completed a £95 million insurance buy-in transaction. The IAS 19 accounting result for the Galliford Try Final Salary Pension Scheme has been calculated using a roll forward approach based on the liabilities calculated for the 1 July 2012 actuarial valuation, and incorporates the insurance buy-in referred to above.

The deficit recovery funding plan agreed with the Trustees in 2013 requires the Company to pay contributions of £466,667 per calendar month until February 2019, with potential additional payments being linked to dividend payments of the Company.

The latest actuarial valuations for the Galliford Group Special Scheme and the Kendall Cross (Holdings) Ltd Assurance & Pension Scheme were as at 1 April 2013 and 13 November 2014, respectively.

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

The Kendall Cross (Holdings) Limited Scheme is funded and provides benefits based on final pensionable salaries. The scheme was closed to new members and to future accrual for existing members prior to the date of the acquisition by Galliford Try plc in November 2007. The most recent actuarial valuation of the Scheme was prepared as at 13 November 2014. A deficit recovery funding plan was agreed with the Trustees which requires the Company to pay contributions of £15,300 per month.

Notes to the consolidated financial statements

30 Retirement benefit obligations (continued)

Principal assumptions

The valuation of the Group's pension schemes have been updated to 30 June 2016 and all three schemes are consolidated for disclosure purposes below. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	2016	2015
Rate of increase in pensionable salaries	n/a	n/a
Rate of increase in pensions in payment	2.90%	3.25%
Discount rate	3.00%	3.75%
Retail price inflation	3.00%	3.35%
Consumer price inflation	2.00%	2.35%

For the Galliford Try Final Salary Pension Scheme, the life expectancies as at 30 June 2016 and 2015 are based on S1PA tables (90% scaling factor applied for males), with a future improvement in mortality assumption in line with CMI 2012 tables, with a long-term rate of improvement of 1.5% p.a.

	2016	2015
Male member age 65 (current life expectancy)	23.9	23.9
Male member age 45 (life expectancy at age 65)	26.2	26.1
Female member age 65 (current life expectancy)	25.6	25.5
Female member age 45 (life expectancy at age 65)	28.0	27.8

At 1 July 2012, the date of the last valuation, the scheme had 1,537 deferred members and 716 pensioners.

Assets in the Scheme

The fair value of the assets and present value of the obligations at 30 June of the Group's defined benefit arrangements are as follows:

	2016		2015	
	Value £m		Value £m	
Equities[1]	34.1	15%	31.3	14%
Gilts[1]	37.4	16%	49.7	23%
Bonds[1]	5.3	2%	68.7	31%
Diversified growth funds[1]	27.9	12%	28.5	13%
Liability driven investments[1]	34.4	15%	39.4	18%
Cash	1.2	1%	1.0	0%
Unquoted insured annuities[2]	91.1	39%	1.5	1%
	231.4	100%	220.1	100%
Present value of defined benefit obligations	(235.7)		(218.9)	
(Deficit)/surplus in scheme recognised as non-current (liability)/asset	(4.3)		1.2	

1 Equities, gilts, bonds and the diversified growth funds are quoted assets. The asset classes are intended to minimise the volatility of the funding position.

2 Unquoted insured annuities include £90.0 million in respect of the pensioner buy-in transaction completed by the Galliford Try Final Salary Pension Scheme in June 2016, and other annuities held by the Kendall Cross (Holdings) Limited Scheme.

30 Retirement benefit obligations (continued)

Sensitivity analysis of scheme liabilities

The weighted average duration of the defined benefit obligations at 30 June 2016 was 19 years. The sensitivity of the present value of scheme liabilities at 30 June 2016 to changes in the principal assumptions is set out below.

	Change in assumption[1]	Impact on scheme liabilities
Discount rate	Increase by 0.1%	Decrease by £4.5 million
Rate of inflation	Increase by 0.1%	Increase by £2.5 million
Growth rate in pension payments	Increase by 0.1%	Increase by £2.1 million
Life expectancy	Increase by one year	Increase by £6.5 million

1 Based on change in assumption while holding all other assumptions constant, which in practice may be unlikely as assumptions may be correlated.

Accounting results

The amounts recognised in the income statement are as follows:

	2016 £m	2015 £m
Net interest (income) on net defined benefit asset	(0.2)	(0.2)
Expenses	0.4	0.4
Expense recognised in the income statement	0.2	0.2

The actual return on scheme assets was £16.7 million (2015: £20.2 million).

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

	2016 £m	2015 £m
Total amount of actuarial (losses) in the year	(11.9)	(5.8)
Cumulative actuarial (losses)	(57.4)	(45.5)

Movement in present value of defined benefit obligations	2016 £m	2015 £m
At 1 July	218.9	201.7
Interest cost	8.0	8.3
Experience losses	0.9	0.1
Actuarial loss arising from changes in financial assumptions	20.7	17.0
Actuarial (gain)/loss arising from changes in demographic assumptions	(1.2)	0.4
Benefit payments	(11.6)	(8.6)
At 30 June	235.7	218.9

Movement in fair value of scheme assets	2016 £m	2015 £m
At 1 July	220.1	202.7
Interest income	8.2	8.5
Return on plan assets, excluding interest income	8.5	11.7
Employer contributions	6.6	6.2
Expenses	(0.4)	(0.4)
Benefit payments	(11.6)	(8.6)
At 30 June	231.4	220.1

Notes to the consolidated financial statements

30 Retirement benefit obligations (continued)
Accounting results (continued)

Movement in fair value of net asset/(liability)	2016 £m	2015 £m
At 1 July	**1.2**	1.0
Net interest income	**0.2**	0.2
Return on plan assets, excluding interest income	**8.5**	11.7
Experience (losses)	**(0.9)**	(0.1)
Actuarial (losses)	**(19.5)**	(17.4)
Employer contributions	**6.6**	6.2
Expenses	**(0.4)**	(0.4)
At 30 June	**(4.3)**	1.2

The contributions expected to be paid to the defined benefit schemes during the year ended 30 June 2017 are £6.9 million.

31 Financial and capital commitments
The Group had no commitments for subordinated debt to joint ventures or other investments at 30 June 2016 (2015: £Nil), nor any commitment for other capital expenditure.

Galliford Try plc, together with certain of its subsidiaries, has entered into non-cancellable contracts for the operational leasing of land and buildings and plant and machinery. The leases have various terms, escalation clauses and renewal rights. The leases do not impose restrictions on the Group's ability to pay dividends or obtain other financing. The minimum commitments for payments under these contracts are as follows:

	2016 £m	2015 £m
Amounts due:		
Within one year	**14.7**	13.4
Later than one year and less than five years	**26.7**	26.5
After five years	**6.4**	11.1
	47.8	51.0

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

32 Guarantees and contingent liabilities
Galliford Try plc has entered into financial guarantees and counter indemnities in respect of bank and performance bonds issued in the normal course of business on behalf of Group undertakings, including joint arrangements and joint ventures, amounting to £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. While the outcome of disputes and arbitration is never certain, the directors believe that the resolution of all existing actions will not have a material adverse effect on the Group's financial position.

33 Related party transactions

Group

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

	Sales to related parties		Purchases from related parties		Amounts owed by related parties		Amounts owed to related parties	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Trading transactions								
Joint ventures	**28.7**	97.6	**0.4**	–	**23.7**	86.4	**15.5**	6.7
Jointly controlled operations	**60.1**	22.4	**0.8**	1.5	**3.2**	8.5	**16.4**	7.9

	Interest and dividend income from related parties		Loans to related parties		Loans from related parties		Injection of equity funding	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Non-trading transactions								
Joint ventures	**10.6**	3.3	**173.8**	94.1	**–**	–	**–**	–

Sales to related parties are based on terms that would be available to unrelated third parties. Receivables are due within seven years (2015: seven years) and are unsecured, with interest rates varying from bank base rate plus 1.75% to 10%. Payables are due within one year (2015: one year) and are interest free.

Company

Transactions between the Company and its subsidiaries which are related parties, which are eliminated on consolidation, are disclosed as follows:

	Interest and dividend income from related parties		Amounts due to related parties		Amounts due from related parties		Capital contributions to related parties	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Non-trading transactions								
Subsidiary undertakings	**75.7**	52.4	**269.1**	245.7	**252.8**	263.5	**0.7**	21.2

The Company has provided performance guarantees in respect of certain operational contracts entered into between joint ventures and a Group undertaking.

The Company has entered into financial guarantees in respect of its Linden/Downland Graylingwell LLP joint venture. The maximum amount payable under the terms of this guarantee is £7.5 million.

34 Post balance sheet events

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

Notes to the consolidated financial statements

35 Group undertakings
In accordance with section 409 of the Companies Act, the following is a list of all of the Group's undertakings as at 30 June 2016.

(i) Subsidiary undertakings

Entity name[1]	Registered office or principal place of business	Shareholding (direct or indirect)
Alumno GT Camberwell LLP	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Alumno GT Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Alumno GT Management Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
AM (Leasing) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Birch Construction Division Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Chancery Court Business Centre Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Charles Gregory (Civil Engineering) Limited	Miller House, Pontefract Road, Normanton, WF6 1RN	100%
Charles Grip Surfacing Limited	Miller House, Pontefract Road, Normanton, WF6 1RN	100%
Chartdale Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Construction Holdco 1 Limited	2 Centro Place, Pride Park, Derby, Derbyshire, DE24 8RF	100%
Construction Holdco 2 Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Enhance Interiors Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Fairfield Redevelopments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Brick Factors Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Affordable Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Building Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Construction & Investments Holdings Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Construction (UK) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Construction Holdco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Corporate Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Employment Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try HPS Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Infrastructure Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	100%
Galliford Try International Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	100%
Galliford Try Investments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Investments NEPS Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Partnerships Limited	50 Rainsford Road, Chelmsford, Essex CM1 2XB	100%
Galliford Try Partnerships North Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Pension Trustee Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Plant Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Properties Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Qatar Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Secretariat Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Galliford Try Services Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Supplies Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Graylingwell Energy Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
GT (Barking and Havering) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (Buidheann) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (Leeds) Lift Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (Leicester) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (North Hub) Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (North Tyneside) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT (Scotland) Construction Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Asset 24 Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Camberwell (Holdings) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Camberwell Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Emblem Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Integrated Services Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Inverness Investments Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT PPP Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Telford (Holdings) Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT Telford Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
GT TMGL Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
Galliford Try Investments Consultancy Services Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Hill Place Farm Developments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%

35 Group undertakings (continued)
(i) Subsidiary undertakings (continued)

Entity name	Registered office or principal place of business	Shareholding (direct or indirect)
Horton Retail Investments Limited	Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN	100%
Kendall Cross Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Kingseat Development 1 Limited	Morrison House, Kingseat Business Park, Kingseat, Newmachar, Aberdeenshire, AB21 0AZ	100%
Kingseat Development 3 Limited	13 Queen's Road, Aberdeen, AB15 4YL	100%
Linden (Ashlar Court) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (St Bernard's) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Barnet LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Cornwall Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Devon Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden First Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Guildford Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Holdings Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Chiltern Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Eastern LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes South-East Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Southern Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Homes Western Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden London LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden London (Hammersmith) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden London Developments Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Midlands Limited	Ashurst, Southgate Park, Bakewell Road, Orton Southgate, Peterborough, PE2 6YS	100%
Linden North Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Partnerships Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Pontefract) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden Properties Western Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden South West Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden St Albans LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Linden (Summerstown) LLP	Cowley Business Park, Uxbridge, UB8 2AL	100%
Morrison (Falklands) Limited	56 John Street, Stanley, Falkland Islands FIQQ 1ZZ (incorporated in Falkland Islands)	100%
Morrison Construction Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	100%
Morrison Highway Maintenance Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Oak Dry Lining Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Oak Fire Protection Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Pentland Estate Management Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Pentland Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Primaria Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Rasen Estates Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Redplay Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Regeneco (Services) Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Regeneco Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Rissington Management Company Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Rock & Alluvium Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Rosemullion Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
SM16 Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Schools for the Community Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	100%
The Ricardo Community Foundation	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Accord Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Construction Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Group Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Homes Central Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%
Try Homes Limited	Cowley Business Park, Uxbridge, UB8 2AL	100%

All subsidiary undertakings are incorporated in the UK unless otherwise specified and are included in the consolidated financial statements of the Group as a majority of voting rights are held in each case.

1 No company is dormant and exempt from preparing individual accounts by virtue of s394A of Companies Act 2006 and/or from filing individual accounts with the registrar by virtue of s448A of Companies Act 2006.

Notes to the consolidated financial statements

35 Group undertakings (continued)
(ii) Joint venture undertakings

Entity name	Registered office or principal place of business	Proportion of capital held	Financial year end
ACP: North Hub Limited	Miller House, 2 Lochside View, Edinburgh, EH12 1LB	50%	31-Dec
Cedar House Securities Limited	Cedar House, 91 High Street, Caterham, Surrey CR3 5UH	50%	31-Dec
Community Ventures (Management) Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	60%	30-Sep
Community Ventures Investments Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	60%	30-Sep
Community Ventures Partnerships Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	60%	30-Sep
Crest/Galliford Try (Epsom) LLP	Crest House, Pyrcroft Road, Chertsey, Surrey KT16 9GN	50%	31-Oct
ELCH DBFM Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	83%	31-Mar
ELCH DBFM Holdco Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	83%	31-Mar
Evolution Gateshead Developments LLP	2 Esh Plaza, Sir Bobby Robson Way, Great Park, Newcastle Upon Tyne, NE13 9BA	50%	31-Mar
Evolution Morpeth LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Evolution Newhall LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Evolution (Shinfield) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Gateshead Regeneration LLP	2 Esh Plaza, Sir Bobby Robson Way, Great Park, Newcastle Upon Tyne, NE13 9BA	25%	31-Mar
GBV JV Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Grange Walk LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
GT Equitix Inverness Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31-Mar
GT Equitix Inverness Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%	31-Mar
Kent EHFA Holdco Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Kent EHFA Projectco Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Kingseat Development 2 Limited	Morrison House, Kingseat Business Park, Kingseat, Newmachar, Aberdeenshire AB21 0AZ	50%	30-Jun
Leicester GT Education Company Limited	Cowley Business Park, Uxbridge, UB8 2AL	80%	31-Mar
Leodis Community Ventures Limited	4340 Park Approach, Thorpe Park, Leeds, LS15 8GB	45%	30-Sep
Linden (Battersea Bridge Road) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Sep
Linden (Biddenham) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Linden Borley Green LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Linden (Vencourt) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Linden and Dorchester Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Linden and Dorchester Portsmouth Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Linden (Hartfield Road) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Linden Homes (Sherford) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Linden Homes Westinghouse LLP	99 Bartholomew Street, Newbury, Berkshire RG14 5EE	50%	31-Mar
Linden Wates (Cranleigh) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Dorking) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Horsham) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	30-Jun
Linden Wates (Kempshott) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Ravenscourt Park) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (Ridgewood) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (The Frythe) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates (West Hampstead) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates Developments (Chichester) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden Wates Developments (Folders Meadow) Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Linden (York Road) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Linden/Downland Graylingwell LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Morrison Robertson JV Company Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%	31-Mar
Ninth Avenue LLP	2 Ogstonmill, Mill of Fintray, Aberdeen, AB21 0LW	50%	31-Mar
Opal (Earlsfield) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Opal (Silvertown) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Opal (St Bernards) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Opal Land LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Ramsden Regeneration LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Shoo 22 Limited	Duncan House, Clipston Road, Sibbertoft, Market Harborough, Leicestershire LE16 9UB	38%	30-Jun
Solutions 4 North Tyneside (Finance) Plc	30 Warwick Street, London, W1B 5NH	30%	31-Dec
Solutions 4 North Tyneside (Holdings) Limited	30 Warwick Street, London, W1B 5NH	30%	31-Dec
Solutions 4 North Tyneside Limited	30 Warwick Street, London, W1B 5NH	30%	31-Dec
Space Scotland Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	83%	31-Mar
The Piper Building Limited	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Urban Vision Partnership Limited	Emerson House, Albert Street, Eccles, Manchester, M30 0TE	30%	31-Dec
White Rock Land LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar
Whiterock (Kingsmere) LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Dec
Wilmington Regeneration LLP	Cowley Business Park, Uxbridge, UB8 2AL	50%	31-Mar

The above entities are all incorporated in the UK and considered to be joint ventures based on the shareholding agreements in place.

35 Group undertakings (continued)
(iii) Associated and other significant undertakings

Entity name	Registered office or principal place of business	Proportion of capital held by class
Aberdeen Community Health Care Village Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Aberdeen Roads (Finance) PLC	Dean House, 24 Ravelston Terrace, Edinburgh, E4 3TP	33%
Aberdeen Roads Holdings Limited	Dean House, 24 Ravelston Terrace, Edinburgh, E4 3TP	33%
Aberdeen Roads Limited	Dean House, 24 Ravelston Terrace, Edinburgh, E4 3TP	33%
Alliance Community Partnership Limited	Suite 1A Strathclyde Business Park, Willow House, Bellshill, Lanarkshire, ML4 3PB	6%
Galliford Try Qatar LLC	PO Box 11726 Doha, State of Qatar (incorporated in Qatar)	49%
GT NEPS (Holdings) Limited	Cowley Business Park, Uxbridge, UB8 2AL	45%
GT NEPS Limited	Cowley Business Park, Uxbridge, UB8 2AL	45%
Hub North Scotland (Alford) Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (Anderson) Limited	Miller House, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (Anderson) Holdings Limited	11 Thistle Place, Aberdeeen, AB10 1UZ	30%
Hub North Scotland (Elgin High School) Limited	Miller House, 2 Lochside View, Edinburgh, EH12 1LB	30%
Hub North Scotland (Elgin High School) Holdings Limited	11 Thistle Place, Aberdeeen, AB10 1UZ	30%
Hub North Scotland (FWT) Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland (New Academy – SOTC) Ltd	11 Thistle Place, Aberdeeen, AB10 1UZ	30%
Hub North Scotland (New Academy – SOTC) Holdings Ltd	11 Thistle Place, Aberdeeen, AB10 1UZ	30%
Hub North Scotland (O&C) Limited	11 Thistle Place, Aberdeeen, AB10 1UZ	30%
Hub North Scotland (O&C) Holdings Limited	11 Thistle Place, Aberdeeen, AB10 1UZ	30%
Hub North Scotland (Wick) Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub North Scotland Limited	11 Thistle Place, Aberdeen, AB10 1UZ	30%
Hub South East Scotland Limited	Atholl House, 51 Melville Street, Edinburgh EH3 7HL	50%
Hub South West Scotland Limited	Suite 1A Strathclyde Business Park, Willow House, Bellshill, Lanarkshire ML4 3PB	6%
HUB SW Greenfaulds Holdco Limited	Suite 1A Strathclyde Business Park, Willow House, Bellshill, Lanarkshire ML4 3PB	6%
HUB SW Greenfaulds Sub Hub Co Limited	Suite 1A Strathclyde Business Park, Willow House, Bellshill, Lanarkshire ML4 3PB	6%
James Gillespie's Campus Subhub Holdings Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
James Gillespie's Campus Subhub Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
KHS DBFM Holdco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
KHS Subhub Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
KHS Subhub Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
LBP DBFM Holdco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
LBP Subhub Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
LBP Subhub Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
Newbattle DBFM Holdco Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
Newbattle Subhub Holdings Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
Newbattle Subhub Limited	PO Box 17452, 2 Lochside View, Edinburgh, EH12 1LB	50%
REH Phase 1 Subhub Holdings Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
REH Phase 1 Subhub Limited	Atholl House, 51 Melville Street, Edinburgh, EH3 7HL	50%
S4B (Holdings) Limited	30 Warwick Street, London, W1B 5NH	8%
S4B (Issuer) plc	30 Warwick Street, London, W1B 5NH	8%
S4B Limited	30 Warwick Street, London, W1B 5NH	8%
UUGM Limited	5th Floor, Kings Place, 90 York Way, London, N1 9AG	20%

The above entities are all incorporated in the UK.

Five-year record

	2012 £m	2013 £m	2014 £m	2015 £m (Restated – note 1)	**2016 £m**
Group revenue	1,504.1	1,467.3	1,767.8	2,348.4	**2,494.9**
Profit before exceptional items	63.1	73.6	94.9	117.7	**135.0**
Exceptional items	–	0.5	0.3	(3.7)	**–**
Profit before taxation	63.1	74.1	95.2	114.0	**135.0**
Tax	(13.8)	(15.9)	(18.0)	(21.7)	**(26.1)**
Profit after taxation attributable to shareholders	49.3	58.2	77.2	92.3	**108.9**
Fixed assets, investments in joint ventures and available for sale financial assets	41.9	42.5	40.2	41.0	**60.8**
Intangible assets and goodwill	126.8	128.4	128.1	156.4	**152.2**
Net current assets	354.2	379.0	586.5	690.6	**633.2**
Long-term receivables	43.6	48.4	61.2	32.5	**78.0**
Long-term payables and provisions	(88.1)	(96.9)	(281.8)	(351.3)	**(324.2)**
Net assets	478.4	501.4	534.2	569.2	**600.0**
Share capital	40.9	40.9	41.1	41.1	**41.4**
Reserves	437.5	460.5	493.1	528.1	**558.6**
Shareholders' funds	478.4	501.4	534.2	569.2	**600.0**
Dividends per share (pence)	30.0	37.0	53.0	68.0	**82.0**
Basic earnings per share (pence)	60.9	71.7	94.6	112.8	**132.5**
Diluted earnings per share (pence)	59.7	69.8	93.0	110.9	**131.3**

Shareholder information

Financial calendar 2016

Half year results announced	25 February
Interim dividend paid	7 April
Full year results announced	14 September
Ex dividend date	27 October
Final dividend record date	28 October
Annual General Meeting	11 November
Final dividend payment	23 November

Shareholder enquiries

The Company's registrars are Equiniti Limited. They will be pleased to deal with any questions regarding your shareholding or dividend payments. Please notify them if you change your address or other personal information. Call the shareholder contact centre on 0371 384 2202. Lines open from 8.30am to 5.30pm, Monday to Friday; overseas shareholders should call +44 121 415 7047 or, alternatively, write to them at:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

You can find a number of shareholder services online via their website at www.shareview.co.uk, including the portfolio service which gives you access to more information on your investments such as balance movements, indicative share prices and information on recent dividends. You can also register your email address to receive shareholder information and Annual Report and Financial Statements electronically.

Share dealing service

A telephone and internet dealing service is available through Equiniti which provides a simple way of buying and selling Galliford Try shares. Commission is currently 1.5% with a minimum charge of £50 for telephone dealing and a minimum charge of £45 for internet dealing. For telephone sales call 0845 603 7037 between 8.00am and 4.30pm, Monday to Friday, and for internet sales log on to www.shareview.co.uk/dealing. You will need your shareholder reference number as shown on your share certificate. Share dealing services are also widely provided by other organisations. The Company is listed on the London Stock Exchange under the code GFRD and the SEDOL and ISIN references are B3Y2J50 and GB00B3Y2J508.

Group website

You can find out more about the Group on our website www.gallifordtry.co.uk which includes a section specifically prepared for investors. In this section you can check the Company's share price, find the latest Company news, look at the financial reports and presentations as well as search frequently asked questions and answers on shareholding matters. There is also further advice for shareholders regarding unsolicited boiler room frauds.

The Company's up-to-date share price can also be obtained by calling the voice activated Cityline on 09058 171690 (calls charged at 75 pence per minute from a landline).

Company contact

Contact with existing and prospective shareholders is welcomed by the Company. If you have any questions please contact the General Counsel and Company Secretary, either at the registered office or via email (kevin.corbett@gallifordtry.co.uk).

Analysis of shareholdings at 30 June 2016

Size of shareholding	% of holders	Number of holders	% of shares	Number of shares
1 – 10,000	92.35	4,503	5.43	4,496,504
10,001 – 50,000	3.77	184	5.00	4,142,646
50,001 – 500,000	3.16	154	31.74	26,308,383
500,001 – highest	0.72	35	57.83	47,924,479
Total	100.00	4,876	100.00	82,872,012

Registered office

Galliford Try plc
Cowley Business Park
Cowley
Uxbridge UB8 2AL

Stockbrokers

Peel Hunt LLP
HSBC Bank plc

Bankers

HSBC Bank plc
Barclays Bank plc
The Royal Bank of Scotland plc
Abbey National Treasury Services plc

Registration

England and Wales 00836539

Financial advisors

Rothschild

Independent auditors

PricewaterhouseCoopers LLP

Notes

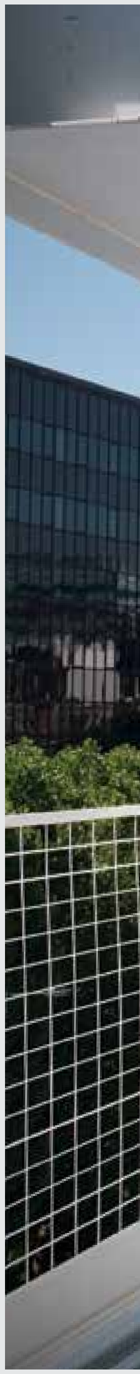
Printed on GalerieArt Satin, an FSC® Mixed Sources paper manufactured using pulp from well managed forests at a mill accredited with EMAS and ISO 14001 environmental standards.

Printed by CPI Colour.

CPI Colour are ISO 14001 certified, CarbonNeutral® and FSC® chain of Custody certified. The inks used are vegetable oil based.

Designed and produced by Friend.
www.friendstudio.com.

GallifordTry plc



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