THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser duly authorised under the Financial Services and Markets Act 2000 ("FSMA") if you are in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This document has been prepared in connection with (a) the Demerger, and (b) the proposed Admission of the Enlarged Share Capital to the premium listing segment of the Official List of the Financial Conduct Authority of the United Kingdom ("**FCA**") and to trading on the London Stock Exchange's Main Market for listed securities following the Demerger.

This document is intended solely for Galliford Try Shareholders and, following the Proposals becoming effective in accordance with their respective terms, the Shareholders.

This document comprises a prospectus for the purposes of Article 6 of Regulation (EU) 2017/1129, as amended, relating to the Company and has been approved by the FCA, as competent authority under Regulation (EU) 2017/1129, in accordance with section 87A of the Financial Services and Markets Act 2000 of England and Wales, as amended ("**FSMA**"), and prepared and made available to the public in accordance with the Prospectus Regulation Rules of the FCA made under section 73A of FSMA (the "**Prospectus Regulation Rules**"). The FCA only approves this document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129 and such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of this document. Investors should make their own assessment as to the suitability of investing in the securities.

Applications will be made to the FCA and London Stock Exchange plc ("**London Stock Exchange**") for the Enlarged Share Capital to be admitted to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 3 January 2020.

This document is not an offer or invitation to the public to subscribe for or purchase Ordinary Shares but is issued solely in connection with Admission. It is proposed that Admission will take place on completion of the Proposals and, unless the context requires otherwise, this document has been prepared on the assumption that the Proposals become effective. No offer of Ordinary Shares is being made in any jurisdiction.

GALLIFORD TRY HOLDINGS PLC

(incorporated in England and Wales under the Companies Act 2006 with registered number 12216008)

Admission to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities

Rothschild & Co	**HSBC Bank plc**	**Peel Hunt LLP**
Lead Financial Adviser	*Joint Sponsor, Financial Adviser and Corporate Broker*	*Joint Sponsor, Financial Adviser and Corporate Broker*

The whole of this document (in particular the section headed "Risk Factors" set out on pages 11 to 25 of this document) should be read in its entirety. Recipients of this document should review the risk factors set out on pages 11 to 25 of this document for a discussion of certain factors that should be considered in relation to an investment in the Ordinary Shares.

The Directors, whose names appear on page 31 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company, the information contained in this document is in accordance with the facts and makes no omission likely to affect its import.

N.M. Rothschild & Sons Limited ("**Rothschild & Co**"), which is authorised and regulated by the FCA, is acting as lead financial adviser to the Company and Galliford Try in connection with the proposed sale by Galliford Try of the Disposal Group (excluding for the avoidance of doubt the Restructuring) and Admission and for no one else in connection with the Proposals and Admission and will not be responsible to anyone other than the Company or Galliford Try for providing the protections afforded to clients of Rothschild & Co or for providing advice in relation to the Proposals and Admission, the contents of this document or any transaction, arrangement or other matter referred to in this document.

HSBC Bank plc ("**HSBC**"), which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority in the United Kingdom is acting as financial adviser, joint sponsor and corporate broker to the Company and Galliford Try in connection with the proposed sale by Galliford Try of the Disposal Group (excluding for the avoidance of doubt the Restructuring) and Admission and for no one else in connection with the Proposals and Admission and will not be responsible to anyone other than the Company or Galliford Try for providing the protections afforded to clients of HSBC or for providing advice in relation to the Proposals and Admission, the contents of this document or any transaction, arrangement or other matter referred to in this document.

Peel Hunt LLP ("**Peel Hunt**"), which is regulated by the FCA is acting as financial adviser, joint sponsor and corporate broker to the Company and Galliford Try in connection with the proposed sale by Galliford Try of the Disposal Group (excluding for the avoidance of doubt the Restructuring) and Admission and for no one else in connection with the Proposals and Admission and will not be responsible to anyone other than the Company or Galliford Try for providing the protections afforded to clients of Peel Hunt or for providing advice in relation to the Proposals and Admission, the contents of this document or any transaction, arrangement or other matter referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Rothschild & Co, HSBC and/or Peel Hunt by FSMA or the regulatory regime established thereunder, neither Rothschild & Co, HSBC, Peel Hunt nor any of their respective affiliates accepts any responsibility whatsoever or make any representation or warranty, express or implied, concerning the contents of this document including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, or by or on behalf of the Company, Galliford Try or the Directors in connection with the Company, Galliford Try, the Proposals and/or Admission and nothing in this document is, or shall be read or relied upon as, a promise or representation in this respect, whether or not to the past or future. Rothschild & Co, HSBC, Peel Hunt and their respective affiliates accordingly disclaim, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise be found to have in respect of this document or any such statement.

NOTICE TO OVERSEAS SHAREHOLDERS

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any Ordinary Shares offered by any person in any jurisdiction. The distribution of this document in certain jurisdictions other than the United Kingdom may be restricted by law. Accordingly, neither this document nor any advertisement may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions in relation to Ordinary Shares or this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The implications of the Proposals for, and the distribution of this document to, Galliford Try Overseas Shareholders may be affected by the laws of the relevant jurisdictions in which such Galliford Try Overseas Shareholders are located. Galliford Try Overseas Shareholders should inform themselves about, and observe, all applicable legal and regulatory requirements. Except in the United Kingdom, no action has been taken to permit the distribution of this document in any jurisdiction where any action would be required for such purpose. It is the responsibility of any person into whose possession this document comes to satisfy themselves as to their full observance of the laws of the relevant jurisdiction in connection with the Proposals and the distribution of this document, including the obtaining of any governmental, exchange control, regulatory or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

NOTICE TO UNITED STATES SHAREHOLDERS

The Ordinary Shares have not been and are not required to be registered under the Securities Act. The Ordinary Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

NOTICE TO ALL SHAREHOLDERS

Galliford Try Overseas Shareholders should consult their own legal, financial and tax advisers with respect to the legal, financial and tax consequences of the Proposals in their particular circumstances.

Capitalised terms have the meanings ascribed to them in Part 15 (*Definitions and Interpretation*) of this document, which begins on page 159.

Certain information in relation to the Company is incorporated by reference into this document. You should refer to Part 14 (*Document Incorporated by Reference*) of this document for further information. Without limitation, unless expressly stated herein, the contents of the websites of the Existing Group, and any links accessible through the websites of the Existing Group, do not form part of this document.

The contents of this document are not to be construed as legal, business, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, business adviser, financial adviser or tax adviser for legal, financial, business or tax advice in connection with the Ordinary Shares.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company.

The date of this document is 25 November 2019.

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PART 1

SUMMARY

1. INTRODUCTION AND WARNINGS

This summary should be read solely as an introduction to this document.

This document should be read in its entirety. Any decision to invest in the securities should be based on consideration of this document as a whole. An investor could lose all or part of their invested capital. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this document before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.

The securities which Galliford Try Holdings plc (the "**Company**") intends to admit to trading are ordinary shares of the Company of 50 pence each ("**Ordinary Shares**"). On admission of the issued Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities becoming effective ("**Admission**"), the Ordinary Shares will be registered with an ISIN of GB00BKY40Q38. The Ordinary Shares will trade under the symbol GFRD on the London Stock Exchange.

The Company can be contacted by writing to its registered office, Cowley Business Park, Cowley, Uxbridge, Middlesex UB8 2AL, United Kingdom, or by calling, within business hours, 01895 855000, or if dialling from outside the UK, +44 (0)1895 855000. The Company's legal entity identifier is 213800MR6DRHCJIV8113.

This document was approved on 25 November 2019 by the Financial Conduct Authority of the United Kingdom (the "**FCA**") of 12 Endeavour Square, London, E20 1JN. Contact information relating to the FCA can be found at https://www.fca.org.uk/contact.

2. KEY INFORMATION ON THE ISSUER

2.1 *Who is the issuer of the securities?*

The Company was incorporated and registered in England and Wales on 19 September 2019 under the Companies Act 2006 (the "**Act**") as a private company limited by shares with the name New Goldfinch Limited and registered number 12216008. The Company is domiciled in the United Kingdom and the Company's legal entity identifier is 213800MR6DRHCJIV8113.

On 31 October 2019, the Company changed its name to Galliford Try Holdings Limited and, on 6 November 2019, re-registered as a public limited company.

Galliford Try plc ("**Galliford Try**") and its subsidiaries and subsidiary undertakings (the "**Existing Group**") is one of the UK's leading housebuilding, regeneration and construction groups, comprising, as at close of business on 22 November 2019 (being the latest practicable date prior to the date of this document) (the "**Latest Practicable Date**") the following divisions: (i) Galliford Try Homes Limited, which owns the Linden Homes business ("**Linden Homes**"), (ii) Galliford Try Partnerships Limited, which owns the partnerships and regeneration business ("**Partnerships & Regeneration**" and together with Linden Homes and their respective subsidiaries and subsidiary undertakings the "**Disposal Group**"), and (iii) Galliford Try Construction & Investments Holdings Limited, which owns the construction business ("**Construction**").

The Company is a holding company and it is proposed that Bovis Homes Group PLC ("**Bovis Homes**") will acquire the Disposal Group (the "**Demerger**") whilst the Company will become the new ultimate parent company of Galliford Try plc, which will retain Construction (the "**NewCo Group**").

As at the Latest Practicable Date, insofar as it is known to the Company by virtue of the notifications made to Galliford Try in accordance with rule 5.1 of the disclosure guidance and transparency rules made by the FCA under Part VI of the Financial Services and Markets Act 2000, as amended ("**FSMA**") (as set out in the handbook of rules and guidance made by the FCA under FSMA), as amended from time to time, the name of each person who holds voting rights representing three per cent. or more of the total voting rights in respect of the ordinary shares of 50 pence each in the capital of Galliford Try (the "**Galliford Try Shares**"), and the amount of such person's holding of the total voting rights in respect of the Ordinary Shares on Admission is expected to be:

Shareholder	Number of Galliford Try Shares	Percentage of Galliford Try Shares	Number of Ordinary Shares on Admission	Percentage of Ordinary Shares on Admission
Blackrock, Inc.	10,942,578	9.86	10,942,578	9.86
Standard Life Aberdeen plc	6,259,040	5.64	6,259,040	5.64
J O Hambro Capital Management Limited	5,738,929	5.17	5,738,929	5.17
Brewin Dolphin Ltd	5,169,266	4.66	5,169,266	4.66
Norges Bank Investment Management	3,415,248	3.08	3,415,248	3.08

As at the Latest Practicable Date, the Company was not aware of any persons who, directly or indirectly, jointly or severally, will exercise or could exercise immediately following the Demerger and on Admission control over the Company.

The executive directors of the Company are Bill Hocking (Chief Executive) and Andrew Duxbury (Finance Director).

The Reporting Accountant for the period covered by the historical financial information for Construction as at and for each of the three years ended 30 June 2017, 30 June 2018 and 30 June 2019 (the "**Historical Financial Information**") is PricewaterhouseCoopers LLP ("**PwC**") of 1 Embankment Place, London, WC2N 6RH, United Kingdom.

2.2 ***What is the key financial information regarding the issuer?***

(A) *Selected historical key financial information*

The table below sets out Construction's selected key financial information for the periods indicated. The selected key financial information has been extracted without material adjustment from the Historical Financial Information of Construction for the relevant period.

	Year ended 30 June		
	2019 (audited) £m	2018 (audited) £m	2017 (audited) £m
Income Statement Data			
Revenue[1]	1,402.9	1,702.6	1,580.3
(Loss)/Profit from Operations[2]	(16.7)	9.3	(13.6)
(Loss) before tax	(74.3)	(50.3)	(119.2)
Balance Sheet Data			
Total assets	1,473.7	1,512.9	1,561.5
Total liabilities	(939.4)	(904.0)	(1,096.0)
Net assets	534.3	608.9	465.5
Cash Flow Data			
Net cash (used in)/generated from operating activities	(99.7)	(129.9)	9.5
Net cash generated from investing activities	96.1	110.9	81.0
Net cash (used in)/generated from financing activities	(78.8)	76.5	(50.8)
Net (decrease)/increase in cash and cash equivalents	(82.4)	57.5	39.7
Cash and cash equivalents at start of period	800.3	742.8	703.1
Cash and cash equivalents at end of period	717.9	800.3	742.8

Notes:

1) Revenue and Profit from Operations stated before Exceptional Items.

2) Revenue and Profit from Operations stated before Exceptional Items.

There are no qualifications to PwC's report on the Historical Financial Information.

(B) *Selected pro forma key financial information*

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the proposed Demerger on the net assets of the NewCo Group as if it had occurred on 30 June 2019 and the income statement of the NewCo Group as if it had occurred on 1 July 2018. The unaudited pro forma statement of net assets and unaudited pro forma income statement have been prepared on the basis of, and should be read in conjunction with, the notes set out below.

NewCo Group unaudited consolidated pro forma statement of net assets as at 30 June 2019

		Adjustments		
£m	**Construction as at 30 June 2019 (note 1)**	**Assumption of Disposal Group debt (note 2)**	**Net proceeds to be received (note 3)**	**NewCo Group pro forma net assets**
Assets				
Non-current assets				
Intangible assets	9.6			9.6
Goodwill	77.2			77.2
Property, plant and equipment	12.5			12.5
PPP and other investments	41.2			41.2
Deferred income tax assets	2.6			2.6
Total non-current assets	143.1	–	–	143.1
Current assets				
Trade and other receivables	454.6			454.6
Current income tax assets	29.1			29.1
Cash and cash equivalents	846.9	38.4		885.3
Total current assets	1,330.6	38.4	–	1,369.0
Total assets	1,473.7	38.4	–	1,512.1
Liabilities				
Current liabilities				
Financial liabilities:				
Borrowings	(227.2)	(614.8)	279.5	(562.5)
Trade and other payables	(709.7)			(709.7)
Provisions for other liabilities and charges	(0.4)			(0.4)
Total current liabilities	(937.3)	(614.8)	279.5	(1,272.6)
Net current assets	393.3	(576.4)	279.5	96.4
Non-current liabilities				
Financial liabilities:				
Derivative financial liabilities	(0.4)			(0.4)
Other non-current liabilities	(1.3)			(1.3)
Provisions for other liabilities and charges	(0.4)			(0.4)
Total non-current liabilities	(2.1)	–	–	(2.1)
Total liabilities	(939.4)	(614.8)	–	(1,247.7)
Net assets	534.3	(576.4)	279.5	237.4

Notes:

1) Construction's financial information as at 30 June 2019 has been extracted, without material adjustment, from the Historical Financial Information.

2) The Disposal Group will transfer on a cash and debt free basis; this adjustment absorbs the Disposal Group net debt into Construction.

3) This adjustment reflects the cash consideration of £300.0 million (less £20.5 million of estimated transaction and stamp duty costs) receivable by Construction from Bovis Homes on Completion. The total cash proceeds received on Completion will be different to the proceeds presented in this unaudited pro forma financial information. This is due to potential adjustment required in relation to the movement in TGAV in Linden Homes and separately in Partnerships & Regeneration between 30 June 2019 and Completion and in line with the terms set out in the Sale and Purchase Agreement.

4) In preparing the unaudited pro forma statement of net assets no account has been taken of the trading results of Construction or the NewCo Group for the period since 30 June 2019.

NewCo Group unaudited consolidated pro forma income statement for the 12 months ended 30 June 2019

		Adjustments			
	Construction (note 1) £m	**Transaction costs (note 2) £m**	**Transaction adjustments (note 3) £m**	**Profit on disposal of Disposal Group (note 4) £m**	**NewCo Group pro forma income statement £m**
Group revenue	1,400.1				1,400.1
Cost of sales	(1,390.4)				(1,390.4)
Gross profit	9.7	–	–	–	9.7
Administrative expenses	(75.5)	(20.5)	0.6		(95.4)
Share of post tax profits from joint ventures	0.3				0.3
Loss/profit before finance costs	(65.5)	(20.5)	0.6	–	(85.4)
Profit on disposal of Disposal Group				75.4	75.4
Finance income	3.6				3.6
Finance costs	(12.4)		12.4		–
Loss/profit before income tax	(74.3)	(20.5)	13.0	75.4	(6.4)
Taxation (note 5)	17.1	3.0	(2.5)		17.6
Loss/profit for the year	(57.2)	(17.5)	10.5	75.4	11.2

Notes:

1) Construction's financial information for the year ended 30 June 2019 has been extracted, without material adjustment, from the Historical Financial Information for the year ended 30 June 2019.

2) This adjustment reflects an adjustment of £20.5 million in relation to the estimated transaction costs and stamp duty costs for the Demerger charged to administrative expenses. This adjustment will not have a continuing impact on the NewCo Group.

3) This reflects an adjustment of £0.6 million in relation to the transfer of the rights and obligations of two of the Group's pension schemes to the Disposal Group, charged to administrative expenses and an adjustment to finance costs of £12.4 million which relates to external finance costs in relation to interest on borrowing that will be settled on completion, as if this took place on 1 July 2018. The adjustment to administrative expenses will not have a continuing impact on the NewCo Group. The adjustment to finance costs will have a continuing impact on the NewCo Group.

4) This reflects an adjustment of £75.4 million in relation to the profit that will arise on disposal of the Disposal Group on receipt of gross cash consideration of £300.0 million. This adjustment will not have a continuing impact on the NewCo Group.

5) The net adjustments of £0.5 million to taxation are a result of previous adjustments to administrative expenses and finance costs detailed in notes 2 and 3 to the unaudited pro forma income statement. These taxation adjustments are calculated at the prevailing rate of UK corporation tax of 19 per cent. with the exception of stamp duty costs (note 2) which are not deductible for tax purposes.

6) In preparing the unaudited pro forma income statement no account has been taken of the trading or transactions of Construction or the NewCo Group since 30 June 2019.

2.3 ***What are the key risks that are specific to the issuer?***

A significant proportion of the NewCo Group's business is dependent on general construction market conditions in the UK, the conditions of which may deteriorate due to macroeconomic or other factors. Macroeconomic factors, as well as factors including, among other things, supply chain availability or cost increases; changes in government budgets or funding initiatives, where clients are public sector or regulated organisations; and changes in government regulation or policy, including infrastructure policies and planning and environmental regulations could decrease demand for construction projects, could reduce the funding available to clients for projects with the NewCo Group, any of which could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

Certain of the NewCo Group's businesses are supported by demand from UK Government policies with regard to investment in civil and social infrastructure, most notably in the education, transport, health, public utility, renewable energy, secure establishment and defence sectors through direct government contracts, joint ventures and PPPs. Any change in government or in government policies, programmes or procurement methodologies could adversely affect revenues and/or profitability.

Significant unanticipated costs might arise in relation to the execution of the NewCo Group's projects. Any unanticipated costs arising during the execution of the NewCo Group's projects may cause material construction delays and may result in the NewCo Group incurring losses or lower profits than anticipated, or its reputation being damaged leading to difficulties securing future work, which could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

The NewCo Group has unresolved claims that may result in lower pay-outs than expected, which could have a material adverse impact on the NewCo Group's business, prospects, reputation and financial condition. Over the last three financial years, £152 million of exceptional losses have been recorded. Separately, the Existing Group has submitted claims of approximately £54 million, and recognised significant value, in respect of three contracts with entities owned by a major infrastructure fund of a blue-chip listed company (in respect of which corresponding counterclaims have been received since the publication of the Galliford Try Circular, which the NewCo Group will vigorously defend). If the NewCo Group does not recover the expected amounts under these claims, as well as other unresolved claims, then this could have a material adverse impact on the NewCo Group's business, prospects, reputation and financial condition.

The NewCo Group's projects are subject to execution risk including delay, cost increases, non-completion and financial loss. For larger projects, these risks are inherently greater. Furthermore, any delays or underperformance in the NewCo Group's projects may lead to conflicting demands on resources allocated to be used on other projects.

3. KEY INFORMATION ON THE SECURITIES

3.1 ***What are the main features of the securities?***

3.1.1 *Share capital*

The securities which the Company intends to admit to trading are fully paid ordinary shares in the capital of the Company with a nominal value of 50 pence each. On Admission, the Ordinary Shares will be registered with an ISIN of GB00BKY40Q38. The Ordinary Shares will trade under the symbol GFRD on the London Stock Exchange.

As at Admission, the Company's issued share capital is expected to be up to 113,056,099 Ordinary Shares (based on the number of Galliford Try Shares in issue as at the Latest Practicable Date and the maximum number of Galliford Try Shares that may be issued if all the share awards and share options granted under Galliford Try's share incentive plans are exercised in full (the "**Enlarged Share Capital**")). The Ordinary Shares are, and on Admission will be, denominated in Pounds Sterling.

3.1.2 *The rights attaching to the Ordinary Shares*

The Ordinary Shares have the following rights:

(a) *Dividend rights:* all Ordinary Shares are entitled to participate in dividends which the Company declares from time to time proportionate to the amounts paid or credited as paid on such Ordinary Shares;

(b) *Rights as respect to capital*: all Ordinary Shares are entitled to a distribution of capital in the same proportions as capital is attributable to them (including on a winding up). In the event of insolvency, holders of Ordinary Shares (the "**Shareholders**") will be entitled to a share in the capital of the Company in the same proportions as capital is attributable to them, only after the Company has settled all amounts owed to its creditors; and

(c) *Voting rights*: every Shareholder shall have one vote for each Ordinary Share held by it.

3.1.3 *Restrictions on free transferability of Ordinary Shares*

Save as set out below, the Ordinary Shares are freely transferable.

The Company may, under the Act, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of Ordinary Shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can apply to the court for an order directing, amongst other things, that any transfer of the shares which are the subject of the statutory notice is void. Under the Articles, the Directors can also refuse to register a transfer where a person with an interest of at least 0.25 per cent. in the Company's certificated Ordinary Shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those Ordinary Shares.

The Directors may also, without giving any reason, refuse to register the transfer of any Ordinary Shares which are not fully paid.

3.1.4 *Dividend policy*

The Company will target a dividend cover of around three times underlying earnings, provided that such dividend is at least covered by free cash flow generated in the period, given the importance to the Company of maintaining a strong capital base going forward. The first dividend paid under this policy will be declared with the interim results for the Company for the half year ending 31 December 2019, with the dividend based on underlying earnings excluding the contribution of the Disposal Group in the period.

3.2 *Where will the securities be traded?*

Applications will be made to the FCA and London Stock Exchange plc ("**London Stock Exchange**") for the Enlarged Share Capital to be admitted to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 3 January 2020. No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or trading on any other exchange.

3.3 *What are the key risks that are specific to the securities?*

Since the Ordinary Shares have not previously traded, their market value is uncertain. Following Admission, the market price of the Ordinary Shares may be volatile and may go down as well as up. The NewCo Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. At the same time, equity market conditions may affect the Ordinary Shares regardless of the NewCo Group's operating performance.

Following Admission of the Ordinary Shares there may be a period of relatively high volume trading in the Ordinary Shares as the shareholder register of the Company finds its natural composition. Sales of a substantial number of the Ordinary Shares in the public market after Admission, or the perception that these sales might occur, could depress the market price of the Ordinary Shares.

Under the Act, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. The Company's ability to pay cash dividends in the future is affected by a number of factors including its ability to receive sufficient dividends from any subsidiaries. The payment of dividends to the Company by any subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in such subsidiaries. These laws and restrictions could limit the payment of dividends and distributions to the Company by any subsidiaries, which could in future restrict the Company's ability to fund other operations or to pay a dividend to holders of the Ordinary Shares.

4. KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND/OR ADMISSION TO TRADING ON A REGULATED MARKET

4.1 *Under which conditions and timetable can I invest in this security?*

This document does not constitute an offer or invitation to any person to subscribe for or purchase any shares in the Company. This document is intended solely for holders of Galliford Try Shares and, following Admission, the Shareholders. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 3 January 2020.

The following times and dates are indicative only and are subject to change. All references to times in the timetable below are to London (UK) times.

Last day of dealings in, and for registration of transfers of, and disablement of CREST for, Galliford Try Shares	**2 January 2020**
Cancellation of listing and trading of Galliford Try Shares	**8.00 a.m. on 3 January 2020**
Admission of the Ordinary Shares	**8.00 a.m. on 3 January 2020**
Crediting of Ordinary Shares to CREST accounts	**on or soon after 8.00 a.m. on 3 January 2020**
Despatch of certificates for Ordinary Shares	**by 16 January 2020**

4.2 *Why is this document being produced?*

This document has been prepared in connection with (a) the Demerger, and (b) the proposed Admission of the Enlarged Share Capital to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities following the Demerger, in order for the NewCo Group to continue trading under the Company as the new ultimate parent company of the NewCo Group and operating Construction. Other than the Ordinary Shares issued to holders of B ordinary shares in the capital of Goldfinch (Jersey) Limited in consideration for the transfer of Galliford Try, no new shares in the Company are to be offered or issued to Shareholders as part of Admission. The Company will not receive any proceeds as a result of the Admission.

4.3 *Expenses of Admission and the Demerger*

The total costs and expenses of and incidental to the Demerger and Admission, including the fees of the FCA and London Stock Exchange, fees payable to the Company's advisers and the costs of printing and distribution of documents are estimated to amount to approximately £20.5 million (exclusive of value added tax and inclusive of stamp duty) and are payable by Galliford Try.

PART 2

RISK FACTORS

Any investment in Ordinary Shares is subject to a number of risks and uncertainties. Prior to investing in Ordinary Shares, prospective investors should carefully consider the factors, risks and uncertainties associated with any such investment, the NewCo Group's business, strategy and the industry in which it operates, together with all other information contained in this document including, in particular, the risk factors described below. Prospective investors should note that the risks relating to the NewCo Group, its industry and the Ordinary Shares summarised in the section of this document headed "Summary" are the risks that the Company believes to be the most essential to an assessment by a prospective investor of whether to consider an investment in Ordinary Shares. However, as the risks which the NewCo Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, amongst other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks that prospective investors may face when making an investment in Ordinary Shares and should be used as guidance only. The risks presented at the front of each section are the risks the NewCo Group considers to be the more material however, the order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising. Additional risks and uncertainties relating to the NewCo Group that are not currently known to the NewCo Group, or that the NewCo Group currently deems immaterial, may individually or cumulatively also have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations and, if any such risk should materialise, the price of Ordinary Shares may decline and investors could lose all or part of their investment. Investors should carefully consider whether an investment in Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.

Financial measures presented in this Part 2 (Risk Factors), unless otherwise indicated, are on a proportional consolidated (non-IFRS) basis.

1. RISKS RELATED TO THE NEWCO GROUP

Business activities and industry

1.1 ***A significant proportion of the NewCo Group's business is dependent on general construction market conditions in the UK, the conditions of which may deteriorate due to macroeconomic or other factors***

Both the condition of the construction market and the overall UK economy will impact the returns of the NewCo Group, and hence may have a negative impact on or delay the NewCo Group's ability to undertake construction projects that generate acceptable returns. In these circumstances, the NewCo Group's ability to make distributions to Shareholders could be affected which may, in turn, have an adverse effect on the NewCo Group's performance, financial condition and business prospects.

Historically, the strength of the UK construction market has been linked to that of the UK economy as a whole, which in turn is influenced by both European and global macroeconomic conditions, as well as internal factors within the UK and, as a result, has been cyclical. For example, the value of the construction output in the UK economy fell by 17 per cent. between Q3 2008 and Q3 2009. As at 30 September 2019, Construction had an order book of £2.9 billion and good visibility of revenue for the current financial year, but its future prospects depend on its ability to continue to win new contracts.

While macroeconomic factors broadly affect the UK construction market as a whole, construction trends in the UK historically have varied significantly by region. In the future, should the UK economy stagnate or contract, the variations between regions in the UK may become more pronounced, and construction projects in any of the areas in which the NewCo Group operates may suffer a greater adverse impact relative to those in other regions.

In addition to the macroeconomic factors referred to above, the UK construction market also could be adversely impacted by, among other things:

- supply chain availability or cost increases;
- changes in government budgets or funding initiatives, where clients are public sector or regulated organisations; and
- changes in government regulation or policy, including infrastructure policies and planning and environmental regulations.

Any of these factors could decrease demand for construction projects, could reduce the funding available to clients for projects with the NewCo Group, any of which could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

1.2 ***Certain of the NewCo Group's businesses are supported by demand from UK Government policies and spending and any change in government or in government policies, programmes or procurement methodologies could adversely affect revenues and/or profitability***

Certain of the NewCo Group's businesses are supported by demand from UK Government policies with regard to investment in civil and social infrastructure, most notably in the education, transport, health, public utility, renewable energy, secure establishment and defence sectors through direct government contracts, joint ventures and PPPs.

The UK Government may decide in the future to change certain of its policies and programmes, including reducing present or future investment in civil and social infrastructure markets or other areas in which the NewCo Group would expect to compete for work. The UK Government, for example, may experience a change of governing party or leadership in the upcoming general election or in subsequent general elections, which could result in the implementation of new policies and programmes, including, for example, the nationalisation of certain PFI and other projects across the NewCo Group, the introduction of "windfall" or similar taxes on companies involved in PFI projects and other projects across the NewCo Group. Such policies or programmes may lead to a reduction in investment in civil and social infrastructure.

The UK Government could also change its procurement methodologies, which could have an adverse impact on the NewCo Group. For example, should the UK Government cease entering into PPPs, the NewCo Group may not be able to capture all of that potential future business through an alternate procurement method. Similarly, if the UK Government moves towards certain contracting models, such as fixed price contracts, the NewCo Group may choose not to participate in these contracts or may be forced to reassess its policy of tendering for these contracts and take on additional commercial risks in connection with these projects which may involve reduced margins. Accordingly, if there are changes in government or in governmental policies, programmes or procurement methodologies, the NewCo Group may be unable to maintain its existing levels of government work or be unable to maintain existing levels of profitability in relation thereto.

Until recently, Galliford Try was suspended from the Prompt Payment Code. Adverse payment practices or performance in the future could negatively impact the NewCo Group's ability to win work from the UK Government and government agencies.

1.3 ***Significant unanticipated costs might arise in relation to the execution of the NewCo Group's projects***

The NewCo Group is subject to risks related to the cost of materials and labour in connection with the execution of its projects and a significant number of the NewCo Group's contracts are based in part on cost estimates that are subject to a number of assumptions. Any unanticipated costs arising during the execution of the NewCo Group's projects may cause material construction delays and may result in the NewCo Group incurring losses or lower profits than anticipated, or its reputation being damaged leading to difficulties securing future work, which could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

1.4 ***The NewCo Group has unresolved claims that may result in lower pay-outs than expected, which could have a material adverse impact on the NewCo Group's business, prospects, reputation and financial condition***

Construction, through its joint arrangement with Balfour Beatty, is continuing to negotiate a significant claim against the client on the Aberdeen Western Peripheral Route (AWPR) contract, construction of which was substantially concluded in early 2019, whilst preparing to pursue this through initiating formal dispute resolution by December 2019 should these negotiations not reach a satisfactory conclusion. Over the last three financial years, £152 million of exceptional losses have been recorded. Consultants to the Existing Group have advised an expected recovery of around £100 million to the NewCo Group, although the total assessed value in respect of the claims under the contract is over twice that level. In assessing the final losses on this contract, the NewCo Group has assumed recoveries from its share of the claims against the client, although the latest proposal put to the NewCo Group is less than the amount assumed and if settled at this amount would result in a cash inflow but an asset write off. The client has notified (but not deducted) a claim for contractual lane occupation charges. In arriving at its expected recovery, the NewCo Group has assumed it will not pay such charges. If the NewCo Group is not successful in its negotiation or alternatively any formal recovery action commenced, the assumed recoveries may not be realised and the NewCo Group may be subject to such counterclaims and/or financial charges which could have a significant adverse cash impact on the NewCo Group. The contract recovery recorded in the balance sheet of the NewCo Group is determined from the consultant's estimate referred to above. Negotiations remain in progress with the client but the final outcome is unknown and when concluded could result in a material difference to the position assumed. There are also claims against other parties involved in the AWPR contract, including designers and insurers against which no value is recognised in the balance sheet due to Galliford Try's accounting policy on downstream claims. Whilst these claims are individually immaterial, they are subject to a similar risk of full or partial non-collection. Separately, the Existing Group has submitted claims of approximately £54 million, and recognised significant value, in respect of three contracts with entities owned by a major infrastructure fund of a blue-chip listed company (in respect of which corresponding counterclaims have been received since the publication of the Galliford Try Circular, which the NewCo Group will vigorously defend). If the NewCo Group does not recover the expected amounts under these claims, as well as other unresolved claims, then this could have a material adverse impact on the NewCo Group's business, prospects, reputation and financial condition.

The FRC is currently reviewing certain aspects of the Existing Group's accounting treatment, including in relation to the AWPR contract and other third-party claims. No final determination or recommendations have been reached by the FRC in relation to their ongoing review, however it is possible that the FRC may make recommendations to the Existing Group (or the NewCo Group) at the conclusion of its review.

1.5 ***The NewCo Group's projects are subject to execution risk including delay, cost increases, non-completion and financial loss***

During the execution of construction projects, the NewCo Group may encounter unexpected operational issues or difficulties, including those related to technical engineering issues, regulatory changes, disputes with clients, third party contractors, sub-contractors and suppliers, accidents, bad weather, and changes in purchaser requirements that require the NewCo Group to delay or terminate a project. For larger projects, these risks are inherently greater. For example, in the year ended 30 June 2019, the Existing Group reported pre-tax exceptional items of £46.4 million including £39.0 million from a reappraisal of the costs to complete and expected recoveries related to the delays in its infrastructure projects (£32.3 million of which related to the AWPR contract, which was substantially concluded in early 2019). The construction industry is highly schedule driven. A failure to meet deadlines could also affect the NewCo Group's reputation and future prospects and expose it to additional costs and result in contractual penalties (or surety bonds being called by the client) that may reduce its profit margins and result in the termination of contracts. Furthermore, any delays or underperformance in the NewCo Group's projects may lead to conflicting demands on resources allocated to be used on other projects.

1.6 ***The NewCo Group's operations are subject to the risk of construction defects which may give rise to contractual or other liabilities, as well as significant reputational harm***

Construction defects may occur on the NewCo Group's projects and may arise some time after the completion of a particular project. For example, the Existing Group has had to rectify defects on various infrastructure and building projects including replacing cladding on certain building projects.

Any claims relating to defects arising on a development attributable to the NewCo Group may give rise to contractual or other liabilities which can extend, depending on the relevant contractual or statutory provisions, for a number of years following the completion of the project. Unexpected levels of expenditure attributable to defects (including those caused by third parties) arising on a project may have a material adverse effect on the return generated by a particular project and the NewCo Group's overall performance. Furthermore, widespread or significant defects could generate significant adverse publicity and have a negative impact on the NewCo Group's reputation and key relationships. In extreme cases, it is possible that construction defects on the NewCo Group's projects could lead to a major catastrophic event, such as the collapse of a bridge, tunnel, building or other substantial structure or a major derailment or other rail accident. Such a catastrophic event could subject the NewCo Group to claims for personal injury, death and property damage or claims by clients, sub-contractors, governments, employees or members of the public, which could lead to the payment of extensive damages, and result in significant adverse publicity and reputational harm. This could have a material adverse effect on the Company's share price.

1.7 ***The NewCo Group depends on third party suppliers, contractors, sub-contractors and other service providers to execute its projects***

The NewCo Group depends on third party suppliers, contractors, sub-contractors and other service providers to execute its projects, as well as for post-construction warranty repairs. The NewCo Group has a number of key suppliers, contractors and sub-contractors in its various operating regions with which it regularly contracts, and the performance of sub-contractors used by the NewCo Group on its large projects is particularly important to the NewCo Group's business. In the year ended 30 June 2019, Construction's top 10 suppliers accounted for approximately 42 per cent. of Construction's total construction material purchases and its top 10 sub-contractors accounted for approximately 16 per cent. of its sub-contracting expenses. If the NewCo Group is unable to find or hire qualified and reliable third party suppliers, contractors or sub-contractors for any of its projects, its ability to complete projects on time or at all could be impaired. Furthermore, if any of these third parties fails to provide timely or adequate services, labour, equipment or raw materials, the NewCo Group may be required to source these products and services at a higher price than anticipated and may face delays on its projects until it is able to identify an appropriate alternative supplier, contractor or sub-contractor.

The NewCo Group is also exposed to the risk of litigation or claims relating to breaches of contract by clients, third party suppliers, contractors and sub-contractors. Furthermore, delivery by suppliers, contractors or sub-contractors of faulty equipment or raw materials or substandard work by contractors or sub-contractors could result in claims against the NewCo Group for failure to meet required project specifications. Any of these issues could cause financial and reputational harm to the NewCo Group, which could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

1.8 ***A proportion of the NewCo Group's business is carried out through joint venture arrangements, over which the NewCo Group does not have sole operational control and may lead to contract counterparty risk***

The NewCo Group is involved in joint ventures, either through joint venture companies or limited liability partnerships, or as co-operative contractual consortia and joint venture operations that do not involve the formation of a separate entity.

The NewCo Group may bid for a particular contract jointly with a joint venture partner. In these circumstances, the NewCo Group's ability to maximise the profitability of any contract awarded to it may be adversely affected by the performance of its joint venture partners. In addition, the NewCo Group may be dependent on the expertise of such partners in assessing certain costs of the contract. In the event that the NewCo Group's partners are unable to perform as required or provide the anticipated expertise, the NewCo Group may be unable to perform its obligations under the contract or may be subject to unexpected increased costs. In certain circumstances, the NewCo Group is exposed to the potential risk of the insolvency of its joint venture partner as it may be jointly and severally liable for the acts or omissions of its partners.

Certain decisions relating to the joint venture's activities and the operations of the joint ventures, including internal controls and financial reporting, may not be exclusively within the control of the NewCo Group and may depend upon the consent or approval of the NewCo Group's joint venture partners. The NewCo Group's joint venture partners may also have different approaches to operating the business (including with respect to risk management, operational and commercial matters and financial performance), which may result in delayed decision-making, a failure to agree on material issues, or the joint venture not performing in line with expectations.

The NewCo Group may have disputes with its joint venture partners and may not be able to resolve all the issues that arise with respect to such disputes, despite procedures dictated by the joint venture agreement. Such disputes may lead to delays in the development and completion of the project, or the project being developed in such a way that it will not achieve its highest potential rate of return. In addition, the NewCo Group may accept risks or responsibilities in the course of its joint venture operations that exceed those which it typically would be prepared to accept when contracting on a sole provider basis.

Joint ventures sometimes require the NewCo Group and its partners to obtain or procure financing in furtherance of the joint venture's operations. If one of the NewCo Group's joint ventures or partners were to become insolvent or otherwise unable to obtain financing when required or otherwise unwilling to provide adequate funds to the joint venture when required, the NewCo Group may be forced to make up the financial shortfall from its own resources, which could result in additional cost or delay to the project and/or additional adverse impact on the NewCo Group's financial position. Conversely, if the NewCo Group were unable to meet its obligations under its joint venture agreements, its partners may have the ability to remove the NewCo Group from the relevant joint venture. There can be no guarantee that the NewCo Group will be able to find suitable joint venture partners in the future, and the NewCo Group's attractiveness as a joint venture partner could be negatively affected by actual or perceived shortcomings in the NewCo Group's project execution (including any actual or perceived deterioration to its levels of customer service). Should any of the aforementioned events occur, they could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

1.9 ***The NewCo Group is subject to additional risks associated with PFl projects***

The NewCo Group is engaged as a contractor in carrying out construction works in respect of PFI projects where the principal risks include the following:

- PFI construction projects can carry additional risks compared to a standard construction project, which are often to be borne, or partly borne, by the contractor. These risks vary on a contract by contract basis but can include meeting the building's energy targets, responsibility for difficult ground conditions and/or ground contamination and the risk that a change in law could adversely affect the project.
- The bidding process is considerably longer than standard construction projects, with more onerous and detailed requirements demanded within bidding submissions. As such, bid costs are typically higher than standard construction projects.
- PFI projects are typically financed by a high proportion of debt. Due to the length of the project and the time taken for revenue to be generated, considerably more external finance is required to fund PFI projects. The debt repayment profile is fixed at the point that revenue streams are

expected to commence from the customer. If the project is delivered late, the debt repayments have to be satisfied without an income stream from the project.

The materialisation of any of the foregoing risks could have an adverse impact on the NewCo Group's business, results of operation and financial condition.

1.10 ***The NewCo Group is exposed to counterparty credit risks***

While the NewCo Group regularly reviews the financial solvency of potential commercial counterparties, it is possible that certain customers, sub-contractors, joint venture partners or suppliers may become insolvent or elect to default under their contracts. If a counterparty were to default on a payment obligation to the NewCo Group, the NewCo Group may not be able to collect the amounts owed to it; and some or all of such amounts might need to be written off. Where the NewCo Group pays suppliers in advance, this would increase the NewCo Group's exposure to the credit risk in relation to those suppliers. Furthermore, if a counterparty, such as a subcontractor, supplier or joint venture partner, becomes insolvent or is otherwise unable to meet its obligations in connection with a particular project, the NewCo Group could need to find a replacement to carry out that party's obligations or, alternatively, fulfil the obligations itself which may increase the costs to the NewCo Group. Accordingly, any significant defaults or performance delays on the part of commercial counterparties could increase costs or liabilities for the NewCo Group, which could adversely impact its profitability and financial condition.

1.11 ***The NewCo Group operates in highly competitive environments***

The NewCo Group operates in highly competitive markets. The NewCo Group's competitors include other local, regional and national UK construction companies that compete with the NewCo Group for projects. In addition, new competitors may enter markets in which the NewCo Group operates, which could impair the NewCo Group's ability to win public procurement processes at economically viable levels, or at all.

In Construction, contractors, service providers and suppliers, which can either be national or regionally focussed, compete for new work through a process of competitive tendering or bilateral negotiation. An entity's reputation, prior experience with a customer and pricing will all have a bearing on winning new work. In order to tender successfully for contracts the NewCo Group may need to agree to lower prices or less favourable contract terms than it would typically expect to agree to. Failure to ensure quality control within Construction may also have a negative impact on reputation potentially leading to increased costs and claims or reducing the NewCo Group's ability to win new work.

The NewCo Group's competitors may have greater financial, technical and operating resources or capabilities. The sectors in which the NewCo Group operates are highly competitive on the basis of both price and service. A failure by the NewCo Group to compete effectively could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

1.12 ***The NewCo Group may incur procurement delays on Government-related projects on which it works***

Certain Government-related projects on which the NewCo Group may work may require relevant approvals from Government ministers or senior civil servants. It is possible that, due to difficulties obtaining such approvals, projects might be delayed before procurement has started, during the tender stage or during the period between the appointment of a preferred bidder and the exchange of contracts. These matters are likely to be beyond the control of the NewCo Group, and any resulting delays could affect future revenue streams of the NewCo Group, and have a material adverse effect on the NewCo Group's operating results and financial condition.

1.13 ***The NewCo Group may not have its long-term framework agreements renewed***

The NewCo Group has a significant number of panel appointments under long term framework agreements where work is either allocated to or tendered for by the panel appointees. As a result, there is no certainty of future revenue to the NewCo Group from these appointments, as they rely on discretionary allocation or successful tendering for work. In any 12 month period, a number of long-term framework agreements would become due for renewal, with 12 due for renewal over the next 12 months. During the last 12 months prior to the date of this document, the NewCo Group has been reappointed to most of the framework contracts for which it has reapplied on renewal. If these agreements are not renewed or replaced, or if there is a material change in their terms, the NewCo Group is exposed to costs resulting from a reduction in the size of the relevant operations, including redundancies, and loss of revenue. This could have an adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

1.14 ***The NewCo Group may not be able to realise fully the revenue recorded in its contracting order book***

As at 30 June 2019, Construction had an order book of £2.9 billion (being the balance of work to be delivered from contracts secured and/or in progress together with the estimated value of new work to be delivered from current framework contracts).

The NewCo Group's order book is not necessarily indicative of the NewCo Group's future revenue and should not be relied on as such as it may be adjusted following withdrawal of buyers, new contracts, early cancellation of existing contracts (in which case the NewCo Group is generally not entitled to compensation for anything other than reasonably incurred costs) or changes in the scope of projects in progress.

Caution should be exercised when comparing the NewCo Group's order book to that of other companies, as it is a measure that is neither required, nor specified in its calculation, by IFRS. Other companies may calculate order books differently, and similar measures are used by different companies for differing purposes and based on differing assumptions and are often calculated in ways that reflect the circumstances of those companies.

Financial situation

1.15 ***The NewCo Group may suffer adverse tax consequences as a result of changes in tax law or other factors***

Tax rules may change, and new taxes may be introduced. Any change in the NewCo Group's tax status (including as a result of the Proposals), in taxation legislation or its interpretation, or in HMRC practice, could affect the NewCo Group. References in this document concerning the taxation of the NewCo Group are based upon current tax law and practice (as at the date of this document) that are subject to change, possibly with retrospective effect. Any such change could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

1.16 ***An inability to obtain additional surety bonds could limit the NewCo Group's future growth***

The NewCo Group is often required to provide surety bonds to secure the NewCo Group's performance under development agreements and other arrangements. The NewCo Group's ability to obtain additional surety bonds may be restricted by market conditions. For example, from 2008 to 2011, as a result of the financial crisis, surety bonds in the UK became difficult to obtain and their costs increased. If the NewCo Group is unable to obtain additional surety bonds when required, this could limit the ability of the NewCo Group to secure or commence new projects, and therefore could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

1.17 ***The NewCo Group may not be able to access debt financing on favourable terms***

The Existing Group has historically financed its operations in part from borrowings under available credit facilities. It is expected that following receipt of the Cash Consideration on Completion the Existing Group's current credit facilities will be prepaid and cancelled and subsequently the NewCo Group will not have any credit facilities shortly following Admission. However, the NewCo Group may in the future seek bank borrowings or issue debt for future expansion and development of the business in the longer term. No assurance can be given as to the availability of such financing at the relevant time or, if available, whether it would be on acceptable terms. If, in the longer term, the NewCo Group does not successfully obtain financing (should it be required to fund its future investments), this may constrain the NewCo Group's ability to grow by limiting investments in new projects, which could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

1.18 ***Restrictions in the terms of the NewCo Group's borrowings may restrict the NewCo Group's activities or business plans***

Any credit facilities or other borrowings entered into by the NewCo Group may impose certain restrictions on the NewCo Group, which could limit the NewCo Group's ability to operate freely and to take actions which the Board considers desirable. These may include restrictions on the NewCo Group's ability to create or permit to subsist any charges, liens or other encumbrances in the nature of a security interest; incur additional indebtedness by way of borrowing, leasing commitments, factoring of debts or granting of guarantees; make any material changes in the nature of its business as presently conducted; sell, transfer, lease or otherwise dispose of all or a substantial part of its assets; amend, vary or waive the terms of certain acquisition documents or give any consent or exercise any discretion thereunder; acquire any businesses; or make any co-investments or investments. If the NewCo Group were to seek to vary or waive any of these restrictions (for example, in the aftermath of material adverse movements in the valuation of its assets) and the relevant lenders did not agree to such variation or amendment, the restrictions may limit the NewCo Group's ability to plan for or react to market conditions or meet capital needs or otherwise restrict the NewCo Group's activities or business plans and adversely affect the NewCo Group's ability to finance ongoing operations, strategic acquisitions and investments.

Legal and regulatory risk

1.19 ***The NewCo Group could be adversely affected by uncertainty, disruption or other consequences of the result of the UK's decision to leave the EU***

On 23 June 2016, the UK held a referendum in which a majority of voters voted in favour of the UK leaving the EU (commonly referred to as '**Brexit**'). The result of the referendum has created uncertainty surrounding the economy of the UK and other EU countries. The UK's decision to leave the EU may adversely impact economic conditions, increase market volatility, increase political and regulatory uncertainty and cause operational disruption (including reduced access to EU markets), which could have adverse effects on the NewCo Group's business and profitability.

As a result of the referendum, the UK Government is currently negotiating the terms of the UK's future relationship with the EU. The effects of Brexit will depend on any agreements arising out of such negotiations which the UK Government makes to retain access to EU markets either during a transitional period or more permanently. Although it is unknown what the terms of those agreements will be, it is possible that such agreements will lead to greater restrictions on the free movement of goods, services, people and capital between the UK and the remaining EU countries and increased regulatory complexities. The effects of Brexit could also lead to legal uncertainty and potentially divergent national laws and regulations which may, directly or indirectly, impact the NewCo Group's customers, suppliers and employees, as the UK determines which EU laws to adopt, replace or amend, which may increase compliance costs and the cost to the NewCo Group of carrying out business generally.

If no formal withdrawal agreement is reached between the UK and the EU, then it is currently expected that the UK's membership of the EU will automatically terminate on 31 January 2020 unless a further extension is agreed between the UK and EU, though there is no guarantee that the other EU countries would agree to an extension.

Consequently, the result of the referendum is likely to cause uncertainty surrounding, and disruptions to, the NewCo Group's business, including affecting its relationships with the NewCo Group's existing and future customers, suppliers, employees and sub-contractors, which may have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations. Brexit could also create significant UK (and potentially global) stock market uncertainty, which may have a material adverse effect on the net asset value and the price of Ordinary Shares.

1.20 ***Exposure to domestic political developments***

Political change has the potential to directly affect the NewCo Group through the introduction of new laws (including tax laws) or regulations or indirectly by altering customer sentiment. Any future change in government in the UK could significantly affect the NewCo Group due to changes in government policy, legislation or regulatory interpretation. It is possible that the effects of such political change will include financial instability and slower economic growth, significant regulatory changes, currency fluctuations and higher unemployment and inflation in the UK at least in the short to medium term. It could also create constraints on the ability of the NewCo Group to operate efficiently in the future political environment.

1.21 ***The NewCo Group's business in Scotland may be adversely impacted in the event that a Scottish referendum votes for independence***

Whilst Construction's revised focus has seen Construction's withdrawal of its Infrastructure division from the Scottish market, the Building and the Water businesses will continue to operate in Scotland. The Scottish independence referendum in September 2014 voted against independence but it is possible that a new referendum in the future would lead to a different voting outcome. The pursuit of a further referendum on Scottish independence is the stated policy of the current Scottish government. In the event that there was a vote in favour of independence, this could lead to a range of effects which could be negative to the NewCo Group's business in Scotland including increased costs and taxation rates in Scotland and a decrease in investment in the construction sectors in Scotland. In the event that any of these effects materialise, this could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

1.22 ***The NewCo Group's business is subject to complex and substantial regulations which may change***

The NewCo Group is required to comply with a wide range of laws, regulations, administrative requirements and policies in the UK which relate to, among other matters, planning, developing, building, land use, fire, health and safety, environment, employment, bribery, competition and money laundering. Changes in relevant laws, regulations or policies, or the interpretation thereof, including retrospective application thereof, may give rise to substantial compliance, remediation and other costs, and could prohibit or severely restrict the NewCo Group from developing and building in certain locations. There may also be changes in law or regulation between the time when initial planning permission is given for a particular site and when the NewCo Group begins construction, which may cause delays, increase costs, reduce the expected rate of return or make a proposed development financially unviable.

Internal control risk

1.23 ***The NewCo Group may have to increase its provisions relating to legacy projects***

The NewCo Group has a number of significant building and infrastructure projects which were entered into on a fixed price, all risk basis (being major contracts under which the NewCo Group takes all the delivery risk for a price that is fixed at the outset) prior to the end of 2014 (referred to as legacy projects in this document). Following Bill Hocking's appointment as Chief Executive of Construction in September 2015, the Existing Group changed its tendering policy and no longer enters into significant infrastructure contracts on a fixed price, all risk basis. The strategy of the business does not contemplate entering into new major fixed price all risk infrastructure contracts. This reflects the broader shift of emphasis in Construction towards a model focussed on improving profitability through the prudent management of risk. The NewCo Group continues to make good progress in resolving issues relating to legacy projects, most of which are now complete on site and no longer incurring significant project expenditure, with continuing uncertainties relating to final settlements, claim recoveries and claims from sub-contractors. These legacy projects refer to fewer than ten individual contracts, of which only AWPR has an assumed recovery greater than £10 million (the three contracts with a single client referred to at paragraph 1.4 are not considered to be a legacy project). Whilst the NewCo Group has reasonable confidence around the cost position on those projects, inevitably some degree of intrinsic uncertainty remains in relation to the amounts to be recovered with respect to some significant claims, which could in turn have a material adverse impact on the NewCo Group's financial position. For example, in respect of the AWPR contract, over the last three financial years, £152 million of exceptional losses have been recorded.

1.24 ***The NewCo Group relies on its senior management team and may be unable to attract and/or retain key managers or a highly-skilled and experienced workforce***

The success of the NewCo Group's businesses depends on recruiting, retaining and developing highly skilled, competent people at all levels of the organisation. In particular, the NewCo Group has a strong senior management team who have significant experience in the construction industry, and have developed strong reputations and relationships among those with whom the NewCo Group does business. The NewCo Group's future success depends in large part upon the continued service of its senior management team, who are critical to the overall management of the NewCo Group as well as the development of its business, culture and strategic direction.

The loss of any member of the senior management team or the inability to attract and/or retain key managers or skilled employees generally could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

1.25 ***A failure in, or cyber attacks on, the NewCo Group's information technology ("IT") systems and infrastructure could disrupt the NewCo Group's businesses or result in the inappropriate disclosure of confidential information***

The NewCo Group is dependent on reliable and efficient IT systems. The NewCo Group also routinely transmits and receives personal, confidential and proprietary information by email and other electronic means and therefore relies on the secure processing, storage and transmission of such information. The NewCo Group's financial, accounting, data processing, IT, communications or other systems and facilities, and/or third party infrastructure on which the NewCo Group relies, may: (i) fail to operate properly or become disabled as a result of events that are wholly or partially beyond the NewCo Group's control; and (ii) be vulnerable to unauthorised access and data loss (from within the organisation or by third parties), computer viruses, malicious code, cyber threats that have a security impact, and the interception or misuse of information transmitted or received by the NewCo Group. The Existing Group has suffered limited data protection breaches in the past and there can be no assurances that the NewCo Group will not suffer such events in the future. Where the collation of data has been centralised within a business function, it is more likely that a data protection breach would result in the loss of a large amount of data. The Existing Group has put in place data security provisions, which will be retained by the NewCo Group, and that the Company believes are appropriate, in particular in respect of its centralised IT function, but breaches may still occur. If one or more of such events occur, it could result in the loss of the NewCo Group's or its customers' confidential and other information, or otherwise cause interruptions or malfunctions in the NewCo Group's, its customers' or third parties' operations. The NewCo Group may be required to expend significant additional resources to modify its protective measures or to investigate and remedy vulnerabilities or other exposures, and it may be subject to litigation, reputational harm and financial losses that are either not insured against or not fully covered through any insurance maintained by it.

Any of the foregoing could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

1.26 ***The NewCo Group may suffer from errors during implementation of new IT systems***

From time to time the NewCo Group may implement new or upgraded IT systems. The implementation of new IT systems could distract management from other critical business operations. Issues may be experienced during the implementation of new IT systems, either within a business or businesses or across the NewCo Group, which may potentially lead to increased costs resulting from errors in, for example, the planning of projects. The failure to properly implement new IT systems may also impact the ability of the NewCo Group to properly report on its financial performance or comply with its other regulatory requirements. Any of the foregoing could have a material adverse impact on the NewCo Group's business, prospects, financial condition and/or results of operations.

Environmental, social and governance risk

1.27 ***The operations of the NewCo Group involve health, safety and environmental ("HSE") risks***

Operating in the construction industry poses certain HSE-related risks. A significant HSE incident at one of the NewCo Group's developments or general deterioration in the NewCo Group's HSE standards could put the NewCo Group's employees, contractors, sub-contractors or the general public at risk of injury or death and could lead to litigation, significant penalties or damage to the NewCo Group's reputation. Construction's accident frequency rate (calculated as the number of RIDDOR accidents per 100,000 hours worked) in the financial year ended 30 June 2019 was 0.11 (which is a good performance by industry standards) but there have been two fatalities on projects operated by Construction in the last three years. Currently, the NewCo Group is involved in civil action in respect of the fatality of a subcontractor at the Stanton Cross development in its role as principal contractor, and there can be no assurance that further claims will not be made against the NewCo Group in the future in relation to these or other incidents. Any damage to its reputation resulting from HSE issues could thus have a negative impact on its ability to generate new business.

Any failure in HSE performance, including any delay in responding to changes in HSE regulations, particularly in light of evolving standards and potential new implementing legislation, may result in penalties for non-compliance with relevant regulatory requirements. Payment of penalties could adversely affect the Company's ability to make distributions to Shareholders and lead to reputational damage to the NewCo Group.

2. RISKS RELATING TO THE PROPOSALS

2.1 ***The NewCo Group could have significant indemnification obligations to Bovis Homes as a result of the Demerger***

The terms of the Sale and Purchase Agreement govern the allocation of the assets and liabilities of the businesses between the NewCo Group and Bovis Homes, as well as their post-Demerger obligations to each other in respect of, among other things, certain indemnities including in respect of TUPE, the implementation of certain restructuring steps, certain historic matters in relation to the Transferring Pension Schemes (capped at £9.9 million) and certain ongoing disputes involving the Disposal Group (capped at £3 million, plus 15 per cent. of any losses to the Disposal Group in excess of £5 million). The amounts payable by the NewCo Group pursuant to such indemnity obligations could be significant and could have a material adverse effect on the NewCo Group's business, financial condition and operating results.

2.2 ***After the Proposals become effective, the NewCo Group could fail to meet the challenges involved in operating successfully as a stand-alone business***

Following the Demerger, the Company will need to operate as an independent publicly listed company. In preparation for the Demerger, the NewCo Group has reviewed its standalone arrangements in a wide range of areas including finance, IT and shared services, and will need to ensure that any restructuring of these services does not negatively impact the NewCo Group.

However, there remains a risk that the NewCo Group could suffer operational difficulties without access to the support, services, financial strength and assets from the Existing Group following the Demerger, which could have an adverse effect on the NewCo Group's business and result in the NewCo Group failing to realise any or all of the anticipated benefits of the Demerger.

Although the Board expects that the Proposals will result in benefits to the NewCo Group, the revised stand-alone nature of the NewCo Group as a construction business may result in challenges such as (a) retaining key personnel; (b) demonstrating to interested parties (including potential customers, suppliers and employees) that the Proposals will not result in adverse changes in standards of business; and (c) difficulty in marketing and communicating effectively the capabilities of the NewCo Group as a stand-alone business. Any failure of the NewCo Group to meet the challenges involved could have a material adverse effect on the NewCo Group's business, reputation, financial condition and operating results.

2.3 ***As a result of the Demerger, the NewCo Group's ability to attract and retain clients may be adversely affected and third parties may modify or terminate their relationships with the NewCo Group***

The Demerger could impact customers' perceptions of the NewCo Group and, therefore, adversely affect the ability of the NewCo Group to attract and retain customers. Additionally, the Demerger may prompt third parties to re-price, modify or terminate their contractual relationships with the NewCo Group, which may adversely affect the ability of the NewCo Group to retain a competitive network. In response to any of the foregoing, individually or together, the NewCo Group may be forced to lower its service levels or its prices, or take other actions to manage and/or maintain its relationships with clients and third parties.

Should any of the consequences set out above occur, individually or together, the NewCo Group may suffer an adverse impact on its business, financial condition, results of operations and prospects.

2.4 ***Some or all of the anticipated benefits of the Proposals may not be realised***

Whilst the Board believes that the Proposals will deliver additional long-term value to Shareholders, the Proposals entail execution risks and significant costs, and there can be no guarantee that the NewCo Group will realise any or all of the anticipated benefits in a timely manner or at all. If the Proposals do not deliver the anticipated benefits, the NewCo Group may be unable to realise returns to Shareholders.

2.5 ***The Demerger may not complete***

Completion of the Demerger is subject, among other things, to the approval of the Demerger by Galliford Try Shareholders at the General Meeting, the confirmation of the Scheme and the Galliford Try Capital Reduction by the Court and the registration of the New Topco Capital Reduction with the Jersey Financial Services Commission.

3. RISKS RELATING TO THE ORDINARY SHARES

Risks related to the nature of the securities

3.1 ***There are certain limitations as to the NewCo Group's ability to pay dividends***

Under the Act, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. The Company's ability to pay cash dividends in the future is affected by a number of factors including its ability to receive sufficient dividends from any subsidiaries. The payment of dividends to the Company by any subsidiaries is, in turn, subject to restrictions, including certain regulatory requirements and the existence of sufficient distributable reserves and cash in such subsidiaries.

The ability of such subsidiaries to pay dividends and the Company's ability to receive distributions from its investments in other entities is subject to applicable laws and regulatory requirements and other restrictions. These laws and restrictions could limit the payment of dividends and distributions to the Company by any subsidiaries, which could in future restrict the Company's ability to fund other operations or to pay a dividend to holders of the Ordinary Shares.

3.2 ***The Company may be classified as a passive foreign investment company for US federal income tax purposes, which could subject US investors of the Company's ordinary shares to significant adverse US federal income tax consequences***

A foreign corporation will be a passive foreign investment company for US federal income tax purposes (a "**PFIC**") in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look-through rules," either (i) at least 75 per cent. of its gross income is "passive income," or (ii) at least 50 per cent. of its assets produce or are held for the production of "passive income." For this purpose, "passive income" generally includes dividends, interest, royalties and rents and certain other categories of income, subject to certain exceptions. Galliford Try has not determined if it has been a PFIC in any prior taxable year but it believes it may have been a PFIC for the taxable year ended 30 June 2019. The determination of whether Galliford Try is a PFIC, or whether the Company will be a PFIC, is a fact-intensive determination that includes ascertaining the fair market value (or, in certain circumstances, tax basis) of all of its assets on a quarterly basis and the character of each item of income it earns. This determination is made annually and cannot be completed until the close of a taxable year. Whether the Company is a PFIC will depend upon the portion of the Company's assets (including goodwill) and income characterised as passive under the PFIC rules. Accordingly, a final determination as to PFIC status will not be made until after the end of the Company's current taxable year, which is the taxable year ending 30 June 2020. Even if Galliford Try was not previously a PFIC, or if the Company determined that it was not a PFIC for the taxable year ending 30 June 2020, it is possible that the Company may become a PFIC due to changes in its income or asset composition or a decline in the market value of its equity. Because PFIC status is a fact intensive determination, no assurance can be given that the Company is not, has not been, or will not become, classified as a PFIC.

If the Company were to be classified as a PFIC in any taxable year, US Holders generally would be subject to special tax rules that could result in materially adverse US federal income tax consequences. Further, prospective investors should assume that a "qualified electing fund" election, which, if made, could serve as an alternative to the general PFIC rules and could reduce any adverse consequences to US Holders if the Company were to be classified as a PFIC, will not be available because the Company does not expect to provide US Holders with the information needed to make such an election. A "mark-to-market" election may be available, however, if the Company's ordinary shares are regularly traded. For more information, consult a tax adviser concerning the US federal income tax consequences of acquiring, owning or disposing of the Ordinary Shares if the Company is or becomes classified as a PFIC.

3.3 ***Shareholders may not be able to exercise pre-emption rights or participate in future issues of Ordinary Shares and Shareholders outside the UK may not be able to participate in future issues of Ordinary Shares***

Securities laws of certain jurisdictions outside the UK (including the US) may restrict the participation, or the Company's ability to allow participation, by certain Shareholders in such jurisdictions in any future issue of Ordinary Shares or of other securities carried out by the Company. In the case of a future allotment of new Ordinary Shares for cash, existing Shareholders have certain statutory pre-emption rights unless those rights are disapplied by a special resolution of the Shareholders at a general meeting. An issue of new Ordinary Shares not for cash or when pre-emption rights have been disapplied could dilute the interests of the then-existing Shareholders. Even where pre-emption rights do apply, holders of Ordinary Shares who are located in the US may not be able to exercise pre-emption rights unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. Unless the Company is otherwise required by reason of its US shareholder base to register under the Exchange Act, there can be no assurance that the Company will file any such registration statements, or that an exemption to the registration requirements of the Securities Act will be available, which would result in certain Shareholders in the US being unable to exercise pre-emption rights. Securities laws of certain other jurisdictions may restrict the Company's ability to allow participation by Shareholders in such jurisdictions in any future issue of Ordinary Shares or of other securities carried out by the Company. This could have an adverse impact on the market price of the Ordinary Shares and the ability of the Company to raise funds to meet its business requirements.

3.4 ***The ability of Overseas Shareholders to bring action or enforce judgments against the Company or the Directors may be limited***

The ability of an Overseas Shareholder to bring an action against the Company or its Directors may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of holders of Ordinary Shares are governed by English law and by the Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. In particular, English law significantly limits the circumstances under which shareholders of companies may bring derivative actions. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Company or its Directors who are residents of the UK.

3.5 ***Shareholder ownership percentages may be diluted in connection with issues of equity by the Company in the future***

The NewCo Group may decide to issue new equity in the future, for example to effect a future acquisition. In addition, the granting of employee share options in respect of Ordinary Shares will, for certain levels of employees, be an integral element of the NewCo Group's compensation policies. An offering of Ordinary Shares by the Company or significant grants of Ordinary Shares could dilute ownership and thereby have an adverse impact on the market price of outstanding Ordinary Shares.

Risks related to the admission of the securities to trading on a regulated market

3.6 ***There is no prior trading record for the Ordinary Shares***

Since the Ordinary Shares have not previously traded, their market value is uncertain. Following Admission, the market price of the Ordinary Shares may be volatile and may go down as well as up. The NewCo Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. At the same time, equity market conditions may affect the Ordinary Shares regardless of the NewCo Group's operating performance. Stock market conditions are affected by many factors, such as general economic and political conditions, terrorist activity, movements in, or outlook on, interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards the construction sector and the supply of and demand for capital. In addition, the price of Ordinary Shares could be negatively affected by the occurrence of any of the risks described in this document. Accordingly, the market price of Ordinary Shares may not reflect the underlying value of the NewCo Group's assets, and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the NewCo Group while others may be outside its control.

3.7 ***Significant trading volumes of Ordinary Shares in the public market in the period post-Demerger could impact the share price***

Following Admission of the Ordinary Shares there may be a period of relatively high volume trading in the Ordinary Shares as the shareholder register of the Company finds its natural composition. The Directors are unable to predict whether substantial amounts of the Ordinary Shares will be sold in the open market following Admission. Sales of a substantial number of the Ordinary Shares in the public market after Admission, or the perception that these sales might occur, could depress the market price of the Ordinary Shares.

3.8 ***Shareholders may be subject to exchange rate risks***

The Ordinary Shares are priced in Pounds Sterling, and will be quoted and traded in Pounds Sterling. In addition, any dividends the Company may pay will be declared and paid in Pounds Sterling. Accordingly, Shareholders resident in non-UK jurisdictions are subject to risks arising from adverse movements in the value of their local currencies against the pound, which may reduce the value of the Ordinary Shares, as well as that of any dividends.

PART 3

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

All references to times in the timetable below are to London (UK) times.

Event	*Time and/or Date*
Publication of this document	**25 November 2019**
Court Meeting	**10.00 a.m. on 29 November 2019**
General Meeting	**10.15 a.m. on 29 November 2019**[1]
The following times and dates are indicative only and are subject to change[2]	
Court Hearing and Galliford Try Capital Reduction confirmation hearing	**17 December 2019**
Listing hearing for Ordinary Shares	**20 December 2019**
Last day of dealings in, and for registration of transfers of, and disablement of CREST for, Galliford Try Shares	**2 January 2020**
Expected date of Completion	**3 January 2020**
Cancellation of listing and trading of Galliford Try Shares	**8.00 a.m. on 3 January 2020**
Admission of the Ordinary Shares	**8.00 a.m. on 3 January 2020**
Crediting of Ordinary Shares to CREST accounts	**on or soon after 8.00 a.m. on 3 January 2020**
Despatch of certificates for Ordinary Shares	**by 16 January 2020**

1. The General Meeting will commence at 10.15 a.m. on the day of the Court Meeting or as soon thereafter as the Court Meeting shall have concluded or been adjourned.

2. These times and dates are indicative only and may be subject to change, in which event details of the new times and dates will be notified to Galliford Try Shareholders by announcement through a Regulatory Information Service.

PART 4

IMPORTANT INFORMATION

General

No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, Rothschild & Co, HSBC and/or Peel Hunt. Without prejudice to any obligation of the Company to publish a supplementary prospectus in accordance with the Prospectus Regulation Rules, the delivery of this document shall not, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the NewCo Group since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The contents of this document are not to be construed as legal, business or tax advice. Each Galliford Try Shareholder should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice in relation to any action in respect of the Galliford Try Shares or the Ordinary Shares.

None of the Company, the Directors, Rothschild & Co, HSBC and/or Peel Hunt is making any representation to any Galliford Try Shareholder or purchaser of the Galliford Try Shares or Ordinary Shares regarding the legality of such an investment.

Any investment decision relating to the Galliford Try Shares or Ordinary Shares should be based on the consideration of this document in its entirety.

Presentation of Historical Financial Information

The Historical Financial Information was prepared in accordance with IFRS and IFRS interpretations.

The financial information presented in a number of tables and in a number of other places in this document has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Certain financial information presented in this document has been presented including joint ventures, stated net of interest and taxation and before exceptional items and certain remeasurements. Part 11 (*Operating and Financial Review*) of this document explains the basis on which exceptional items and certain re-measurements have been presented separately.

Presentation of non-IFRS financial measures

Parts of this document contain non-IFRS financial measures (including the key performance indicators such as revenue, including Construction's share of joint ventures' revenue, profit from operations, which is profit stated before finance costs, amortisation, exceptional items, share of joint ventures' interest and tax, taxation and operating profit margin, which is profit from operations as a percentage of revenue), which the Directors and management use to evaluate Construction's performance and the Directors believe provide meaningful, additional insight as to underlying performance.

A reconciliation of these non-IFRS measures to the IFRS financial statements is provided in Part 9 (*Historical Financial Information*) of this document. The Directors have included these measures as they use them to measure business performance. An investor should not consider such measures as alternatives to profit after tax, operating profit or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities as a measure of Construction's activity.

Construction's non-IFRS financial measures may not be comparable with similarly titled financial measures reported by other companies.

Presentation of key performance indicators and operating measures

In this document, Construction discusses certain key performance indicators ("**KPIs**"). These are used by the Directors to analyse Construction's business and financial performance and to track Construction's progress and help develop long-term strategic plans. The Directors regularly review Construction's KPIs. The Directors consider that an understanding of these KPIs and the trends that may affect Construction's performance in future periods is important to investors and analysts.

Amongst Construction's KPIs and operating measures as presented in this document are Revenue, Profit from Operations, Order Book and Gearing. A reconciliation of these non-IFRS measures and details of how they are calculated are set out in Part 9 (*Historical Financial Information*) of this document.

Proportional consolidated measures

Construction has construction activities in which it holds 100 per cent. and some which it holds through stakes in joint ventures or through joint contractual arrangements. These are classified as either joint ventures or joint operations. In Construction's IFRS financial statements, joint ventures are accounted for on an equity basis (included as a single profit figure in the IFRS Income Statement and as a single investment figure on the IFRS Balance Sheet). Joint operations are accounted for by Construction recognising its share of profits and losses in the consolidated income statement and its share of associated assets and liabilities in the consolidated balance sheet. In operational terms, Construction manages joint ventures and joint operations in substantially the same way as it manages its wholly-owned activities. Unless specifically stated, KPIs and financial measures in this document are stated in consideration of Construction's wholly-owned assets and its share of joint venture assets on a 'proportional consolidated' basis taking into account 100 per cent. of wholly-owned assets and a percentage equal to Construction's stake in respect of joint venture assets.

Proportional consolidated (non-IFRS) financial measures that have been presented in this document include gross revenue on a proportional consolidated basis, where stated, and other measures where indicated.

Management information

The information contained in this document includes certain estimated statements, including relating to market size. Unless otherwise stated, these statements are management estimates. While management believes this information to be reliable, it has not been assessed or confirmed by independent sources.

Market, economic and industry data

The market, economic and industry data used in this document has been obtained by the Company from various third party reports, including the Housing Market Intelligence Report 2019 as identified in this document.

Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. The NewCo Group confirms that information sourced from a third party has been accurately reproduced, and as far as the NewCo Group is aware and has been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, in many cases the NewCo Group has made statements in this document regarding its industry and its position in the industry based on internal surveys as well as its own experience.

Forward-looking statements

Certain information contained in this document, including information as to the NewCo Group's strategy, market position, plans or future financial or operating performance, constitutes "forward-looking statements". Generally, words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "seek", "continue" or similar expressions identify forward-looking statements.

These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the NewCo Group and are difficult to predict, that may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Such factors include, but are not limited to: (i) general macroeconomic conditions and activity in the markets in which the NewCo Group operates; and (ii) without prejudice to the working capital statement in paragraph 8 of Part 13 (*Additional Information*) of this document, the NewCo Group's ability to implement its business strategy.

These statements are further qualified by the risk factors disclosed in this document that could cause actual results to differ materially from those in the forward-looking statements. See Part 2 (*Risk Factors*) of this document for further details. For the avoidance of doubt, nothing in this document constitutes a qualification of the working capital statement contained in paragraph 8 of Part 13 (*Additional Information*) of this document.

These forward-looking statements speak only as at the date of this document. Except as required by the rules contained in the Prospectus Regulation Rules, the Listing Rules, the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules or other applicable regulations, the Company does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the rules contained in the Prospectus Regulation Rules, the Listing Rules, the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules or other applicable regulations, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

No forecasts or estimates

No statement in this document is intended as a profit forecast or estimate for any period.

No statement in this document should be interpreted to mean that earnings, earnings per share or income, cash flow from operations or free cash flow for the NewCo Group, for the current or future financial years would necessarily match or exceed the historical published earnings, earnings per share or income, cash flow from operations or free cash flow for the NewCo Group.

Notice to all investors

THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY, NOR SHALL THERE BE ANY SALE, ISSUANCE OR TRANSFER OF THE SECURITIES REFERRED TO IN THIS DOCUMENT IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

This document has been lodged with the FCA. Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the Ordinary Shares is prohibited. By accepting delivery of this document, each recipient agrees to the foregoing.

Without limitation, neither the contents of the websites of the Existing Group nor any other website form part of this document. Capitalised terms have the meanings ascribed to them in Part 15 (*Definitions and Interpretation*) of this document. References to times in this document are to London times unless otherwise stated.

Investors should read the entire document and any document incorporated by reference and, in particular, the section headed "Risk Factors" set out on pages 11 to 25 of this document.

Shareholders in the United States

Shareholders are advised that the Ordinary Shares will not be, nor are they required to be, registered under the Securities Act.

The Company has not been and will not be registered under the Exchange Act. The Company intends to comply with the information supplying requirements of Rule 12g3-2(b) under the Exchange Act, which would require it to publish on its website information that: (a) it has made or is required to make public in the UK; (b) it has filed or is required to file with the FCA and which is made public by the FCA; or (c) it has distributed or is required to distribute to its Shareholders.

Securities to be issued to Galliford Try Shareholders pursuant to the New Topco Capital Reduction should not be treated as “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and persons who receive securities in the New Topco Capital Reduction may resell them without restriction under the Securities Act. However, Shareholders who are affiliates (within the meaning of the Securities Act) of Galliford Try before implementation of the New Topco Capital Reduction or are affiliates of the Company after implementation of the New Topco Capital Reduction will be subject to timing, manner of sale and volume restrictions on the sale in the United States of Ordinary Shares received in connection with the New Topco Capital Reduction, pursuant to Rule 144 under the Securities Act. Persons who believe they may be affiliates of Galliford Try or the Company should consult their own legal advisers before any sale of Ordinary Shares received as part of the New Topco Capital Reduction.

The Ordinary Shares are expected to receive premium listing status on the Official List. The Company does not intend to list the Ordinary Shares on a US securities exchange or obtain a quotation for the Ordinary Shares on any inter-dealer quotation system in the United States or to take any other action to facilitate the creation of a market in the Ordinary Shares in the United States. Consequently, it is unlikely that an active trading market in the United States will develop for the Ordinary Shares.

The Ordinary Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Enforcement of civil liabilities

The ability of an Overseas Shareholder to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England. The rights of holders of Ordinary Shares are governed by English law and by the Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. In particular, English law significantly limits the circumstances under which shareholders of companies may bring derivative actions. Under such law generally, only a company can be the proper pursuer or claimant in proceedings in respect of wrongful acts committed against it. In addition, it may be difficult for an Overseas Shareholder to prevail in a claim against the Company under, or to enforce liabilities predicated upon, non-UK securities laws.

An Overseas Shareholder may not be able to enforce a judgment against some or all of the Directors and executive officers. All of the Directors and executive officers are residents of the UK. Consequently, it may not be possible for an Overseas Shareholder to effect service of process upon the Directors and executive officers within the Overseas Shareholder’s country of residence, including in the United States, or to enforce against the Directors and executive officers judgments of courts of the Overseas Shareholder’s country of residence, including in the United States, based on civil liabilities under that country’s securities laws. There can be no assurance that an Overseas Shareholder will be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the UK against the Directors or executive officers who are residents of the UK or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or executive officers in any original action based solely on the foreign securities laws brought against the Company or the Directors in a court of competent jurisdiction in England or other countries.

PART 5

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	**Name**	**Position**
	Peter Ventress	*Chairman*(2)(3)
	Bill Hocking	*Chief Executive*
	Andrew Duxbury	*Finance Director*
	Terry Miller	*Senior Independent Non-executive Director*(1)(2)(3)
	Gavin Slark	*Independent Non-executive Director*(1)(2)(3)
	Jeremy Townsend	*Independent Non-executive Director*(1)(2)(3)
	Marisa Cassoni	*Independent Non-executive Director*(1)(2)(3)

Notes:

(1) Member of the Audit Committee

(2) Member of the Nomination Committee

(3) Member of the Remuneration Committee

The usual business address of the Directors is Galliford Try Holdings plc, Cowley Business Park, Cowley, Uxbridge, Middlesex UB8 2AL, United Kingdom

Company Secretary Kevin Corbett

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PART 6

INFORMATION ABOUT THE COMPANY, THE NEWCO GROUP AND CONSTRUCTION

Galliford Try Shareholders should read this Part 6 (Information about the Company, the NewCo Group and Construction) in conjunction with the other information contained in this document including the financial and other information appearing in Part 8 (Directors and Employees), Part 9 (Historical Financial Information) and Part 11 (Operating and Financial Review) of this document.

1. INFORMATION ABOUT THE COMPANY AND THE NEWCO GROUP

1.1 *History and development of the Company*

The Company was incorporated and registered in England and Wales on 19 September 2019 under the Act as a private company limited by shares with the name New Goldfinch Limited and registered number 12216008.

On 31 October 2019, the Company changed its name to Galliford Try Holdings Limited and, on 6 November 2019, re-registered as a public limited company. The Company has not traded since it was incorporated. As further set out in paragraph 10 below, the Company will be the holding company of Galliford Try.

1.2 *History and development of the NewCo Group*

Galliford Try, which is the current holding company of the Existing Group, is one of the UK's leading UK housebuilding, regeneration and construction groups[1]. Until 2 January 2020, it is anticipated that the Galliford Try Shares will be traded on the London Stock Exchange. The Existing Group currently has three divisions: Linden Homes, Construction and Partnerships & Regeneration. In the years ended 30 June 2017, 2018 and 2019, Galliford Try had revenue of £2,820.2 million, £2,931.6 million and £2,713.5 million, respectively and profit from operations of £171.2 million, £213.1 million and £177.8 million, respectively.

Galliford Try was formed in September 2000 from the merger of two quoted companies, Galliford plc and Try Group plc, each having construction and housebuilding activities. The merger was effected through an offer by Galliford plc for Try Group plc and the company was renamed Galliford Try. Galliford plc was incorporated in February 1965 and listed on the London Stock Exchange in March 1972.

Since the merger in 2000, Galliford Try grew both its construction and housebuilding businesses through organic investments and through selective acquisitions. In February 2006, Galliford Try purchased Chartdale Homes, a Lincolnshire based housebuilder, for a net purchase price, including expenses, of £68.7 million and in March 2006 purchased Morrison Construction, a UK-based construction and PFI business, for £39.7 million.

In March 2007, Galliford Try completed the acquisition of Linden Homes for £244.5 million, comprising £108.5 million in cash and the assumption of Linden Homes' net debt, financing the acquisition through a placing and open offer that raised net proceeds of £146.6 million.

In September 2009, Galliford Try raised gross proceeds of £125.6 million through a rights issue primarily to increase the Existing Group's ability to acquire land at advantageous rates.

In July 2014, Galliford Try acquired Miller Construction, a UK construction business delivering building and infrastructure projects to both the public and private sectors, for £16.6 million in cash.

In May 2015, Linden Homes acquired the Yorkshire based housebuilding land assets of Shepherd Homes, comprising six existing sites and five sites in planning totalling a landbank of 515 plots.

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[1] Source: Housing Market Intelligence Report 2019.

In May 2017, Galliford Try acquired Drew Smith, a mixed tenure developer with relationships in the Registered Provider and regeneration markets, for £27.1 million in cash.

In April 2018, Galliford Try raised gross proceeds of £157.6 million through a rights issue primarily to cover over run costs in relation to the AWPR contract (compounded by the compulsory liquidation of Carillion plc) and to strengthen the Existing Group's balance sheet.

On 1 July 2019, Galliford Try Partnerships Limited acquired Strategic Team Group Limited, a well-established contracting and land-led developer for £11.0 million in cash (of which £2.0 million is deferred), enabling Partnerships & Regeneration to expand its regeneration offering and accelerate its delivery in Yorkshire and the North West.

On 8 November 2019, Galliford Try posted the Galliford Try Circular to Galliford Try Shareholders in relation to the Proposals, further details of which are set out in paragraph 10 below and in the Galliford Try Circular.

Following the Proposals becoming effective in accordance with their respective terms, the NewCo Group will operate Construction.

2. CONSTRUCTION OVERVIEW

2.1 *Overview*

Construction operates across the UK, offering clients the benefit of national strength with local delivery from its regional offices. Construction covers multiple markets, with a focus on the public and regulated sectors, and has a significant number of panel appointments under framework contracts, providing a solid pipeline of work.

Construction's results for the year ended 30 June 2019 achieved revenue of £1,386.8 million with a pre-exceptional loss from operations of £15.0 million and an overall loss from operations of £61.5 million. While Construction achieved a good underlying performance with the underlying portfolio of newer contracts performing well with margins that reflect their associated risk profile, the overall result was substantially affected by some legacy contract resolutions and additional costs to complete, including on the AWPR contract, substantially concluded in early 2019, as well as a write down on several other contracts and restructuring costs arising from a strategic review of the business.

Construction, operating predominantly in the public and regulated sectors, continues to benefit from a strong order book, maintained at £2.9 billion for the year ended 30 June 2019, with an encouraging pipeline of opportunities from the current and planned investment in the nation's infrastructure. However, the current political uncertainty may see new public sector bids being slow to reach contract award.

Construction operates nationwide, primarily under the Galliford Try and Morrison Construction brands. The network of regional offices is a key advantage, enabling it to deploy its national strength using a local approach.

Construction is organised into the Building, Infrastructure and PPP Investments divisions. It also includes facilities management, dry lining and piling businesses.

2.2 *Strategy*

In April 2019, Galliford Try announced a strategic review of Construction that would reduce the size of the business, focusing on its key strengths in markets and sectors with sustainable prospects for profitability and growth. In response to the conclusions of that strategic review, Construction has increased its operational focus and simplified its structure. It is now concentrating on markets and clients with long-term growth and profitability potential, such as its regional building, highways and water operations, where it has a track record of success, supported by a robust tendering process and contract discipline. The review included an assessment of operational progress and contract positions throughout Construction. Consequently, Construction's realigned divisions are as follows:

- "**Building**" serves a range of clients across the UK, retaining a substantial presence in Scotland. It works with clients in the public and regulated sectors, in particular the health, education and defence markets, and rail and aviation sectors. Building also serves commercial clients, mainly in the South East and Midlands.
- "**Infrastructure**" carries out civil engineering projects, specialising in the highways and water sectors.
- "**PPP Investments**" delivers major building and infrastructure projects through public private partnerships. It leads bid consortia and arranges finance, making equity investments and managing construction through to operations.

Following the Proposals becoming effective in accordance with their respective terms, the NewCo Group will receive the Cash Consideration, in addition to the transfer to Bovis Homes of the Existing Group's 10-year debt private placement of £100 million and the transfer to Bovis Homes of Galliford Try's rights and obligations in relation to the Galliford Try Final Salary Pension Scheme and the Kendall Cross (Holdings) Ltd Assurance and Pension Scheme. The Directors believe that the NewCo Group will be a well-capitalised, construction-focused group, strongly positioned for future success following the recent restructuring and focus on its core operations, supported by a robust order book and £41.6 million of PPP assets (as at 30 June 2019).

Going forward, Construction's strategy to 2021 is to:

- *retain its solid platform for sustainable growth*: Construction has a number of important strengths, including its high-quality people, health and safety standards, its national coverage with local delivery, its order book, its excellent panel position on framework contracts and its focus on the public and regulated sectors. Construction intends to maintain and build on these strengths, which provide a solid foundation from which it can grow the business;
- *improve its operations to drive margin progression*: Construction has identified several areas in which it needs to continue to improve, which will support its margin progression. These include its approach to managing risk in project selection and its operations, its ability to continue to attract, retain and develop a diverse workforce, further modernisation of its systems, enhancements to its communication tools and continuing to align its supply chain with operations; and
- *deliver strong, predictable cash flows and margin improvement*: ensuring Construction only bids for high-quality work with appropriate margins, while continuing to improve the way Construction works, will enhance its margins over the period to 2021. This, in turn, will help Construction to deliver consistent and growing cash flows, which will support its investment in growth elsewhere in Construction.

2.3 *Recent contracts and outlook*

2.3.1 *Building*

During the financial year ended 30 June 2019, Building won the contract on the Winchburgh and Calderwood Education bundle for West Lothian Council worth £72 million. Building also secured the £50 million project to build the Assembly Bristol mixed-use development for Bell Hammer and AXA IM-Real Assets.

Building was appointed by The Portman Estate to deliver the new AHMM-designed £55 million rebuild of 1-4 Marble Arch, London. It was also appointed by BAE Systems in a £23 million deal to construct new facilities to station a reformed Typhoon squadron at RAF Coningsby in Lincolnshire. Building was also successful in being appointed by Nottingham City Council to redevelop the Broadmarsh car park in a £43 million contract.

Building was reappointed to the North Wales Construction Partnership, with the anticipated value of the framework being £500 million (being appointed to Lot 5 for projects worth £10 million and over). It was also reappointed to the Southern Construction Framework (being appointed to Lot 1 for South West England, including projects of £2 million and above, Lot 2 for projects of £4 million and above across South East England and Lot 3 for projects of £5 million and above within London).

Building's order book was £2,045 million as at 30 June 2019 (£2,423 million as at 30 June 2018).

2.3.2 *Infrastructure*

During the financial year ended 30 June 2019, Infrastructure secured the contract to upgrade the Keadby pumping station near Scunthorpe for the Environment Agency. In addition, it won two places on the Highways England Delivery Integration Partnership. The places are on Lot 4 in the South West, which is valued at £800 million over six years, alongside one other supplier, and on Lot 7 in the east of England, which is valued at £2.8 billion alongside two other suppliers.

Infrastructure also won a £19.9 million contract from the Environment Agency to design and build an improved flood defence scheme at Burton-on-Trent in Staffordshire. It was appointed to three frameworks for Scottish Water Horizon, the commercial arm of Scottish Water. The estimated value of these frameworks is up to £45 million over the two-year term. It has also secured a place on the new edition of the Midlands Highways Alliance framework. The total value of the work is £500 million over the four-year term which will be shared among four contractors.

Infrastructure was reappointed to Warwickshire County Council's construction works framework. Specifically, the Highways business unit was assigned to Lots 3 and 4 covering 'major highway, structural and other civil engineering works'.

Infrastructure's order book was £825 million as at 30 June 2019 (£876 million as at 30 June 2018).

In September 2019, Galliford Try announced that Infrastructure had been appointed to new projects valued at a total of £461 million, of which the largest is a series of five projects in the eastern region valued at £300 million to upgrade the A47 between Great Yarmouth and Peterborough.

In October 2019, Galliford Try announced that Infrastructure had been appointed to AMP7 frameworks worth approximately £340 million, including with Southern Water and Yorkshire Water.

2.3.3 *PPP Investments*

PPP Investments is a good source of work for the Building, Infrastructure and facilities management divisions, enabling them to be named preferred bidder on more than £222 million of work during the year to 30 June 2019. The most significant project was the Winchburgh and Calderwood education campus, for West Lothian Council, valued at £72 million.

With little new public-private partnership activity in the year, PPP Investments focused on progressing development-style projects. At the year-end it was named preferred bidder on four private rented sector schemes, with a total capital value of around £175 million. Once secured, these will provide additional work for Construction.

PPP Investments reported revenue of £31.5 million in the year to 30 June 2019 (2018: £21.7 million), with a profit from operations of £4.5 million (2018: £6.8 million). During the year to 30 June 2019, the Existing Group invested £22.7 million in equity and sold investments that generated an aggregate profit on disposal of £6.9 million (2018: £5.5 million).

As at 30 June 2019, the PPP Investments' portfolio was £41.6 million, equivalent to the fair value included in the balance sheet following the implementation of IFRS 9 on 1 July 2018 (and a value invested of £34.9 million) (2018 valuation: £32.6 million, value invested: £26.1 million). In addition to the sums currently invested, PPP Investments has five further investments in the construction phase with a total committed investment of approximately £9 million.

The following table sets out certain key performance metrics for Construction during the periods indicated.

	Year ended 30 June[1]		
	2019	**2018**	**2017**
Order book by segment[2] (%)			
Public	79	75	74
Regulated	4	9	13
Private	17	16	13
Order book by sector[3] (£m) – Building			
Education	576	760	1,051
Health	411	424	296
Commercial	305	330	297
Other Public Sector	150	185	213
Defence	179	178	248
Facilities Management	469	494	474
	2,090	2,371	2,579
Order book by sector[4] (£m) – Infrastructure			
Water	122	232	361
Roads	442	430	331
Rail & Aviation	156	201	217
Other Civil Engineering	59	85	119
	779	948	1,028
Work secured[5]	89 per cent.	89 per cent	85 per cent.

1. Latest balances as presented in September each year.
2. Proportion of total Construction (Building and Infrastructure) order book.
3. Balance of work to be delivered from contracts secured and/or in progress together with the estimated value of new work to be delivered from current framework contracts.
4. Balance of work to be delivered from contracts secured and/or in progress together with the estimated value of new work to be delivered from current framework contracts.
5. Value of work secured as a proportion of the total forecast workload for the following financial year.

2.4 *Current trading*

As set out in the Galliford Try Circular, since Galliford Try announced its preliminary results on 11 September 2019 there has continued to be political and macroeconomic uncertainty affecting the markets in which Construction operates. Consequently, the Board anticipates that the results of Construction will be more weighted to the second half of the financial year than in previous years due to both this market uncertainty and the settlement of certain claims in the first half year, with operational performance improving in the second half of the year. Galliford Try is continuing its negotiations with Transport Scotland in relation to the AWPR claim, although the latest proposal put to Galliford Try is less than the amount assumed and if settled would result in a cash inflow but an asset write off. Separately its £54 million claim for three contracts with a single client remains ongoing (in respect of which corresponding counterclaims have been received since the publication of the Galliford Try Circular, which the NewCo Group will vigorously defend). As noted in paragraph 11 of Part 13 (*Additional Information*) of this document, the FRC is currently reviewing certain aspects of the Existing Group's accounting treatment, including in relation to the AWPR contract and other third-party claims.

As set out in paragraph 9 of Part 13 (*Additional Information*) of this document, there has been no significant change in the financial performance or financial position of the Existing Group (excluding the Disposal Group) since 30 June 2019.

2.5 ***Key trends***

The UK needs to upgrade its social and economic infrastructure, with the extent of the spending required shown by the 2016 National Infrastructure Delivery Plan, which sets out a five-year £100 billion investment programme. Investment in infrastructure is one of the most efficient ways of stimulating economic growth and has to happen, regardless of Brexit or the performance of the wider economy. Construction specialises in critical areas in need of investment, including health, education, defence, water and highways. These sectors are each headed up by sector leads, enabling Construction to better hone its approach in each area. The revised focus of the business following the strategic review in April 2019 means Construction will concentrate on those areas that it is best able to deliver.

2.6 ***Project development***

Construction enters into various types of contracts with clients in Construction including: fixed price building contracts; cost plus contracts; target cost contracts; framework contracts; and long-term PFI projects. Fixed price building contracts reflect a fixed price that the client will pay to the contractor for the project (for the works described in the building contract) assuming that the client does not request any changes to the project during construction and that none of the events listed in the building contract occur, which would allow the contractor to claim more money (such as unexpected ground conditions). Cost plus contracts allow the contractor to recover all its costs plus an agreed profit (usually expressed as a percentage) and as such, is typically a lower risk route of procurement for a contractor. Target cost contracts allow the contractor and employer to share the gain or loss arising from cost outcomes that differ from the target. Framework contracts typically allow a client to allocate individual projects to one of a number of preferred contractors (who would have pre-qualified to be a part of the framework), with costs sometimes set by a pre-agreed schedule of rates (at the start of the framework period).

Construction identifies new contract opportunities through its business development teams and, for public sector tenders over a certain financial threshold, through the Official Journal of the European Community (OJEU). The bidding process varies by project, but may include pre-qualification questionnaires that consider the ability of Construction to perform the project, various tender meetings and presentations, and extensive bid documentation. Construction's internal tender review and approval processes depend on an assessment of the nature and complexity of the project, its size and the contractual terms. The largest projects will require approval from the NewCo Group's executive management team and the Board.

Construction looks to manage risk at every stage of a project, from carefully assessing opportunities through to maintaining the finished asset. It is highly selective about the type and scale of work it takes on, emphasising the quality of its revenue rather than the volume, and ensuring that each new project contains sufficient allowances for risk, margin and inflation. Construction has changed its tendering policy and no longer enters into major infrastructure projects on a fixed price, all risks basis (being major contracts under which the NewCo Group takes all the delivery risk for a price that is fixed at the outset). Construction has a preference for operating on frameworks and for two-stage tender processes that are not purely price dependent. Its presence on numerous framework contracts further reduces its risk profile, by allowing it to work collaboratively with clients. Construction operates through a network of regional offices, giving it in-depth knowledge of local markets, enabling it to build strong relationships with clients and suppliers, and helping it to retain local talent.

On award of a project, the relevant regional office is responsible for mobilising the relevant resources and appointing the supply chain to the project. Construction uses its own procurement capabilities for materials, although some specialist materials may be sourced by the relevant sub-contractor. Construction recognises the importance of its supply chain, so building successful relationships with its partners is vital. Construction's 'Advantage through Alignment' scheme increases engagement with leading supply chain members, improves communication and gives them insight into the business' pipeline of work and its operations. It also allows them to benefit from Construction's training programmes and practices, including its award-winning health and safety programme. Wherever practical, working with local businesses is prioritised.

Projects typically have various review and approval stages built into the contract, including receipt of certificate of practical completion at the end. There will then follow a contractual defect period during which Construction is required to make good any identified defects. This process is undertaken by the project team working with the client or their agent. Contracts also include other project management requirements, which may include regular communication and reporting, long stop dates and other matters. The project management, and client relationship, is led by directly employed commercial and technical team members, and is overseen by the regional office Managing Director.

Construction receives regular contractual payments from its clients as work progresses. It aims to generate a profit by carefully assessing the risk and margin of each project, collaborating with its supply chain, and delivering repeat work through framework contracts.

2.7 ***Clients***

Construction seeks clients who value a collaborative approach and aims to become their long-term partners, including the many framework contracts on which it is already appointed. Construction's approach to collaboration has been accredited to ISO 44001, which replaced BS 11000. Construction's clients include the public sector, regulated sector and private sector, and at 30 June 2019, 83 per cent. of its order book was in the public and regulated sectors.

2.8 ***Example projects***

- West Calder High School, West Lothian – Hub South East and West Lothian Council: the new West Calder High School was successfully handed over in June 2018. The £32 million 1,100 capacity secondary school in West Calder is West Lothian Council's largest ever single investment in education and includes a swimming pool, floodlit 3G sports pitch, and sports facilities for school and community use.

- Royal Edinburgh Campus Phase 1 – Hub South East and NHS Lothian: the £45 million redevelopment of the Royal Edinburgh Hospital is a major commitment from NHS Lothian to improving mental health services. Phase one was successfully handed over in 2017 and includes new accommodation for the adult acute mental health inpatient service, older people's mental health assessment, intensive psychiatric care service and the new Robert Fergusson national brain injury unit. Future phases are in development.

- Lincoln Eastern Bypass for Lincolnshire County Council: this new 7.5km road will link the A158 Wragby Road roundabout to the A15 at Bracebridge Heath and is the penultimate step in creating a ring road for the city. The £72 million project aims to improve Lincoln's infrastructure, encourage growth, minimise traffic congestion and enhance the inter-city environment.

- Catterick Garrison for the Defence Infrastructure Organisation: the refurbishment and rebuild of the Marne and Bourlon Barracks at Catterick Garrison in a £60 million project. The refurbishment scheme took place under the Army Basing Programme (ABP), which is providing the necessary facilities the British Army needs to live, work and train in the UK as it returns from Germany and rebases across the UK in line with the Army 2020 plan.

- 1-9 Seymour Street for The Portman Estate: the redevelopment of the 1970s former Marylebone Police Station to provide a multi-functioning building offering 78,500 sq. ft. of commercial and office space over six floors, as well as 24 residential units.

- Godiva Place for Regents Godiva: the 24,500 sqm. 770-bed student residence facility comprises five blocks of four to nine storeys in a £40 million scheme. En-suite bedrooms are in studio and cluster flat arrangements, with couples or close friends having the option to share in twin rooms or 'twudios' with their own kitchen and study area. Communal facilities include social spaces, reception, laundry, study areas and bicycle racks.

- Tornagrain Wastewater Treatment Works for Scottish Water: the three-year project near Inverness involved complex wastewater works to future-proof prime development land while connecting the new town of Tornagrain, the nearby Inverness Airport Business Park and Castle Stuart Golf Links. Works included construction of a new sewer, extended outflow into the Moray Firth and expanded treatment plant in the village.

2.9 *Principal markets and competition*

The order book for Construction remains robust and, as at 9 September 2019, it had already secured 89 per cent. of planned revenue for the 2020 financial year. Construction's focus is on contract quality and risk management, and it will continue to be rigorous in project selection, with revenue expected to remain broadly stable year-on-year as a result. Newer work has been operating under these parameters and performance to date has been encouraging and is supportive of the Company's target margins. As Construction's legacy contracts are completed, margins are expected to improve towards its target of at least 2.0 per cent.

The sectors Construction focuses on have high market demand, barriers to entry and capacity constraints. Regulated sectors produce steady work, as clients fulfil their business plans.

Construction continues to benefit from areas such as defence which are now starting to see long-term capital funding programmes come to fruition and sectors such as education and highways, where longstanding framework contracts have allowed Construction to capitalise on the greater opportunities coming forward. For example, Infrastructure won contracts and positions on frameworks worth over £497 million during the financial year ended 30 June 2019. This included winning two places on the Highways England Delivery Integration Partnership, on Lot 4 in the South West, valued at £800 million over six years, alongside one other supplier, and Lot 7 in the East of England, valued at £2.8 billion alongside two other suppliers.

Construction's revised focus has seen Construction withdraw its Infrastructure division from the Scottish market, whilst the Building and the Water businesses will continue to operate in Scotland.

2.10 *Key strengths*

A well-placed Building division and an experienced water and highways contractor

For the year ended 30 June 2019, Building won contracts and positions on frameworks worth over £580 million. This included being appointed contractor for the Winchburgh and Calderwood Education Bundle. The business was successfully reappointed to the North Wales Construction Partnership and to the Southern Construction Framework, which is a collaboration between Deon and Hampshire County Councils that covers the South and South East including London. It also won a contract to deliver the major new Assembly Bristol mixed-use development. The Building division has also been successful with private sector clients, in particular winning work to construct student residences and private rented schemes.

Construction specialises in critical areas in need of investment, including health, education, defence, water and highways. These sectors are each headed up by sector leads, enabling Construction to better hone its approach in each area. The revised focus of Construction following the strategic review means Construction will concentrate on those areas that it is best able to deliver. Construction has positions on numerous frameworks in water and highways, including Highways England Collaborative Delivery Framework, Environment Agency's Water and Environmental Management Framework and Natural Resources Wales, AMP6 – Yorkshire Water, Scottish Water and Southern Water, Smart Motorways Programme, Highways England pavements, Midland Highways Alliance and the South Tyneside Council highways programme, which ensures a pipeline of attractive work.

A major national contractor

The UK Government remains committed to investing in and maintaining the UK's infrastructure. The sectors that Construction focuses on have high market demand, barriers to entry and capacity constraints. Regulated businesses produce steady work as clients fulfil their business plans. Construction operates across the UK, offering clients the benefit of national strength with local expertise and delivery from its regional offices. Construction covers multiple markets, with a focus on the public and regulated sectors, and Construction has a significant number of panel appointments under framework contracts, providing a solid pipeline of work.

As at 30 June 2019, approximately 83 per cent. of Construction's order book was from the public and regulated sectors. Construction's order book is conservatively stated with projects only included when there is a high degree of certainty that they will generate future revenues. Construction is a key contractor for the water industry and defence sector and is also particularly strong in education and health projects.

Strong management team with considerable industry experience

Construction benefits from strong industry experience both at the divisional and board level. Construction has a strong and experienced management team with complementary skills across managing, developing and investing in assets and a demonstrable track record of managing Construction's assets.

3. SURETY BONDS

Construction is often required to provide its construction clients with performance bonds, in their favour, to secure Construction's performance under the contract. Construction typically uses the surety market to provide such performance bonds, and currently has bonding arrangements with six providers. The ability to obtain additional surety bonds primarily depends upon Construction's past performance, management expertise and certain external factors, including the capacity of the surety market. Surety providers consider such factors in addition to Construction's performance and claims record and such providers' underwriting standards.

4. JOINT VENTURES

Construction works with carefully chosen joint venture partners, allowing it to take on a broader range of projects, share risk and rewards and reduce its capital investment compared with undertaking the project alone. Construction chooses financially strong partners who share its values, working closely together in critical areas such as health and safety so as to maintain the high standards that it targets in its own business. The partners to Construction's joint contractual arrangements are usually engineers, other contractors or consultants or, as on some framework contracts, in particular for Construction's water projects, a combination of those partners.

Construction carries out some large projects in joint contractual arrangements. For example, the water division of Construction has been appointed by Southern Water as Delivery Partner for two of its design and build frameworks starting in 2020 and running for five years, and by Yorkshire Water's AMP7 frameworks, working with design partner GHD, to the 'complex civils' framework covering the design, build and refurbishment of clean and waste water treatment assets, reservoirs and pumping stations.

Construction has previously used joint contractual arrangements to complete major infrastructure projects, including the Queensferry Crossing and AWPR. The collapse of one of the joint venture partners on AWPR, Carillion plc, caused significant financial impact to the Existing Group and there is no guarantee that other joint venture partners will not fail. However, there are no joint ventures in which the NewCo Group holds a significant proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

5. OPERATING SUSTAINABILITY

Sustainability continues to underpin Construction's approach and remains central to its strategy. Construction seeks to balance financial performance with its obligations to all its stakeholders, with a view to creating value over the long term. This approach is guided by Construction's Sustainability and Social Value Policy, the aim of which is to assess its sustainability risks and opportunities, and thereafter take appropriate steps to mitigate negative impacts and enhance positive impacts. The policy focuses on Construction's sustainability impacts in relation to six fundamental areas. These areas cover the manufactured, intellectual, human, social and relationship, and natural capitals.

6. HEALTH AND SAFETY

Health and safety is Construction's top priority and Construction is committed to achieving industry leading health, safety and environmental standards.

In particular, Construction has worked to adapt its Challenging Beliefs, Affecting Behaviour safety programme during the past financial year, including by developing an app and website to make accessing information easier and for sharing best practice.

Construction has continued to roll out its virtual reality training for health and safety, with interactive films covering underground services, the plant/pedestrian interface and falling objects. This initiative was awarded Best Use of Technology: Health, Safety & Wellbeing at New Civil Engineer magazine's Techfest. The key initiative for 2020 is to streamline the business management system, fully incorporating health and safety into Construction's operational requirements. Wellbeing will also be a continued focus. Construction has appointed a new wellbeing lead and was shortlisted for the Mates in Mind Impact Awards 2019, with its Assurance Director receiving the inaugural Individual Champion Award.

7. ENVIRONMENTAL MATTERS

Construction has been accredited to the following standards: ISO 14001: 2015, 1SO 44001: 2017, ISO 9001: 2015, PAS 1192 achieved and recommended for ISO 19650 and BS OH SAS 18001.

The Directors are committed to proactive environmental management, so as to minimise the impact of Construction on the natural environment and the community at large. Construction continues to participate in the National Community Wood Recycling Project, which reuses or recycles waste wood, and also takes part in the Community RePaint Scheme, which distributes unused paint to people, communities and charities in need.

The Company is of the opinion that there are no environmental issues which may affect the NewCo Group's utilisation of its tangible fixed assets.

8. INTELLECTUAL PROPERTY

The Directors believe that Construction's trade names (including Morrison Construction and Galliford Try), as well as related logos, are strong brands known throughout their areas of operation.

Construction has four registered trademarks in respect of the Galliford Try brand in the UK and has held these marks since 2 July 2001.

9. REASONS FOR THE LISTING

This document has been prepared in connection with (a) the Demerger, and (b) the proposed Admission of the Enlarged Share Capital to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities following the Demerger, in order for the NewCo Group to continue trading as the new ultimate parent company of the NewCo Group and operating Construction. Other than the Ordinary Shares issued to holders of New Topco B Shares in consideration for the transfer of Galliford Try, no new shares in the Company are to be offered or issued to shareholders as part of Admission.

10. SUMMARY OF THE PRINCIPAL TERMS OF THE TRANSACTION

The Transaction will be undertaken pursuant to the terms of the Sale and Purchase Agreement and related agreements. A summary of the principal terms and conditions of the Sale and Purchase Agreement is set out in paragraph 7 of Part 13 (*Additional Information*) of this document.

On the basis of the Bovis Homes closing share price on 9 September 2019, being the last Business Day prior to the announcement of the high-level terms of the Transaction, the Transaction values the Disposal Group at £1.075 billion.[2] The consideration will be satisfied through:

- the issue to Galliford Try Shareholders of 63,739,385 new Bovis Homes Shares (in aggregate) (the "**Consideration Shares**"), valued at £675 million on the basis of the closing price of a Bovis Homes Share on 9 September 2019 (which would equate to 0.57406 Bovis Homes Shares for each Galliford Try Share based on 111,032,617 Galliford Try Shares in issue);
- the payment by Bovis Homes of £300 million in cash to Galliford Try (adjusted based on the TGAV of the Disposal Group at Completion) (the "**Cash Consideration**"); and
- the assumption by Bovis Homes of Galliford Try's obligations under its £100 million 10-year debt private placement (the "**PP Bond**").

At Completion, Bovis Homes will also assume Galliford Try's rights and obligations under two of Galliford Try's pension schemes. The Consideration Shares received by Galliford Try Shareholders will rank *pari passu* in all respects with existing Bovis Homes Shares, save that they will not be entitled to receive the Bovis Homes second interim dividend, which is expected to be declared in lieu of the Bovis Homes 2019 final dividend, for the year ending 31 December 2019.

In order to implement the Transaction, it will be necessary for the Existing Group to carry out the Restructuring (including the Scheme) in order to enable Galliford Try Shareholders to receive the benefit of the Transaction in a tax efficient manner whilst simultaneously ensuring that Galliford Try receives the relevant cash proceeds to support the NewCo Group after Completion. The material steps of the Restructuring are summarised below.

A new Jersey registered company ("**New Topco**") has been incorporated, which will hold the entire issued share capital of Galliford Try. The insertion of New Topco will be effected by way of the Scheme. Under the terms of the Scheme, all existing Galliford Try Shares will be cancelled and Galliford Try Shareholders will receive one New Topco A Share for every Galliford Try Share that they hold.

Upon the Scheme Effective Time, Galliford Try will transfer Linden Homes to New Topco such that Linden Homes becomes a subsidiary of New Topco. Galliford Try will retain the Linden Homes Special Share, which will have been recently issued by Linden Homes, in order to facilitate the payment of the post-Completion TGAV adjustment.

New Topco will undertake a bonus issue of shares to Galliford Try Shareholders such that each Galliford Try Shareholder will receive one New Topco B Share for each New Topco A Share that they hold. The New Topco B Shares are to be issued to facilitate the Demerger of the NewCo Group. The New Topco A Shares will carry an entitlement to the returns in New Topco attributable to Linden Homes. The New Topco B Shares will carry an entitlement to the returns attributable to the NewCo Group and Partnerships & Regeneration.

New Topco will then undertake a reduction of capital pursuant to which each of the New Topco B Shares will be cancelled. The reduction of capital will be satisfied by the transfer of the entire issued share capital of Galliford Try (including its ownership of Partnerships & Regeneration and Construction) to the Company. In exchange for the shares in Galliford Try, the Company will issue Ordinary Shares to Galliford Try Shareholders on the basis of one Ordinary Share for every New Topco B Share held by that Galliford Try Shareholder. Following the New Topco Capital Reduction, Bovis Homes (or a nominated group company of Bovis Homes) will acquire Partnerships & Regeneration and the Linden Homes Special Share from Galliford

2 On the basis of the Bovis Homes closing share price on 6 November 2019, being the last Business Day prior to the announcement of the Transaction, the Transaction values the Consideration Shares at £741 million and the Disposal Group at £1.141 billion.

Try in exchange for the Cash Consideration and the assumption of Galliford Try's obligations under the PP Bond. At this step, the Transferring Pension Schemes will also be transferred from Galliford Try to Bovis Homes.

Applications will be made to the FCA and London Stock Exchange for the Enlarged Share Capital to be admitted to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities.

PART 7

INFORMATION CONCERNING THE ORDINARY SHARES

1. DESCRIPTION OF THE TYPE AND CLASS OF SECURITIES ADMITTED

The Ordinary Shares have been and will be created pursuant to the Act and the Articles and will be Pounds Sterling denominated ordinary shares of 50 pence each in the capital of the Company. On Admission, the Ordinary Shares will be registered with an ISIN of GB00BKY40Q38. The Ordinary Shares will trade under the symbol GFRD on the London Stock Exchange.

The Ordinary Shares are in registered form and will, following Admission, be capable of being held in uncertificated form. Prior to the despatch of share certificates, transfers will be certified against the register of members. The Company will apply to Euroclear UK & Ireland for the Ordinary Shares to be admitted to CREST with effect from Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles adopted conditionally upon Admission will permit the holding of Ordinary Shares under CREST. CREST is a voluntary system and holders of Ordinary Shares who wish to retain share certificates will be able to do so.

2. LISTING

Applications will be made to the FCA and London Stock Exchange for the Enlarged Share Capital to be admitted to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 3 January 2020.

3. DIVIDEND POLICY

The Company will target a dividend cover of around three times underlying earnings, provided that such dividend is at least covered by free cash flow generated in the period, given the importance to the Company of maintaining a strong capital base going forward. The first dividend paid under this policy will be declared with the interim results for the Company for the half year ending 31 December 2019, with the dividend based on underlying earnings excluding the contribution of the Disposal Group in the period.

4. RIGHTS AND RESTRICTIONS ATTACHING TO THE ORDINARY SHARES

The rights attaching to the Ordinary Shares including dividend rights, voting rights, pre-emption rights, rights to share in profits, rights on a winding up or liquidation are set out in the Articles incorporated by reference into this document (as stated in Part 14 (*Document Incorporated by Reference)* of this document).

Any restrictions on transfer of the Ordinary Shares including any provisions which would have the effect of delaying, deferring or preventing a change of control of the Company are set out in the Articles incorporated by reference into this document (as stated in Part 14 (*Document Incorporated by Reference*) of this document).

5. DESCRIPTION OF RESTRICTIONS ON FREE TRANSFERABILITY

Save as set out below, the Ordinary Shares are freely transferable.

The Company may, under the Act, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of Ordinary Shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can apply to the court for an order directing, amongst other things, that any transfer of the shares which are the subject of the statutory notice is void. Under the Articles, the Directors can also refuse to register a transfer where a person with an interest of at least 0.25 per cent. in the Company's certificated Ordinary Shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those Ordinary Shares.

The Directors may also, without giving any reason, refuse to register the transfer of any Ordinary Shares which are not fully paid.

6. MANDATORY TAKEOVER BIDS AND SQUEEZE-OUT AND SELL-OUT RULES

6.1 *Mandatory bids*

Upon Admission, the Takeover Code will apply to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of an acquirer and its concert parties to an interest in Ordinary Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending upon the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding Ordinary Shares in the Company at a price not less than the highest price paid for the Ordinary Shares in the Company by the acquirer or its concert parties during the previous 12 months. A similar obligation to make such a mandatory offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties) Ordinary Shares carrying between 30 to 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

6.2 *Squeeze-out*

Under the Act, if an offeror were to acquire, or unconditionally contract to acquire 90 per cent. of the shares to which the offer relates and 90 per cent. of the voting rights attached to those shares, within three months of the last day on which its offer can be accepted, it could compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

6.3 *Sell-out*

The Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of the right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

6.4 *Takeover bids*

No public takeover bid has been made in relation to Galliford Try during the last financial year or the current financial year or in relation to the Company during the current financial year.

7. TAXATION

Information regarding United Kingdom and United States taxation is set out in Part 12 (*Taxation*) of this document. If you are in any doubt as to your own tax position you should contact your professional adviser immediately.

8. FURTHER INFORMATION

Your attention is drawn to the additional information set out in Part 13 (*Additional Information*) of this document.

PART 8

DIRECTORS AND EMPLOYEES

1. DIRECTORS

1.1 *The Board*

The Board comprises five Non-executive Directors (including the Chairman) and two Executive Directors. Their names and principal functions are as follows:

Director	**Position**
Peter Ventress	Non-executive Chairman of the Board of Directors, Chair of the Nomination Committee and member of the Remuneration Committee
Bill Hocking	Chief Executive
Andrew Duxbury	Finance Director
Terry Miller	Senior Independent Non-executive Director and member of the Nomination Committee, the Audit Committee and the Remuneration Committee
Gavin Slark	Independent Non-executive Director and member of the Nomination Committee, the Audit Committee and the Remuneration Committee
Jeremy Townsend	Independent Non-executive Director, Chair of the Audit Committee and member of the Nomination Committee and the Remuneration Committee
Marisa Cassoni	Independent Non-executive Director, Chair of the Remuneration Committee and member of the Nomination Committee and the Audit Committee

There are no family relationships between any members of the Board.

The usual business address of the Directors is Galliford Try Holdings plc, Cowley Business Park, Cowley, Uxbridge, Middlesex UB8 2AL, United Kingdom.

Brief biographical details of the Directors are as follows:

Peter Ventress (age 58), Non-Executive Chairman of the Board of Directors, Chairman of the Nomination Committee and member of the Remuneration Committee

Peter Ventress joined the board of Galliford Try on 30 April 2015 and joined the Board on 31 October 2019. Peter was appointed as a Non-executive Director and Chairman designate of Bunzl plc, the specialist international distribution and services group, on 1 June 2019. He will assume the role of Chairman at the conclusion of Bunzl plc's Annual General Meeting in April 2020. He is also a Non-executive Director of Softcat plc and BBA Aviation plc. He was formerly a Non-executive Director of Premier Farnell plc and Staples Solutions BV and was Chief Executive Officer of European textile service business Berendsen plc from 2010 to 2016. Prior to this, he held several senior executive roles, including International President of Staples Inc and Chief Executive Officer of Corporate Express N.V. In 2008, he was appointed head of all Staples' activities outside the United States and Canada.

In addition to his directorship of the Company and any directorships of Existing Group companies, Peter Ventress holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

Company	Position	Status
1-3 Carlisle Place Limited	Director	Current
BBA Aviation plc	Director	Current
Berendsen plc	Director	Previous
Berendsen UK Limited	Director	Previous
Dunes Flats (Sandwich Bay) Limited (The)	Director	Current
Kent Catholic Schools' Partnership	Director	Current
Premier Farnell Limited	Director	Previous
Royal Cinque Ports Golf Club Limited	Director	Current
Softcat Plc	Director	Current
St Joseph's College Delasalle	Director	Previous
Staples Solutions B.V. (Netherlands)	Director	Current

Bill Hocking (age 55), Chief Executive

Bill Hocking was appointed to the executive board of Galliford Try as Managing Director of Construction on 1 September 2015 and assumed the role of Chief Executive of Construction with effect from 1 August 2016. Bill joined the Board on 19 November 2019. Bill joined the Existing 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 in 1990.

Other than his directorship of the Company and any directorships of Existing Group companies, Bill Hocking does not hold nor has he held in the past five years any other directorships (or positions on administrative, management or supervisory bodies), and he is not nor has he been a member of any partnerships in the past five years.

Andrew Duxbury (age 44), Finance Director

Andrew Duxbury joined the board of Galliford Try on 26 March 2019 as Finance Director and joined the Board on 31 October 2019. Andrew joined Galliford Try in March 2012 as Group Financial Controller and from 2016, held a number of operational finance roles, including Finance Director of Linden Homes. Andrew is a Fellow of the Institute of Chartered Accountants in England and Wales and, prior to joining Galliford Try, worked for PwC.

In addition to his directorship of the Company and any directorships of Existing Group companies, Andrew Duxbury holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

Company	Position	Status
BoxGrove Gardens Management Company Limited	Director	Previous
Cedar House Securities Limited	Director	Current
Crowdhill Green Management Company Limited	Director	Current
Folders Meadow Management Company Limited	Director	Current
Hawthorn Mews (Bedhampton) Residents Management Company Limited	Director	Current
Heath Wood (Felbridge) Management Company Limited	Director	Previous
Heathlands Residents Management Company Limited	Director	Previous
Hill Place Farm Developments Limited	Director	Current

Company	Position	Status
Montford Place Residents Management Company Limited	Director	Current
Parsonage Road (Horsham) Residents Management Company Limited	Director	Current
Primaria Limited	Director	Previous
Riverside (Godalming) Management Company Limited	Director	Previous
Sangs (Frimley) Management Company Limited	Director	Previous
Scholars Grange (Swanmore) Management Company Limited	Director	Current
Swanwick Lane Management Company Limited	Director	Current
The Graylingwell Community Management Company Limited	Director	Previous
The Piper Building Limited	Director	Previous
Upper Froyle Management Company Limited	Director	Previous
Wilmington Estate Management Company Limited	Director	Current

Terry Miller (age 68), Senior Independent Non-executive Director and member of the Audit Committee, the Nomination Committee and the Remuneration Committee

Terry Miller was appointed to the board of Galliford Try on 1 February 2014 and joined the Board on 19 November 2019. Terry is a Non-executive Director of Goldman Sachs International and Goldman Sachs International Bank, part of the multinational investment bank and financial services company Goldman Sachs Group. She is also a Non-executive Director of insurance company Rothesay Life. Terry was also a Trustee of the Invictus Games Foundation. She was previously General Counsel for the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG). Prior to her LOCOG appointment, Terry was International General Counsel for Goldman Sachs, having spent 17 years with Goldman Sachs based in London.

In addition to her directorship of the Company and any directorships of Existing Group companies, Terry Miller holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

Company	Position	Status
British Olympic Association (The)	Director	Previous
Goldman Sachs International	Director	Current
Goldman Sachs International Bank	Director	Current
EventingLive Limited	Director	Current
International Inspiration (Dissolved)	Director	Previous
Invictus Games Foundation	Director	Previous
IW Games Community Interest Company (Dissolved)	Director	Previous
Rothesay Holdco UK Limited	Director	Current
Rothesay Life plc	Director	Current
TLMServices Limited	Secretary	Current
TLMServices Limited	Director	Previous
The Deighton Family Foundation	Director	Previous
The Sebastian Coe Charitable Foundation	Director	Current

From 2013 to 2017, Terry Miller was a director of International Inspiration, which was voluntarily struck off in 2017 following its merger with another registered charity. From 2013 to 2016, Terry Miller was a director of IW Games Community Interest Company, which was voluntarily struck off in 2016 following the creation of the Invictus Games Foundation.

Gavin Slark (age 54), Independent Non-executive Director and member of the Audit Committee, Nomination Committee and Remuneration Committee

Gavin Slark joined the board of Galliford Try on 13 May 2015 and joined the Board on 19 November 2019. Gavin is currently Chief Executive Officer of Grafton Group plc, a publicly quoted distributor of building materials operating in the merchanting markets in the UK, Ireland, the Netherlands and

Belgium, in the DIY retailing market in Ireland and in the mortar manufacturing market in Britain. 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.

In addition to his directorship of the Company and any directorships of Existing Group companies, Gavin Slark holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

Company	**Position**	**Status**
Athina Limited (Ireland)	Director	Previous
Avelgemse Transportmaatschappij (Belgium)	Director	Previous
Bathroom Distribution Group UK Limited	Director	Current
Boole's Tools & Pipe Fittings Limited	Director	Previous
Boundary Bathrooms & Kitchens Limited	Director	Previous
British Dredging (Services) Limited	Director	Current
C.P.I Limited (Ireland)	Director	Previous
Chadwicks Holdings Limited (Ireland)	Director	Previous
CPI Mortars Limited	Director	Current
Frontline Bathrooms Ltd.	Director	Current
Grafton Group (UK) Public Limited Company	Director	Current
Grafton Group Finance Public Limited Company (Ireland)	Director	Previous
Grafton Group plc (Ireland)	Director	Current
Grafton Merchanting GB Limited	Director	Current
Grafton Merchanting ROI Limited (Ireland)	Director	Current
Macnaughton Blair Limited	Director	Current
Online Home Retail Limited	Director	Previous
Panelling Centre Limited	Director	Previous
Panelling Centre Limited (Ireland)	Director	Previous
Progress Group Limited	Director	Previous
Pulsar Direct Limited (Ireland)	Director	Previous
Roussel-Stichelbout Beton (Belgium)	Director	Previous
Selco Trade Centres Limited	Director	Current
Topez Limited (Ireland)	Director	Previous
Woodie's D.I.Y Limited (Ireland)	Director	Current
Youbuild N.V. (Belgium)	Director	Previous

Jeremy Townsend (age 55), Independent Non-executive Director, chair of the Audit Committee and member of the Nomination Committee and the Remuneration Committee

Jeremy Townsend was appointed to the board of Galliford Try on 1 September 2017 and joined the Board on 19 November 2019. Jeremy is currently the Chief Financial Officer of Rentokil Initial plc following his appointment in August 2010 and is a Fellow of the Institute of Chartered Accountants in England and Wales. Previously, Jeremy was Finance Director at Mitchells & Butlers plc and prior to that held various finance roles at J Sainsbury plc including Corporate Finance Director. Jeremy began his career in audit and corporate finance at Ernst & Young.

In addition to his directorship of the Company and any directorships of Existing Group companies, Jeremy Townsend holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

Company	Position	Status
Dee Townsend Solutions (UK) Limited	Director	Current
Kastos Investments LLP	Member	Current
Parkrun Global Limited	Director	Current
Parkrun Limited	Director	Previous
Parkrun Trading Limited	Director	Current
Rentokil Initial 1927 plc	Director	Current
Rentokil Initial plc	Director	Current

Marisa Cassoni (age 67), Independent Non-executive Director, chair of the Remuneration Committee and member of the Nomination Committee and the Audit Committee

Marisa Cassoni was appointed to the board of Galliford Try on 1 September 2018 and joined the Board on 19 November 2019. Marisa is a chartered accountant with more than 40 years' experience as a finance professional. Her previous roles include Group Finance Director of the John Lewis Partnership, Royal Mail Group, Britannic Assurance Group and Prudential UK Group. Marisa has over 20 years' experience as an Executive Board member and is currently a Non-executive Director of AO World plc and Ei Group plc. Marisa was also formerly a Non-executive Director of Skipton Building Society.

In addition to her directorship of the Company and any directorships of Existing Group companies, Maria Cassoni holds or has held in the past five years the following directorships (or positions on administrative, management or supervisory bodies), and is or has been a member of any of the following partnerships in the past five years:

Company	Position	Status
AO World plc	Director	Current
Ei Group plc	Director	Current
Jacob's Island (Providence Square Blocks A, B & C) Limited	Director	Current
Skipton Group Holdings Limited	Director	Previous
The People's Operator plc	Director	Previous

Save as indicated above, as at the date of this document, none of the Directors has performed any business activities outside the NewCo Group which are significant with respect to the NewCo Group.

1.2 ***Confirmations***

None of the Directors has at any time within the past five years prior to the date of this document:

1.2.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;

1.2.2 been adjudged bankrupt or the subject of any individual voluntary arrangement;

1.2.3 had a receiver appointed with respect to any assets belonging to him or her;

1.2.4 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies);

1.2.5 been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company;

1.2.6 been a partner in a partnership which, while he or she was a partner or within 12 months of his or her ceasing to be a partner, was put into compulsory liquidation or administration or entered into any partnership voluntary arrangement, or had a receiver appointed over any partnership asset; or

1.2.7 been a director or senior manager of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time while he or she was a director or senior manager of that company or within 12 months after his or her ceasing to be a director.

1.3 ***Conflicts of interest***

Other than as a result of any directorships of the Existing Group, any current interests in the share capital of Galliford Try or anticipated to be in the Company (as set out in this Part 8 (*Directors and Employees*)) and any current share options with Galliford Try or anticipated to be with the Company (as set out in Part 13 (*Additional Information*) of this document), none of the Directors has any potential conflicts of interests between their duties to the Company and their private interests or other duties.

2. DIRECTORS' SERVICE CONTRACTS, LETTERS OF APPOINTMENT AND EMOLUMENTS

2.1 ***Service contracts and letters of appointment***

The service contracts and letters of appointment for the Directors (which are being entered into conditional upon Admission) are detailed below:

	Contract date(1)	Notice period(2)(3)
Non-executive Directors		
Peter Ventress	30 April 2015	6
Terry Miller	1 February 2014	6
Gavin Slark	13 May 2015	6
Jeremy Townsend	1 September 2017	6
Marisa Cassoni	1 September 2018	6
Executive Directors		
Bill Hocking	1 September 2015	12
Andrew Duxbury	26 March 2019	12

(1) Contract dates shown are the Directors' initial contract as an executive or non-executive director, or other senior personnel, of Galliford Try. 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, who are also directors of Galliford Try, stood for re-election at Galliford Try's 2019 AGM and were re-elected.

(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 Galliford Try Nomination Committee, the Existing 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.

For Executive Directors, at the NewCo Group's discretion, a sum equivalent to 12 months' salary and benefits may be paid in lieu of notice. In the contracts of Bill Hocking and Andrew Duxbury there are mitigation provisions to pay any such lump sum in monthly instalments, subject to offset against earnings elsewhere. This will also be the case for any future appointments. The Company may pay statutory claims. 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 NewCo 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.

Non-executive Directors have letters of appointment reflecting their responsibilities and commitments, pursuant to which they are appointed for an initial three year term which may be extended for further three-year periods on the recommendation of the Nomination Committee and subject to the Board's agreement. The Non-executive Directors' letters of appointment contain a six month notice period.

Save as mentioned above in this paragraph 2.1, there are no existing or proposed service agreements between any Director and the Company or any of its subsidiaries providing for benefits upon termination of employment.

2.2 *Remuneration arrangements*

Base salary, fees, bonuses and benefits in kind

The amount of remuneration paid (including contingent or deferred compensation) and benefits in kind granted (under any description whatsoever) for the Directors, who are directors, or other senior personnel, of Galliford Try in the year ended 30 June 2019, are detailed below:

	Salary and fees (£000)	Annual bonus (£000)	Taxable benefits[(2)] (£000)	Pensions[(3)] (£000)	LTIP (£000)	Sharesave (£000)	Total (£000)
Non-executive Directors							
Peter Ventress	195	–	1	1	–	–	196
Terry Miller	54	–	–	–	–	–	54
Gavin Slark	42	–	–	–	–	–	42
Jeremy Townsend	50	–	–	–	–	–	50
Marisa Cassoni[(4)]	35	–	–	–	–	–	35
Executive Directors							
Bill Hocking	353	200	11	70	70	–	704
Andrew Duxbury[(1)]	94	53	5	6	–	–	158

(1) Andrew Duxbury became Finance Director on 26 March 2019 and his remuneration has been pro-rated accordingly.

(2) Includes the value of benefits such as car allowance and medical insurance. Taxable benefits received by Andrew Duxbury in the financial year relate to the period from appointment as Finance Director on 26 March 2019.

(3) This is a salary supplement paid to the Directors in lieu of direct pension contributions.

(4) Marisa Cassoni joined the Galliford Try board on 1 September 2018 and became Chair of the Galliford Try Remuneration Committee on 13 February 2019.

In the year ended 30 June 2019, no amount was set aside or accrued by Galliford Try to provide pension, retirement or other benefits to the directors of Galliford Try save for the amounts set out in the table above.

3. INTERESTS OF DIRECTORS

3.1 *Directors' shareholdings*

As at the Latest Practicable Date, Andrew Duxbury held the entire issued share capital of the Company (comprising two fully paid Ordinary Shares of 50 pence each and 50,000 redeemable deferred shares of £1 each against an undertaking to pay cash in respect of such amount).

Other than as noted above, as at the Latest Practicable Date, the Directors had no interest in the share capital of the Company.

The interests (all of which are beneficial unless otherwise stated) of the Directors (as well as their immediate families) in the share capital of Galliford Try or (so far as is known to or could, with reasonable diligence, be ascertained by the relevant Directors) interests of a person in the share capital of Galliford Try connected with a Director so far as is known to or could, with reasonable diligence, be ascertained by the relevant Directors as at the close of business on the Latest Practicable Date are as follows, and the amount of such holding of the total voting rights in respect of the Ordinary Shares following the Demerger becoming effective and on Admission are expected to be:

	As at the Latest Practicable Date		On Admission	
	Number of Galliford Try Shares	**Percentage of Galliford Try Shares(1)**	**Number of Ordinary Shares on Admission**	**Percentage of Ordinary Shares on Admission(1)**
Peter Ventress	14,098	0.01	14,098	0.01
Bill Hocking	16,653	0.01	16,653	0.01
Andrew Duxbury	2,939	0.0	2,939	0.0
Terry Miller	2,066	0.0	2,066	0.0
Gavin Slark	1,600	0.0	1,600	0.0
Jeremy Townsend	3,333	0.0	3,333	0.0
Marisa Cassoni	–	0.0	–	0.0

(1) Percentage of Ordinary Shares on Admission is based on Galliford Try's issued share capital of 111,032,617 rounded to two decimal places.

3.2 ***Options and awards***

In addition to their interests as detailed above, as at the Latest Practicable Date, the Directors held the following options and awards to acquire Galliford Try Shares under the terms of the LTIP, the Sharesave and the Annual Bonus Plan. It is anticipated that the options and awards detailed below will lapse in connection with the Scheme to the extent that they do not vest and/or are not exercised.

LTIP awards outstanding

Date of award	No. of shares under award	Exercise price (£)	Actual or anticipated vesting date
Bill Hocking			
22 September 2017	41,086	Nil	22 September 2020
20 September 2018	49,291	Nil	20 September 2021
Andrew Duxbury			
20 September 2018	27,260	Nil	20 September 2019
Total	117,637		

Sharesave options outstanding

Year of invitation	No. of shares under options	Option price (£)	Period in which options can be exercised
Andrew Duxbury			
2018 Sharesave	188	£8.23	1 January 2022 – 30 June 2022
2017 Sharesave	740	£9.276	1 January 2021 – 30 June 2021
2016 Sharesave	445	£9.357	1 January 2020 – 30 June 2020
Total	1,373		

Annual Bonus Plan awards subject to restrictions

Date of award	No. of shares under award	Date on which shares released
Bill Hocking		
20 September 2018	5,898	20 September 2021
Total	5,898	

No consideration was payable in respect of the grant of any of these options or awards.

4. EMPLOYEES

4.1 The table below shows the average monthly number of people (including Executive Directors) employed by the NewCo Group:

	Average for the year ended 30 June 2019	Average for the year ended 30 June 2018	Average for the year ended 30 June 2017
Construction employees	3,032	3,282	3,436
Services employees	235	307	356
Total Number of Employees	3,267	3,589	3,792

4.2 The Directors believe that the NewCo Group's relationship with its employees is good. In the year ended 30 June 2019, the NewCo Group had a staff turnover in respect of construction employees of 14.53 per cent. and in respect of services employees of 8.26 per cent. The NewCo Group's employees are not unionised and there are succession plans in place for all key senior management roles. The NewCo Group is committed to recruiting, developing and retaining high-quality personnel and believes its employees are critical to the NewCo Group's success.

5. CORPORATE GOVERNANCE

The Directors recognise the value and importance of high standards of corporate governance and have put in place a framework to ensure that the Company is complying and will comply with the provisions of the Corporate Governance Code.

The Corporate Governance Code recommends that at least half the members of the board of directors (excluding the chairman) of a public limited company incorporated in the United Kingdom should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, their judgement. The Company is currently in compliance with the Corporate Governance Code.

The Articles require all the Directors to retire by rotation at each Annual General Meeting of the Company, which is consistent with the Corporate Governance Code which recommends that all Directors stand for annual re-election or election by shareholders. Accordingly, in compliance with the Articles and the Corporate Governance Code, the Directors intend to submit themselves for annual re-election by Shareholders.

Currently, the Board is composed of seven members, consisting of the Non-Executive Chairman, two Executive Directors and four Independent Non-executive Directors.

The roles of the Chairman and Chief Executive are distinct and separate, with a clear division of responsibilities. The Chairman leads the Board and ensures the effective engagement and contribution of all Non-executive Directors and Executive Directors. The Chief Executive has responsibility for all NewCo Group businesses and acts in accordance with the authority delegated by the Board. Responsibility for the development of policy and strategy and operational management is delegated to the Chief Executive and other Executive Directors.

To enable the Directors to discharge their duties, the principles of good boardroom practice require that each of them be provided with accurate, timely and clear information. In addition, every Director and every committee has the authority to seek information from any NewCo Group director or employee and to obtain independent professional advice.

The Board has established Nomination, Remuneration and Audit Committees, with formally delegated duties and responsibilities and with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

5.1 ***Nomination Committee***

Peter Ventress (Chair), Terry Miller, Gavin Slark, Jeremy Townsend and Marisa Cassoni

The Nomination Committee comprises four independent Non-executive Directors and the Chairman of the Board. The Nomination Committee is chaired by the Chairman of the Board. It is required to meet at least twice annually and additionally, as and when required. In practice, it will meet more frequently.

The Nomination Committee's role is to ensure that the Board has the appropriate skills, knowledge and experience to operate effectively and deliver the Company's strategy. It is responsible for reviewing the size, structure and composition of the Board. The Nomination Committee will consider and make recommendations about new appointments to the Board which are based on merit and against objective criteria, including the time available to, and the commitment which will be required of, the candidate. It is also responsible for ensuring that any such appointment process is formal, rigorous and transparent.

5.2 ***Audit Committee***

Jeremy Townsend (Chair), Terry Miller, Gavin Slark and Marisa Cassoni

The Audit Committee comprises four independent Non-executive Directors. It is required to meet a minimum of three times a year, and additionally, as and when required.

By invitation, there are frequently a number of additional attendees at each of the Audit Committee's meetings, including the external and internal auditors as well as Executive Directors and members of senior management. The Audit Committee will also meet privately with each of the external and internal auditors.

The Audit Committee's role is to challenge and gain assurance around the processes that support financial reporting, including risk management; internal control; and legal and regulatory compliance in relation to the work of the Audit Committee together with the financial reporting itself.

The Audit Committee's principal responsibilities include:

(a) reviewing the integrity, consistency and key accounting judgements made by management and the external and internal auditors, to ensure that the quality of the Company's financial reporting is maintained, including going concern, in the Company's half- and full-year financial statements;

(b) examining the performance of the external and internal auditors, their objectivity, effectiveness and independence; and

(c) monitoring the effectiveness of the NewCo Group's risk management and internal control systems, including analysing and challenging the results of internal audit reviews and management's plans to resolve any actions arising from such reviews.

5.3 ***Remuneration Committee***

Marisa Cassoni (Chair), Terry Miller, Peter Ventress, Gavin Slark and Jeremy Townsend

The Remuneration Committee comprises four independent Non-Executive Directors and the Chairman of the Board. It is required to meet twice a year, and additionally, as and when required. In practice, it will meet more frequently.

The Remuneration Committee's role is to determine the reward strategy for the Executive Directors and to balance appropriate reward with the success of the business and the creation of long-term shareholder value. The Remuneration Committee will determine the total individual remuneration package of each Executive Director and, in addition, will ensure that provisions regarding disclosure of remuneration are fulfilled.

No Director is involved in decisions as to his or her own remuneration.

PART 9

HISTORICAL FINANCIAL INFORMATION

PART A

HISTORICAL FINANCIAL INFORMATION

The following sets out Construction's financial information for the periods indicated. The information set out in this Part 9 (*Historical Financial Information*) should be read in conjunction with the information referred to in Part 11 (*Operating and Financial Review*) of this document. Investors are advised to read the whole of this document and not rely solely on the information set out in this Part 9 (*Historical Financial Information*).

COMBINED INCOME STATEMENT
for the years ended 30 June

		2019			2018			2017		
	Notes	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-exceptional items £m	Exceptional items £m	Total £m	Pre-Exceptional items £m	Exceptional items £m	Total £m
Group revenue	2	1,402.9	(2.8)	1,400.1	1,702.6	–	1,702.6	1,580.3	(42.4)	1,537.9
Cost of sales		(1,348.4)	(42.0)	(1,390.4)	(1,612.4)	(45.0)	(1,657.4)	(1,510.8)	(45.5)	(1,556.3)
Gross profit		54.5	(44.8)	9.7	90.2	(45.0)	45.2	69.5	(87.9)	(18.4)
Administrative expenses		(73.9)	(1.6)	(75.5)	(83.4)	–	(83.4)	(85.3)	(1.0)	(86.4)
Share of post tax profits from joint ventures	13	0.3	–	0.3	0.2	–	0.2	0.1	–	0.1
(Loss)/profit before finance costs		(19.1)	(46.4)	(65.5)	7.0	(45.0)	(38.0)	(15.7)	(88.9)	(104.6)
(Loss)/profit from operations	2	(16.7)	(46.4)	(63.1)	9.3	(45.0)	(35.7)	(13.6)	(88.9)	(102.5)
Share of joint ventures' interest and tax		(0.3)	–	(0.3)	(0.2)	–	(0.2)	(0.1)	–	(0.1)
Amortisation of intangibles	10	(2.1)	–	(2.1)	(2.1)	–	(2.1)	(2.0)	–	(2.0)
(Loss)/profit before finance costs		(19.1)	(46.4)	(65.5)	7.0	(45.0)	(38.0)	(15.7)	(88.9)	(104.6)
Finance income	6	3.6	–	3.6	1.0	–	1.0	0.3	–	0.3
Finance costs	6	(12.4)	–	(12.4)	(13.3)	–	(13.3)	(14.9)	–	(14.9)
(Loss) before income tax	7	(27.9)	(46.4)	(74.3)	(5.3)	(45.0)	(50.3)	(30.3)	(88.9)	(119.2)
Income tax credit	8	8.3	8.8	17.1	2.5	8.6	11.1	7.9	17.4	25.3
(Loss) for the year		(19.6)	(37.6)	(57.2)	(2.8)	(36.4)	(39.2)	(22.4)	(71.5)	(93.9)

The notes are an integral part of the combined historical financial information.

COMBINED STATEMENT OF COMPREHENSIVE INCOME
for the years ended 30 June

	Notes	2019 £m	2018 £m	2017 £m
(Loss) for the year		(57.2)	(39.2)	(93.9)
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Current tax through equity	8	0.6	1.2	2.3
Total items that will not be reclassified to profit or loss		0.6	1.2	2.3
Items that may be reclassified subsequently to profit or loss				
Movement in fair value of cash flow hedges:				
– Movement arising during the financial year	24	0.9	1.9	3.2
– Reclassification adjustments for amounts included in profit or loss	24	(0.4)	(0.8)	(0.7)
Net movement in fair value of PPP and other investments	14	0.8	–	–
Deferred tax on items recognised in other comprehensive income that may be reclassified	8 & 23	(0.1)	(0.3)	(0.4)
Total items that may be reclassified subsequently to profit or loss		1.2	0.8	2.1
Other comprehensive income for the year net of tax		1.8	2.0	4.4
Total comprehensive (expense) for the year		(55.4)	(37.2)	(89.5)

The notes are an integral part of the combined historical financial information.

COMBINED BALANCE SHEETS

As at 30 June

	Notes	2019 £m	2018 £m	2017 £m	2016 £m
Assets					
Non-current assets					
Intangible assets	10	9.6	11.7	13.8	15.8
Goodwill	11	77.2	77.2	77.2	77.2
Property, plant and equipment	12	12.5	13.3	13.6	17.1
Investments in joint ventures	13	–	–	0.8	0.7
PPP and other investments	14	41.2	26.1	24.3	16.2
Deferred income tax assets	23	2.6	0.6	0.8	1.4
Total non-current assets		143.1	128.9	130.5	128.4
Current assets					
Trade and other receivables[1]	16	454.6	525.8	481.3	439.7
Current income tax assets		29.1	24.3	19.4	16.8
Cash and cash equivalents	17	846.9	833.9	930.3	1,007.7
Total current assets		1,330.6	1,384.0	1,431.0	1,464.2
Total assets		1,473.7	1,512.9	1,561.5	1,592.6
Liabilities					
Current liabilities					
Financial liabilities:					
– Borrowings	20	(227.2)	(33.7)	(187.8)	(304.6)
Trade and other payables[1]	18	(709.7)	(769.9)	(804.2)	(659.5)
Provisions for other liabilities and charges	19	(0.4)	(0.3)	(0.3)	(0.3)
Total current liabilities		(937.3)	(803.9)	(992.3)	(964.4)
Net current assets		393.3	580.1	438.7	499.8
Non-current liabilities					
Financial liabilities:					
– Borrowings	20	–	(97.1)	(96.2)	(174.7)
– Derivative financial liabilities	24	(0.4)	(0.9)	(2.0)	(4.5)
Other non-current liabilities	21	(1.3)	(1.3)	(4.3)	(5.9)
Provisions for other liabilities and charges	19	(0.4)	(0.8)	(1.2)	(1.6)
Total non-current liabilities		(2.1)	(100.1)	(103.7)	(186.7)
Total liabilities		(939.4)	(904.0)	(1,096.0)	(1,151.1)
Net assets		534.3	608.9	465.5	441.5
Invested capital					
Invested capital	25	534.3	608.9	465.5	441.5
Total invested capital		534.3	608.9	465.5	441.5

1 Construction adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to opening equity (note 32).

The notes are an integral part of the combined historical financial information.

COMBINED STATEMENT OF CHANGES IN INVESTED CAPITAL
for the years ended 30 June

	Notes	Total £m
At 1 July 2016		441.5
Loss for the year		(93.9)
Other comprehensive income		4.4
Total comprehensive loss for the year		(89.5)
Dividends		(72.8)
Net distributions and cashflows from subsidiary undertakings		93.3
Share-based payments		1.3
Transfer of Private Placement debt	17	100.0
Purchase of own shares		(2.0)
Issue of shares		0.1
Defined benefit pension scheme contributions on behalf of subsidiary undertakings		(6.4)
At 30 June 2017		465.5
Loss for the year		(39.2)
Other comprehensive income		2.0
Total comprehensive profit for the year		(37.2)
Dividends		(75.9)
Net distributions and cashflows from subsidiary undertakings		109.6
Share-based payments		2.0
Purchase of own shares		(1.5)
Issue of shares		153.2
Defined benefit pension scheme contributions on behalf of subsidiary undertakings		(6.8)
At 30 June 2018		608.9
Adjustment as a result of transition to IFRS 9 and IFRS 15 on 1 July 2018		(32.3)
Adjusted invested capital at 1 July 2018		576.6
Loss for the year		(57.2)
Other comprehensive (expense)		1.8
Total comprehensive loss for the year		(55.4)
Dividends		(79.9)
Net distributions and cashflows from subsidiary undertakings		99.6
Share-based payments		0.5
Purchase of own shares		–
Issue of shares		0.1
Defined benefit pension scheme contributions on behalf of subsidiary undertakings		(7.2)
At 30 June 2019		534.3

COMBINED STATEMENTS OF CASH FLOWS

for the years ended 30 June

		2019 £m	2018 £m	2017 £m
Cash flows from operating activities				
Continuing operations				
Pre-exceptional (loss)/profit before finance costs		(19.1)	7.0	(15.7)
Exceptional items	4	(46.4)	(45.0)	(88.9)
Loss before finance costs		(65.5)	(38.0)	(104.6)
Adjustments for:				
Depreciation and amortisation	12 & 10	5.0	5.1	4.9
Profit on sale of subsidiaries		0.1	0.1	–
Profit on sale of PPP and other investments	14	(6.9)	(5.5)	–
Share-based payments	26	0.5	2.0	1.3
Share of post-tax profits from joint ventures	13	(0.3)	(0.2)	(0.1)
Movement on provisions		(0.3)	(0.4)	(0.4)
Other non-cash movements		(0.3)	–	–
Net cash (used in) operations before pension deficit payments and changes in working capital		(67.7)	(36.9)	(98.9)
Deficit funding payments to pension schemes on behalf of subsidiary undertakings	27	(7.2)	(6.8)	(6.4)
Net cash (used in) operations before changes in working capital		(74.9)	(43.7)	(105.3)
(Increase)/decrease in trade and other receivables		24.7	(44.6)	(41.3)
(Decrease)/increase in trade and other payables		(56.6)	(32.2)	153.2
Net cash (used in)/generated from operations		(106.8)	(120.5)	6.6
Interest received		3.6	1.0	0.3
Interest paid		(12.7)	(13.3)	(13.7)
Income tax received		16.2	2.9	16.3
Net cash (used in)/generated from operating activities		(99.7)	(129.9)	9.5
Cash flows from investing activities				
Dividends received from joint ventures	13	0.3	1.0	–
Acquisition of PPP and other investments	14	(22.7)	(10.9)	(8.6)
Proceeds from disposal of PPP and other investments	14	21.1	14.0	0.5
Proceeds from disposal of subsidiaries		–	–	(4.8)
Dividends and other cashflows received from subsidiary undertakings		99.6	109.6	93.3
Acquisition of property, plant and equipment	12	(2.7)	(3.0)	(4.7)
Proceeds from sale of property, plant and equipment	12	0.5	0.2	5.3
Net cash generated from investing activities		96.1	110.9	81.0
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital	25	0.1	153.2	0.1
Purchase of own shares		–	(1.5)	(2.0)
(Decrease)/increase in borrowings (including Private Placement Debt)	20	1.0	0.7	23.9
Dividends paid to Company shareholders	9	(79.9)	(75.9)	(72.8)
Net cash (used in)/generated from financing activities		(78.8)	76.5	(50.8)
Net (decrease)/increase in cash and cash equivalents		(82.4)	57.5	39.7
Cash and cash equivalents at 1 July	17	800.3	742.8	703.1
Cash and cash equivalents at 30 June	17	717.9	800.3	742.8

NOTES TO THE COMBINED HISTORICAL FINANCIAL INFORMATION

1. Accounting policies

General information

Galliford Try plc ("Galliford Try") is a public limited housebuilding, regeneration and construction company. This combined historical financial information is in respect of three of the businesses within the Galliford Try group, namely Construction, Investments and Central ("Construction"). Operating as Galliford Try and Morrison Construction, Construction carries out building and infrastructure with clients in the public, private and regulated sectors alongside an Investments business that selectively invests in certain PPP and PFI assets and a Central business unit that supports the ongoing operations of the business providing IT, legal, accounting and company secretarial services.

On 10 September 2019, Galliford Try plc announced the boards of Galliford Try plc and Bovis Homes Group PLC ("Bovis Homes") had reached agreement regarding a potential combination (the "Proposed Transaction") of (i) Bovis Homes and (ii) Galliford Try's Linden Homes division ("Linden Homes") and Partnerships & Regeneration division ("Partnerships & Regeneration"). Consequently, these businesses have been excluded from the relevant Galliford Try plc consolidated financial statements to produce this combined historical financial information.

This combined historical financial information has been prepared to reflect the historic financial performance of the Construction, Investments and Central businesses, applying the accounting policies (as disclosed below) which are consistent with those used by Galliford Try plc in its annual financial statements for the year ended 30 June 2019.

Basis of preparation

Construction was not a standalone legal entity or business of entities for the year ended 30 June 2016, year ended 30 June 2017, year ended 30 June 2018 and year ended 30 June 2019.

This combined historical financial information has been prepared on a "combined" basis from the Galliford Try consolidated group financial statements. This combined historical financial information has been prepared on a basis that combines the results, assets and liabilities attributable to Construction by applying the principles underlying the consolidation procedures of IFRS 10 'Consolidated Financial Statements' (IFRS 10) as at and for the year ended 30 June 2016, year ended 30 June 2017, year ended 30 June 2018 and year ended 30 June 2019. They include allocations of income, expenses, assets and liabilities from Galliford Try plc where they relate to Construction.

This combined historical financial information may not be indicative of Construction's future performance and do not necessarily reflect what its operations, financial position and cash flows would have been had Construction operated as a separate independent company during the periods presented.

Construction had not been managed as a single economic entity separately from the excluded operations, and Construction is therefore defined by reference to the business considered to be retained by the ultimate Parent (Galliford Try plc). This combined historical financial information does not constitute 'consolidated' financial statements within the context of IFRS as Construction does not represent a business for accounting purposes.

This combined historical financial information is presented millions of Sterling ("£m"). It has been prepared under the historical cost convention and on the basis of accounting policies disclosed below, as modified by the revaluation of PPP and other investments and financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss.

Applicable accounting framework (EU-IFRS)

This combined historical financial information has been prepared in accordance with this basis of preparation and following the recognition and measurement principles of International Financial Reporting Standards as endorsed by the European Union ("EU-IFRS") that would impact this combined historical financial information.

EU-IFRS does not provide for the preparation of combined financial information and accordingly in preparing this combined historical financial information certain accounting conventions commonly used for the preparation of historical financial information have been applied.

Due to their nature, and specific basis of preparation, this combined historical financial information is not in full compliance with all EU-IFRS presentation and disclosure requirements. In particular, this combined historical financial information does not include a statement of changes in equity, earnings per share, Company balance sheet and associated notes, ordinary shares and share premium disclosures, reserves disclosures and group undertakings.

Going concern

This combined historical financial information has been prepared on a going concern basis. The planned sale of the housebuilding business by Galliford Try will generate significant cash proceeds in addition to the transfer of the £100m Private Placement debt liability to Bovis Homes and these flows will supplement the ongoing profits and working capital flows of Construction. All of these cashflows have been considered.

Methodology for the preparation of combined historical financial information

This combined historical financial information was prepared using Construction's historical records and includes all income, expenses, assets and liabilities directly attributable to Construction. Revenue and expenses directly associated with Construction are separately identifiable and have been included directly within this combined historical financial information.

The detailed approach for the combined income statement is described below.

Income/expense balance	**Methodology for preparation**
Revenue	Direct revenues of Construction.
Cost of sales	Direct cost of sales of Construction.
Administration expenses	Direct administration expenses of Construction.
Share of post-tax profits from joint ventures	Actual post tax-profits from Joint Ventures controlled by Construction.
Depreciation and amortisation	Actual depreciation and amortisation charges for the tangible and intangible assets of Construction.
Finance Income/finance cost	Finance income earned or finance costs incurred on cash and cash equivalents and borrowings controlled by Construction. £100m of 10-year sterling Private Placement notes that were issued by Galliford Try plc in 2017 (in addition to the associated finance costs) have been excluded from Construction (and will be included in the net assets being bought by Bovis Homes as part of the Proposed Transaction).
Income tax expense	Calculated on a separate returns basis as if Construction prepared separate tax computations. Historically, Construction was included in tax filings with other Construction entities. It does not maintain taxes payable to/from Galliford Try, and it is deemed to settle the annual current tax balances immediately with the legal tax paying entities. These settlements are reflected as changes in Invested Capital.

For the combined balance sheet, the assets and liabilities included are those that historically have been used, and are relevant to Construction. Where assets have historically been used by both Construction and other parts of Galliford Try, they are included within the combined balance sheet if they are expected to form part of Construction, or were historically directly attributable to Construction.

The detailed approaches used for items included in the combined balance sheet are explained below:

Asset/liability balance	**Methodology for preparation**
Intangible assets	Intangible assets that have been directly allocated to Construction.
Goodwill	Goodwill from past acquisitions by Construction is included within Construction expected to be retained.
Property, plant and equipment	Tangible assets that have been directly allocated to Construction. To the extent a shared asset is primarily used by Construction, the entire asset has been included within the combined historical financial information. Where Construction is not the primary user of the asset, the asset has been excluded entirely from the combined historical financial information.
Investments in joint ventures	Investments in joint ventures that have been directly allocated to Construction.
PPP and other investments	PPP and other investments have been directly allocated to Construction.
Trade and other receivables	Trade and other receivables that are directly allocated to Construction.
Income tax assets/liabilities	Calculated on a separate returns basis as if Construction prepared separate tax computations. Historically, Construction was included in tax filings with other Construction entities. It does not maintain taxes payable to/from Galliford Try, and it is deemed to settle the annual current tax balances immediately with the legal tax paying entities. These settlements are reflected as changes in Invested Capital.
Cash and cash equivalents (including overdrafts)	Cash and cash equivalents (including overdrafts which are included in current borrowings) and standalone bank accounts for which Construction has legal rights and title have been included in this combined historical financial information.
Borrowings (excluding overdrafts)	Borrowings (which are included in non-current borrowings) relate to a Revolving Credit Facility provided by a club of lenders that has been retained within Construction as it is the legal obligation of Construction and the facility will be retained within Construction following the completion of the Proposed Transaction. £100m of 10-year sterling Private Placement notes that were issued by Galliford Try plc in 2017 have been excluded from this historical financial information and allocated to the businesses being sold to Bovis Homes as part of the Proposed Transaction.
Other non-current liabilities	Other non-current liabilities primarily relate to deferred land payments that have been directly attributed to Construction.

Asset/liability balance	Methodology for preparation
Trade and other payables	Trade payables and other payables that are directly allocated to Construction. Other intercompany receivables/payables have been reflected in Invested Capital.
Retirement benefit asset	Whilst the scheme's historic sponsor is part of Construction (it is Galliford Try Employment Ltd), the two main defined benefit pension schemes will form part of the perimeter of the disposed businesses in the future and so all related assets and liabilities (and associated movements in the income statement and the statement of comprehensive income) have been excluded from this combined historical financial information.
Invested Capital	Construction has not in the past constituted a separate legal group and therefore it is not meaningful to show share capital or an analysis of reserves for Construction. The net assets of Construction are represented by Invested Capital, the cumulative investment of Galliford Try into Construction. Any funding to, investments in and dividends received from/paid to Construction are shown in movements in Invested Capital. Invested Capital also includes payments made by Construction that relate to the Disposal Group, for example pension scheme funding which is not part of the historical financial information and is therefore presented within Invested Capital.

New standards, amendments and interpretations that become mandatory for the first time for periods beginning 1 July 2018 are listed below:

- IFRS 9 'Financial Instruments' and the amendment on general hedge accounting (effective 1 January 2018).
- IFRS 15 'Revenue from Contracts with Customers' and subsequent amendments/clarifications (effective 1 January 2018).
- Amendments to IFRS 2 'Share-based Payments' clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018).
- Amendments resulting from annual improvements to IFRSs 2014-2016 cycle.
- Amendments to IFRS 4 'Insurance Contracts' regarding the implementation of IFRS 9, 'Financial Instruments' (effective 1 January 2018).
- Amendment to IAS 40 'Investment Property' relating to transfers of investment property (effective 1 January 2018).
- IFRIC 22, 'Foreign Currency Transactions and Advance Consideration' (effective 1 January 2018).

Construction has yet to assess the full impact of these new standards and amendments. With the exception of IFRS 16 (as detailed below), initial indications are that they will not significantly impact the combined historical financial information of Construction.

The new amendments had no significant impact on Construction's results, other than as described below and certain revised disclosures.

(i) *IFRS 9 Financial Instruments*

IFRS 9 Financial Instruments came into effect for financial years starting on or after 1 January 2018 replacing IAS 39 Financial Instruments: Recognition and Measurement. Construction has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Equity investments, previously classified as available for sale are classified as financial assets at fair value through other comprehensive income, with recycling of gains and losses. This is because the business model for these assets is to hold for collecting contractual cash flows (which meet the criteria of solely payments of principal and interest on the principal outstanding) and also to sell the financial asset. This resulted in a small fair value uplift in the value of Construction's PPP and other investments (of £5.5m) which was recognised in equity on adoption of the standard on 1 July 2018 (note 14). Construction has adopted the IFRS 9 expected credit loss approach to the assessment of financial assets impairment.

Construction also assessed its assets for any expected credit losses which resulted in an impairment charge of £11.2m recognised in equity on adoption of the standard on 1 July 2018 (note 22).

Construction has experienced a low level of default events on its debtors and contract assets historically and currently has no reason to expect this to change significantly in future; trade debtors are held under standard terms agreed with the customer.

The companies within Construction have no reason to expect any impairment or losses on their intercompany balances.

(ii) *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with Customers came into effect for financial years starting on or after 1 January 2018, replacing IAS 11 Construction Contracts and IAS 18 Revenue.

Construction has adopted the standard from 1 July 2018 using the modified retrospective approach. Construction has reviewed its opening equity position as at 1 July 2018 and concluded that the recognition of expected reimbursements resulting from certain third-party claims (previously accounted for under IAS 11 Construction Contracts) would now be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The requirements of IAS 37 are more stringent than IAS 11, requiring recovery to be 'virtually certain' before an asset can be recognised. Whilst Construction still expects to recover the amounts claimed from third parties that Construction had recognised at the 30 June 2018 balance sheet date, certain claims do not meet the 'virtually certain' criteria. These claims have therefore been de-recognised at the transition date and will be accounted for in future periods, in line with the requirements of IAS 37. Further detail and analysis on Construction's various revenue streams can be found in note 3 and on Construction's adoption of IFRS 15, in note 32.

In line with the requirements of the standard with regards to the transition option adopted, Construction has not restated its comparative information which continues to be reported under previous revenue standards, IAS 11 and IAS 18. To aid comparability, as required by IFRS 15, Construction has also stated any differences in its results for the year to 30 June 2019 under IAS 11 and IAS 18 (in note 32).

For the periods ended 30 June 2017 and 30 June 2018, Construction adopted IAS 11 and IAS 18.

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

- Amendment to IFRS 9, 'Financial Instruments', on prepayment features with negative compensation and modification of financial liabilities (effective 1 January 2019).
- Amendments resulting from annual improvements to IFRSs 2015-2017 cycle (effective 1 January 2019).

- Amendments to IAS 19 ‘Employee Benefits’ on plan amendment, curtailment or settlement’ (effective 1 January 2019).
- IFRS 16 ‘Leases’ (effective 1 January 2019).
- Amendments to IAS 28 ‘Long-term Interests in Associates and Joint Ventures’ (effective 1 January 2019).
- IFRIC 23 ‘Uncertainty over Income Tax Treatments’ (effective 1 January 2019).
- Amendments to IFRS 3 – Definition of a Business (effective 1 January 2020).
- Amendments to IAS 1 and IAS 8 on the Definition of Material (effective 1 January 2020).
- Amendments to IFRS 3 – Definition of a Business (effective 1 January 2020).
- IFRS 17 ‘Insurance Contracts’ (effective 1 January 2021).

Construction has yet to assess the full impact of these new standards and amendments. With the exception of IFRS 16 (as detailed below), initial indications are that they will not significantly impact the historical financial information of Construction.

(iii) *IFRS 16 – Leases*

IFRS 16 – Leases, was issued in January 2016 and will be effective for Construction from 1 July 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and instead introduces a single lessee accounting model. This new standard, will require Construction to recognise a long-term depreciating right of use asset and corresponding lease liability for all leases with exceptions for short-term and low-value leases. The only exceptions are short-term (less than 12 months’ duration) and low-value leases which will continue to be expensed as incurred (taking the practical expedient under IFRS 16). The operating lease rental expense currently charged to operating profit in the income statement will be replaced by an amortisation charge for the ‘right of use’ assets recognised in operating profit and an interest charge on the lease liabilities recognised in finance costs.

Construction is adopting the modified retrospective approach for IFRS 16, recognising the right of use asset as if IFRS 16 had always been applied (but using the incremental borrowing rate as at the date of initial application of 1 July 2019), with a resulting transition adjustment recognised to opening equity.

On adoption of IFRS 16 on 1 July 2019, Construction expects to recognise a right of use asset of £26.3m, and corresponding lease liability of £26.3m, with no change in opening retained earnings for the year-ended 30 June 2020.

Critical accounting estimates

The preparation of the combined historical financial information requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, 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 estimates about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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

(i) *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 12.

(ii) *Estimation of costs to complete and contract provisions*

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

The estimation of final contract value includes assessments of recovery of variations which have yet to be agreed with the client, compensation events and claims, where these meet the criteria set out in Construction's accounting policies.

Construction recognises recoveries of claims from clients in certain situations where clear entitlement has been established such as through dispute-resolution processes. Revenue is recorded to the extent that amounts that Construction believe are highly probable of not being subject to significant reversal.

There are two significant estimated claim recoveries in Construction. Construction, through its joint arrangement, is continuing to negotiate a significant claim against the client on the Aberdeen Western Peripheral Route (AWPR) contract, construction of which was concluded in early 2019, whilst preparing to pursue this through formal dispute resolution before December 2019 should these not reach a satisfactory conclusion. Over the last three financial years, £152m of exceptional losses in relation to AWPR have been recorded. Consultants have advised an expected recovery of around £100m to Galliford Try, although the total assessed value in respect of the claims under the contract is over twice that level. Consistent with 30 June 2018, in assessing the final losses on this contract, recoveries from Construction's share of the claims against the client have been assumed. The contract recovery recorded in Construction's balance sheet is determined from the consultant's estimate referred to above. Negotiations remain in progress with the client but the final outcome is unknown and when concluded could result in a material difference to the position assumed. There are also claims against other parties including designers and insurers against which no value is recognised in the balance sheet due to Construction's accounting policy on third party claims. Separately, Construction has submitted claims of £54m, and recognised significant value, in respect of three contracts with entities owned by a major infrastructure fund of a blue-chip listed company (in respect of which corresponding counterclaims have been received since the publication of the Galliford Try Circular, which the NewCo Group will vigorously defend). Costs were significantly impacted by client-driven scope changes, and Construction's work on these three contracts formally ceased on the termination of the contracts in August 2018. Construction remains confident of its entitlement following two favourable adjudications and has assessed recognition in accordance with IFRS 15. Construction has also assessed the expected credit loss provision in accordance with IFRS 9 which was adopted by the business on 1 July 2018.

As with most large, complex construction projects, there is an element of estimation uncertainty over the final account settlement. This is, however, reduced by the experience of the management team and the controls that we have in place. The settlement of these final accounts may give rise to an over or under-recognition of profit or loss and associated cash flows, which could be material, as noted above.

Our pre-exceptional operating profit margins in Construction, have ranged from (1.1) per cent. to +1.2 per cent. between 30 June 2015 and 30 June 2019. Our pre-exceptional revenue for the year to 30 June 2019 was £1.4bn (2018: £1.7bn), with an associated operating profit margin of (1.1) per cent. (2018: 0.9 per cent.). A downside risk to the pre-exceptional operating profit margin of 0.5 per cent. would equate to an increase in the pre-exceptional operating loss of £7.0m.

Included in contract assets of £344.6m there are two major contracts where significant claims are still being assessed with customers and recoveries have been assumed as highly probable. Our claims, supported by third party expert advice, exceed the amounts recognised, of which the largest claim is in respect of AWPR for which consultants have advised an expected recovery of around £100m to Construction. However, there is a range of possible outcomes when these claims are finally settled between nil and the total values of the submitted claims.

In respect of contract assets of £344.6m and in assessing receivable provisions calculated on an expected loss basis, Construction has recorded a provision of £14.0m. The directors' estimate represents a reasonably possible mid-point between a zero provision and a larger potential amount.

It is unclear whether these uncertainties will be resolved within the next 12 months.

There are no critical accounting judgments.

Exceptional items

Exceptional items are material or significant non-recurring items of income and expense which Construction believes should be disclosed in the income statement to assist in understanding the underlying financial performance achieved by Construction by virtue of their nature or size. Examples of items which may give rise to disclosure as exceptional items include gains and losses on the disposal of businesses and property, plant and equipment, material one-off losses on contracts, cost of restructuring and reorganisation of businesses, acquisition costs, asset impairments and pension fund settlements and curtailments.

Segmental reporting

Segmental reporting is presented in the combined historical financial information in respect of Construction's business segments, which are the primary basis of segmental reporting. The business segmental reporting reflects Construction'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 Construction transfers control of goods or services to customers. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax. Where consideration is subject to variability, Construction estimates the amount receivable. Revenue recognised is constrained to the amount which is highly probable not to result in a significant reversal in future periods.

Sales within Construction are eliminated. Revenue also includes Construction's proportion of work carried out under jointly controlled operations.

Where a modification to an existing contract occurs, Construction assesses the nature of the modification and whether it represents a separate performance obligation required to be satisfied or whether it is a modification to the existing performance obligation.

Revenue is recognised as follows:

(i) *Construction services*

Revenue comprises the value of construction services transferred to a customer during the period. The results for the period include adjustments for the outcome of contracts, including jointly controlled operations, executed in both the current and preceding years.

Fixed price contracts – the amount of revenue recognised is calculated based on total costs incurred as a proportion of total estimated costs to complete. The estimated final value includes variations, compensation events and certain claims where it is highly probable that there will not be a significant reversal. Provision will be made against any potential loss as soon as it is identified.

Cost-reimbursable 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 it is highly probable that there will not be a significant reversal. Revenue includes any variations and compensation events where it is highly probable that there will not be a significant reversal.

Framework agreements – each work order under a framework agreement is considered a performance obligation. Revenue is recognised over time as the services are delivered.

Facilities management – management services and facilities management contracts typically represent a single series performance obligation. Revenue is recognised over time as control passes to the customer and is typically measured on a straight line basis.

(ii) *Recoveries from claims against third-parties*

The recognition of expected reimbursements resulting from certain third-party claims (previously accounted for under IAS 11 Construction Contracts) is accounted in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. This requires recovery to be 'virtually certain' before an asset can be recognised.

Contract costs

All other costs to obtain a contract are expensed as incurred. Incremental costs to fulfil a contract are expensed unless they relate directly to an existing contract or specific anticipated contract, generate or enhance resources that will be used to satisfy the obligations under the contract and are expected to be recovered. These costs are amortised over the shorter of the duration of the contract or the period for which revenue and profit can be forecast with reasonable certainty. Where a contract becomes loss making, capitalised costs in relation to that contract are expensed immediately.

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 Construction and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when there is an intention to settle the balances on a net basis.

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

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the net assets acquired. It is recognised as an asset and reviewed for impairment at least annually or when there is a triggering event. For purposes of testing for impairment, the carrying value of the CGU 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 is allocated to Cash Generating Units (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 computer software developed by Construction. 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) Customer contracts – in line with expected profit generation, varying from one to nine years.

(b) Customer relationships – on a straight-line basis over a period which varies from three to five years.

(c) Computer software – once the software is fully operational, amortisation is on a straight-line basis over up to ten 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 per cent. on cost

On cost or reducing balance:

- Plant and machinery 15 per cent. to 33 per cent.
- Fixtures and fittings 10 per cent. to 33 per cent.

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

Construction 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 an entity over which Construction has joint control and rights to the net assets of the entity. Construction's interest in joint ventures is accounted for using the equity method. Under this method Construction's share of profits less losses after taxation of joint ventures is included in the combined income statement and its interest in their net assets is included in investments in the combined balance sheet. Where the share of losses exceeds Construction'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 Construction's joint ventures are eliminated to the extent of Construction'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 Construction. Where joint ventures do not adopt accounting periods that are coterminous with Construction's, results and net assets are based upon unaudited accounts drawn up to Construction's accounting reference date.

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

PPP and other investments

PPP and other investments 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 costs.

Construction applies equity accounting for its investments in PPP/PFI entities. These investments are treated as associates as Construction has significant influence over them. On initial recognition the investments in these entities are recognised at cost, and the carrying amounts are increased or decreased to recognise Construction's share of the profit or loss of the PPP/PFI entities after the date of acquisition. Construction's share of the investments' profits or losses are recognised in the profit or loss net of any impairment losses. Distributions received reduce the carrying amount of the investments.

The debt element of Construction's PPP/PFI entities is accounted for under IFRS 9 'Financial Instruments' with fair value movements recorded in other comprehensive income, with recycling of gains and losses through the income statement.

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.

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 based on an expected credit loss model (general or simplified approach as detailed under impairment of financial assets). The amount of the loss is recognised in the income statement.

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 costs 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.

Impairment of financial assets

IFRS 9 establishes a new model for recognition and measurement of impairment in financial assets. Loans and receivables and contract assets apply the "Expected Credit Losses" (ECL) model. All other assets are classified and measured at fair value with movements going through the income statement or other comprehensive income. Expected credit losses are recognised and measured according to one of three approaches – a general approach (12 months ECL), a simplified approach (lifetime ECL) or the "credit adjusted approach". Construction has taken the practical expedient to apply a simplified "provision matrix" for calculating expected losses. The provision matrix is based on an entity's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. For large one-off balances where there is no historic experience, analysis is completed in respect of a number of reasonably possible scenarios.

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 included for purposes of cash flow movements and the cash flow statement.

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

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

Derivative financial instruments

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

Construction uses derivative financial instruments to manage its exposure to interest rate risks. In accordance with its treasury policy, Construction 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 Construction, 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 IFRIC 14. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, using interest rates of high quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses are recognised in full in the period in which they occur, in the statement of comprehensive income. Gains and losses arising on curtailment and settlements are taken to the income statement as incurred.

Accounting for 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 Construction's share option schemes or are sold, any consideration received is included in equity.

Share-based payments

Construction 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, Construction 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 business of options over its equity instruments to the employees of subsidiary undertakings in Construction is treated as a capital contribution.

Dividend policy

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

Equity instruments

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

2. Segmental reporting

Segmental reporting is presented in the combined historical financial information in respect of Construction's business segments, which are the primary basis of segmental reporting. The business segmental reporting reflects Construction'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 Construction 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 Construction's Chief Executive and Finance Director. The CODM review Construction's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments as Construction including Building and Infrastructure, Investments and Central.

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, one-off 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 historical financial information.

Primary reporting format – business segments

	Building £m	Infrastructure £m	Total Construction £m	PPP Investments £m	Central £m	Total £m
Year ended 30 June 2019						
Group revenue	858.3	524.2	1,382.5	17.0	0.6	1,400.1
Share of joint ventures' revenue	1.5	–	1.5	14.5	–	16.0
Exceptional items (note 4)	–	2.8	2.8	–	–	2.8
Pre-exceptional Construction revenue and share of joint ventures' revenue excluding part-exchange revenue	859.8	527.0	1,386.8	31.5	0.6	1,418.9
Segment result:						
Pre-exceptional (loss)/profit from operations before share of joint ventures' profit	(9.8)	(5.5)	(15.3)	4.2	(6.2)	(17.3)
Share of joint ventures' profit	0.3	–	0.3	0.3	–	0.6
Pre-exceptional (loss)/profit from operations*	(9.5)	(5.5)	(15.0)	4.5	(6.2)	(16.7)
Exceptional items (note 4)	(0.9)	(45.5)	(46.4)	–	–	(46.4)
Share of joint ventures' interest and tax	(0.1)	–	(0.1)	(0.2)	–	(0.3)
(Loss)/profit before finance costs, amortisation and taxation	(10.5)	(51.0)	(61.5)	4.3	(6.2)	(63.4)
Finance income	–	–	–	3.4	0.2	3.6
Finance (costs)	(1.4)	(7.0)	(8.4)	(1.6)	(2.4)	(12.4)
(Loss)/profit before amortisation and taxation	(11.9)	(58.0)	(69.9)	6.1	(8.4)	(72.2)
Amortisation of intangibles	(1.0)	–	(1.0)	–	(1.1)	(2.1)
(Loss)/profit before taxation	(12.9)	(58.0)	(70.9)	6.1	(9.5)	(74.3)
Income tax expense						17.1
Loss for the year						(57.2)

	Building £m	Infrastructure £m	Total Construction £m	PPP Investments £m	Central £m	Total £m
Year ended 30 June 2018						
Group revenue	1,036.9	649.4	1,686.3	15.6	0.7	1,702.6
Share of joint ventures' revenue	1.1	–	1.1	6.1	–	7.2
Group revenue and share of joint ventures' revenue	1,038.0	649.4	1,687.4	21.7	0.7	1,709.8
Segment result:						
Pre-exceptional profit/(loss) from operations before share of joint ventures' profit	11.4	4.3	15.7	6.6	(13.4)	8.9
Share of joint ventures' profit	0.2	–	0.2	0.2	–	0.4
Pre-exceptional profit/(loss) from operations*	11.6	4.3	15.9	6.8	(13.4)	9.3
Exceptional items (note 4)	–	(45.0)	(45.0)	–	–	(45.0)
Share of joint ventures' interest and tax	–	–	–	(0.2)	–	(0.2)
Profit/(loss) before finance costs, amortisation and taxation	11.6	(40.7)	(29.1)	6.6	(13.4)	(35.9)
Finance income	–	–	–	2.1	(1.1)	1.0
Finance (costs)	–	(5.4)	(5.4)	(1.6)	(6.3)	(13.3)
Profit/(loss) before amortisation and taxation	11.6	(46.1)	(34.5)	7.1	(20.8)	(48.2)
Amortisation of intangibles	(1.0)	–	(1.0)	–	(1.1)	(2.1)
Profit/(loss) before taxation	10.6	(46.1)	(35.5)	7.1	(21.9)	(50.3)
Income tax expense						11.1
Profit for the year						(39.2)

	Building £m	Infrastructure £m	Total Construction £m	PPP Investments £m	Central £m	Total £m
Year ended 30 June 2017						
Group revenue	1,013.3	512.8	1,526.1	11.1	0.7	1,537.9
Share of joint ventures' revenue	0.8	–	0.8	13.9	–	14.7
Group revenue and share of joint ventures' revenue	1,014.1	512.8	1,526.9	25.0	0.7	1,552.6
Segment result:						
Pre-exceptional (loss)/profit from operations before share of joint ventures' profit	(12.1)	11.1	(1.0)	2.3	(15.1)	(13.8)
Share of joint ventures' profit	0.1	–	0.1	0.1	–	0.2
Pre-exceptional (loss)/profit from operations*	(12.0)	11.1	(0.9)	2.4	(15.1)	(13.6)
Exceptional items (note 4)	–	(87.9)	(87.9)	–	(1.0)	(88.9)
Share of joint ventures' interest and tax	–	–	–	(0.1)	–	(0.1)
(Loss)/profit before finance costs, amortisation and taxation	(12.0)	(76.8)	(88.8)	2.3	(16.1)	(102.6)
Finance income	–	0.2	0.2	–	0.1	0.3
Finance (costs)	(0.2)	(0.8)	(1.0)	(0.8)	(13.1)	(14.9)
(Loss)/profit before amortisation and taxation	(12.2)	(77.4)	(89.6)	1.5	(29.1)	(117.2)
Amortisation of intangibles	(1.0)	–	(1.0)	–	(1.0)	(2.0)
Profit/(loss) before taxation	(13.2)	(77.4)	(90.6)	1.5	(30.1)	(119.2)
Income tax expense						25.3
Loss for the year						(93.9)

* Pre-exceptional 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 2019 this amounted to £69.7m (2018: £75.6m, 2017:£84.7m) of which £23.2m (2018: £17.8m. 2017: £28.0m) was in Building, £28.2m (2018: £35.5m, 2017: £33.3m) was in Infrastructure and £18.3m (2018: £22.3m, 2017: £23.4m) was in Central.

Balance Sheet

		Building £m	Infrastructure £m	Total Construction £m	PPP Investments £m	Central £m	Total £m
30 June 2019							
Goodwill & intangible assets		44.6	37.2	81.8	–	5.0	86.8
Working capital employed		(73.5)	54.5	(19.0)	47.6	(200.8)	(172.2)
Net (debt)/cash	17	77.4	(93.2)	(15.8)	(22.2)	657.7	619.7
Net assets		48.5	(1.5)	47.0	25.4	461.9	534.3
Total business liabilities							(939.4)
Total business assets							1,473.7
30 June 2018							
Goodwill & intangible assets		45.6	37.2	82.8	–	6.1	88.9
Working capital employed		(82.3)	119.0	36.7	26.0	(245.8)	(183.1)
Net (debt)/cash	17	101.0	(127.0)	(26.0)	(11.2)	740.3	703.1
Net assets		64.3	29.2	93.5	14.8	500.6	608.9
Total business liabilities							(904.0)
Total business assets							1,512.9
30 June 2017							
Goodwill & intangible assets		46.6	37.2	83.8	–	7.2	91.0
Working capital employed		(122.9)	(20.6)	(143.5)	20.6	(148.9)	(271.8)
Net (debt)/cash	17	131.9	5.5	137.4	(11.8)	520.7	646.3
Net assets		55.6	22.1	77.7	8.8	379.0	465.5
Total business liabilities							(1,096.0)
Total business assets							1,561.5

3. Revenue

Nature of revenue streams

The following should be read in conjunction with Construction's new accounting policy applied from 1 July 2018 as detailed in note 1.

(i) *Building & Infrastructure segments*

Construction operates nationwide, working with clients predominantly in the public and regulated sectors, such as health, education and defence markets within the Building segment and road, rail, airports, water and flood alleviation markets within the Infrastructure segment (as well as private commercial clients). Projects include the construction of assets (with services including design and build, construction only and refurbishment) in addition to the maintenance, renewal, upgrading and managing of services across utility and infrastructure assets.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Nature of change in accounting policy
Fixed-price	A number of projects within these segments are undertaken using fixed-price contracts. Contracts are typically accounted for as a single performance obligation; even when a contract (or multiple combined contracts) includes both design and build elements, they are considered to form a single performance obligation as the two elements are not distinct in the context of the contract given that each is highly interdependent on the other. Construction typically receives payments from the customer based on a contractual schedule of value that reflects the timing and performance of service delivery. Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un-invoiced amounts are presented as contract assets. Management do not expect a financing component to exist.	These contracts were previously accounted for under IAS 11 and as such were recognised over time as control passes to the customer as the asset is constructed/service is provided. There is no change to the timing of revenue recognition under IFRS 15, with revenue continuing to be recognised over time, as control passes to the customer as the asset is constructed/service is provided.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Nature of change in accounting policy
Cost-reimbursable	A number of projects within these segments are undertaken using open-book/cost-plus (possibly with a pain/gain share mechanism) contracts. Contracts are typically accounted for as a single performance obligation with the majority of these contracts including a build phase only. Construction typically receives payments from the customer based on actual costs incurred. Revenue is therefore recognised over time (the period of construction) based on an input model (reference to costs incurred to date). Un-invoiced amounts are presented as contract assets. Management do not expect a financing component to exist.	These contracts were previously accounted for under IAS 11 and as such were recognised over time as control passes to the customer as the asset is constructed/service is provided. There is no change to the timing of revenue recognition under IFRS 15, with revenue continuing to be recognised over time, as control passes to the customer as the asset is constructed/service is provided.
Framework	Projects within the Infrastructure segment can be undertaken under an overall framework agreement (possibly granted on a regulatory cycle, such as for water contracts), with work performed under individual work orders submitted by the customer and governed by the terms of the framework agreement (often including a schedule of rates and a pain/gain element). Individual work orders will typically consist of a single deliverable or job and are anticipated to comprise only a single deliverable (and consequently performance obligation). Revenue is therefore recognised over time based on an input model (reference to costs incurred to date).	These contracts were previously accounted for under IAS 11 and as such were recognised over time as control passes to the customer as the asset is constructed/service is provided (for each individual work order issued under the arrangement. There is no change to the timing of revenue recognition under IFRS 15, with revenue continuing to be recognised over time, as control passes to the customer as the asset is constructed/service is provided.

(ii) *Investments segment*

Through public private partnerships, Construction leads bid consortia and arranges finance, makes equity investments (which are recycled, typically once the underlying construction phase is completed) and manages construction through to operations.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms	Nature of change in accounting policy
PPP Investments	Construction has investments in a number of PPP Special Purpose Vehicles (SPVs), delivering major building and infrastructure projects. Construction additionally provides management services to the SPVs under Management Service Agreements (MSA). Revenue for these services is typically recognised over time as and when the service is delivered to the customer. Revenue for reaching project financial close (such as success fees) are recognised at a point in time, at financial close (when control is deemed to pass to the customer).	The underlying construction work is accounted for within the Building and Infrastructure segments while the equity investments are accounted for under IAS 28. Under IFRS 15, where a range of management services are provided under an MSA, these are taken to represent a single performance obligation as they represent a single bundle of services being sought by the customer.

Disaggregation of revenue

As part of the implementation of IFRS 15 on 1 July 2018, Construction has assessed the appropriate presentation of the disaggregation of its revenue streams (analysing the varying risk profiles and effect of economic factors on the nature, amount, timing and uncertainty of revenue). The material differences in risk between the different revenue streams have been captured by Construction's operating segments (as noted and explained above) as this best depicts how the nature, timing and amount of revenue and cash flows are affected by economic factors. Therefore, Construction has presented this disaggregation in line with the segmental analysis as shown in note 2.

Construction derives its revenue from contracts with customers for the transfer of goods and services, both at a point in time and over time. The split is disclosed in the table below, which is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 'Operating Segments'.

	Building £m	Infrastructure £m	Total Construction £m	PPP Investments £m	Central £m	Total £m
Over time	858.3	524.2	1,382.5	12.1	0.6	1,395.2
Point in time	–	–	–	4.9	–	4.9
Group revenue	858.3	524.2	1,382.5	17.0	0.6	1,400.1

Revenue on existing contracts, where performance obligations are unsatisfied or partially unsatisfied at the balance sheet date, is expected to be recognised as follows:

	2020 £m	2021 £m	2022 onwards £m	Total £m
Building	575.9	128.5	4.8	709.2
Infrastructure	316.1	75.4	1.0	392.5
Total Construction	892.0	203.9	5.8	1,101.7
PPP Investments	2.1	1.8	25.4	29.3
Central	–	–	–	–
Total transaction price allocated to performance obligations yet to be satisfied	894.1	205.7	31.2	1,131.0

As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as at 30 June 2018 and 30 June 2017 is not disclosed.

Any element of variable consideration is estimated at a value that is highly probable not to result in future reversal.

4. Exceptional items

	2019 £m	2018 £m	2017 £m
Group revenue – expected credit loss per IFRS 9 in respect of legacy contract	(2.8)	–	–
Group revenue – charge in respect of legacy contracts	–	–	(42.4)
Cost of sales – charge in respect of legacy contracts	(39.0)	(45.0)	(45.5)
Cost of sales – restructure costs	(3.0)	–	–
Administrative expenses – restructure costs	(1.6)	–	–
Administrative expensive – aborted merger costs	–	–	(1.0)
Loss from operations	(46.4)	(45.0)	(88.9)

Exceptional items in the year totalled £46.4m. Of this, £32.3m was in relation to additional costs to complete the AWPR contract, of which £26.0m was for additional costs to complete the project as accrued in the first half of the year and £6.3m resulted from the impact of our updated accounting policy on claims from other parties. Construction is pursuing a significant claim against the client and others, which is yet to be concluded. Once settled, this is expected to provide an upside to Construction’s cash position.

In addition, the exceptional charge included £6.7m in respect of other legacy contracts and £4.6m in respect of the restructure announced in May 2019, completed within Construction, which has simplified the business and the management structure.

Construction has assumed recovery of contract assets in respect of its contracts in accordance with IFRS 15. Furthermore, in accordance with IFRS 9 Financial Instruments (which was adopted on 1 July 2018), Construction has performed an assessment of the expected credit loss on both adoption of the standard (at 1 July 2018) and at the closing balance sheet date (30 June 2019), based on estimated provision matrices. This resulted in an impairment charge of £11.2m on adoption of IFRS 9 (at 1 July 2018) and an exceptional impairment charge of £2.8m incurred in the year.

In 2018, an exceptional charge of £45.0m was incurred, in respect of additional costs on the AWPR contract, which included the additional share of costs taken on following the insolvency of Carillion plc, one of our two joint venture partners, and further cost rises driven mainly by poor weather conditions.

In 2017, Construction released an update in respect of group trading and legacy contracts in Construction. This indicated that following a thorough reappraisal of the costs to complete and recoveries from these contracts, a one-off charge of £98.3m had been incurred, primarily in respect of two major infrastructure joint venture projects. Of this charge, £87.9 million has been classified as an exceptional item. Additionally, Construction announced that it had approached the board of Bovis Homes Group PLC ("Bovis Homes") and had proposed an all share merger between Galliford Try plc and Bovis Homes. Subsequently, in April 2018, the group announced that this proposal was no longer being considered. During this period, £1.0m of professional fees were incurred in respect of the proposal and these have been treated as an exceptional item.

	2019 £m	2018 £m	2017 £m
Loss before income tax	(74.3)	(50.3)	(119.2)
Expected credit loss in respect of legacy contract	2.8	–	–
Charge in respect of legacy contracts	39.0	45.0	87.9
Restructure costs	4.6	–	–
Aborted merger costs	–	–	1.0
Pre-exceptional loss before income tax	(27.9)	(5.3)	(30.3)

5. Employees and directors

Employee benefit expense during the year

	Notes	2019 £m	2018 £m	2017 £m
Wages and salaries		174.6	176.7	175.2
Social security costs		19.8	20.3	19.8
Other pension costs		15.0	13.6	10.4
Share-based payments	26	0.5	2.0	1.3
Total		209.9	212.6	206.7

Average monthly number of people (including executive directors) employed

	2019 Number	2018 Number	2017 Number
By business:			
– Building	1,780	1,899	1,871
– Infrastructure	1,437	1,421	1,724
Construction	3,217	3,320	3,595
PPP Investments	74	68	64
Central	249	316	373
Total	3,540	3,704	4,032

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 Construction is set out below in aggregate for each of the categories specified in IAS 24, Related Party Disclosures.

	2019 £m	2018 £m	2017 £m
Salaries and short-term employee benefits	2.7	2.8	2.9
Retirement benefit costs	0.2	0.3	0.3
Share-based payments	–	0.7	0.3
Total	2.9	3.8	3.5

6. Net finance costs

	2019 £m	2018 £m	2017 £m
Interest receivable on bank deposits	0.2	–	0.2
Interest receivable from joint ventures	3.4	0.9	–
Other	–	0.1	0.1
Finance income	3.6	1.0	0.3
Interest payable on borrowings	(12.4)	(13.3)	(14.9)
Finance costs	(12.4)	(13.3)	(14.9)
Net finance costs	(8.8)	(12.3)	(14.6)

7. Profit before income tax

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

	Notes	2019 £m	2018 £m	2017 £m
Employee benefit expense	5	209.9	212.6	206.7
Depreciation of property, plant and equipment	12	2.9	3.0	2.9
Amortisation of intangible assets	10	2.1	2.1	2.0
Operating lease rentals payable		36.5	33.8	26.5
Repairs and maintenance expenditure on property, plant and equipment		1.1	0.7	0.8
(Decrease) in provision for receivables	16	–	(0.2)	(0.1)
Exceptional items	4	(46.4)	(45.0)	(88.9)

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

8. Income tax expense

	Note	2019 £m	2018 £m	2017 £m
Analysis of (credit)/expense in year				
Current year's income tax				
Current tax		(24.6)	(11.9)	(22.7)
Deferred tax	23	6.6	(0.1)	0.6
Adjustments in respect of prior years				
Current tax		0.8	0.9	(2.8)
Deferred tax	23	0.1	–	(0.4)
Income tax credit		(17.1)	(11.1)	(25.3)
Tax on items recognised in other comprehensive income/directly in equity				
Current tax (credit) for retirement benefit obligations		(0.4)	(1.3)	(1.2)
Current tax (credit)/expense for share-based payments		(0.2)	0.1	(0.3)
Current tax (credit) for share-based payments – PYA		–	–	(0.8)
Deferred tax expense/(credit) for share-based payments	23	–	0.1	(0.1)
Deferred tax expense on derivative financial instruments		0.1	0.2	0.5
Tax (credit) recognised in other comprehensive income		(0.5)	(0.9)	(1.9)
Total taxation credit		(17.6)	(12.0)	(27.2)

The total income tax credit for the year of £17.1m (2018: £11.1m, £2017: £25.3m) is higher (2018: higher, 2017: higher) than the blended standard rate of corporation tax in the UK of 19.0 per cent. (2018: 19.0 per cent., 2017: 19.75 per cent.). The differences are explained below:

	2019 £m	2018 £m	2017 £m
(Loss) before income tax	(74.3)	(50.3)	(119.2)
Loss before income tax multiplied by the blended standard corporation tax rate in the UK of 19.0 per cent. (2018: 19.0 per cent., 2017: 19.75 per cent.)	(14.1)	(9.6)	(23.5)
Effects of:			
Expenses not deductible for tax purposes	0.1	0.1	0.6
Non-taxable income	(1.9)	(1.9)	(0.2)
Adjustments in respect of prior years	0.9	0.9	(3.2)
Other	(2.1)	(0.6)	1.0
Income tax credit	(17.1)	(11.1)	(25.3)

The standard rate of corporation tax in the UK changed from 20.0 per cent. to 19.0 per cent. with effect from 1 April 2017. Accordingly, Construction's profits for the financial year to 30 June 2019 were taxed at a standard rate of 19.0 per cent., and for the period to 30 June 2018 are taxed at a blended standard rate of 19.0 per cent.

The UK corporation tax rate is due to be reduced to 17.0 per cent. in April 2020. Deferred tax has been recognised at 19.0 per cent. as it is likely that most assets and liabilities will have reversed within one year. Had the 17.0 per cent. rate been applied to those balances that may reverse post April 2020 then the effect on the deferred tax balances would not have been significant.

9. Dividends

	2019		2018		2017	
	£m	pence per share	£m	pence per share	£m	pence per share
Previous year final	54.4	49.0	52.6	64.0	46.4	50.0
Current year interim	25.5	23.0	23.3	28.0	26.4	29.0
Dividend recognised in the year	79.9	72.0	75.9	92.0	72.8	79.0

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

	2019		2018		2017	
	£m	pence per share	£m	pence per share	£m	pence per share
Interim	25.5	23.0	23.3	28.0	26.4	29.0
Final	38.9	35.0	54.4	49.0	53.0	57.0
Dividend relating to the year	64.4	58.0	77.7	77.0	79.4	86.0

The directors are proposing a final dividend in respect of the financial year ended 30 June 2019 of 35.0 pence per share, bringing the total dividend in respect of 2019 to 58.0 pence per share (2018: 77.0p, 2017: 86.0p). The final dividend will absorb approximately £38.9m of equity. Subject to shareholder approval at the AGM to be held on 12 November 2019, the dividend will be paid on 4 December 2019 to shareholders who are on the register of members on 8 November 2019.

10. Intangible assets

	Customer contracts and relationships £m	Computer software £m	Total £m
Cost			
At 1 July 2016	12.1	10.9	23.0
Additions	–	–	–
At 1 July 2017, 1 July 2018, and 30 June 2019	12.1	10.9	23.0
Accumulated amortization			
At 1 July 2016	(4.4)	(2.8)	(7.2)
Amortisation in year	(0.9)	(1.1)	(2.0)
At 1 July 2017	(5.3)	(3.9)	(9.2)
Amortisation in year	(0.9)	(1.2)	(2.1)
At 1 July 2018	(6.2)	(5.1)	(11.3)
Amortisation in year	(1.0)	(1.1)	(2.1)
At 30 June 2019	(7.2)	(6.2)	(13.4)
Net book amount			
At 30 June 2019	4.9	4.7	9.6
At 30 June 2018	5.9	5.8	11.7
At 30 June 2017	6.8	7.0	13.8

All amortisation charges in the year have been included in administrative expenses. Computer software relates to the introduction of Construction's reporting systems. The remaining period of amortisation on computer software is four years and six months.

11. Goodwill

	£m
Cost and net book value	
At 30 June 2016, 30 June 2017, 30 June 2018 and 30 June 2019	77.2

Goodwill is allocated to Construction's CGUs identified according to business segment. The goodwill is attributable to the following business segments:

	2019 £m	2018 £m	2017 £m
Building	40.0	40.0	40.0
Infrastructure	37.2	37.2	37.2
	77.2	77.2	77.2

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 and targets. 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 and management's expectation of the future level of work available within the market sector. In establishing future profit margins, the margins currently being achieved are considered in conjunction with expected inflation rates in each cost category. In Building and Infrastructure, the operating margins currently being achieved are expected to increase to the strategic target levels of in excess of 2 per cent.

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 Construction'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 2.0 per cent. per annum within each segment. The growth rate used is Construction's estimate of the average long-term growth rate for the market sectors in which the CGU operates. A pre-tax discount rate of 8.7 per cent. (2018: 9.0 per cent., 2017: 8.8 per cent.) in Building and 9.4 per cent. (2018: 8.5 per cent., 2017: 8.8 per cent.) in Infrastructure has been applied to the future cash flows, based on an estimate of the weighted average cost of capital of each division.

Sensitivities

The recoverable value of all CGUs are substantially in excess of the carrying value of the CGUs. 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 150 per cent. (2018: 200 per cent., 2017: 108 per cent.) in the pre-tax discount rate or a reduction of 49 per cent. (2018: 24 per cent., 2017: 64 per cent.) in the forecast operating cash flows of the Infrastructure 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.

12. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Cost				
At 1 July 2016	6.5	10.5	13.1	30.1
Additions	–	0.2	4.5	4.7
Disposals	(5.6)	(3.4)	(0.7)	(9.7)
At 1 July 2017	0.9	7.3	16.9	25.1
Additions	–	0.1	2.9	3.0
Disposals	–	(0.3)	(0.1)	(0.4)
At 1 July 2018	0.9	7.1	19.7	27.7
Additions	–	1.6	1.1	2.7
Disposals	(0.8)	(0.4)	–	(1.2)
At 30 June 2019	0.1	8.3	20.8	29.2
Accumulated depreciation				
At 1 July 2016	(0.6)	(3.6)	(8.8)	(13.0)
Charge for the year	(0.1)	(0.2)	(2.6)	(2.9)
Disposals	0.6	3.0	0.8	4.4
At 1 July 2017	(0.1)	(0.8)	(10.6)	(11.5)
Charge for the year	–	(0.2)	(2.8)	(3.0)
Disposals	–	0.1	–	0.1
At 1 July 2018	(0.1)	(0.9)	(13.4)	(14.4)
Charge for the year	–	(0.2)	(2.7)	(2.9)
Disposals	0.1	0.5	–	0.6
At 30 June 2019	–	(0.6)	(16.1)	(16.7)

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Total £m
Net book amount				
At 30 June 2019	0.1	7.7	4.7	12.5
At 30 June 2018	0.8	6.2	6.3	13.3
At 30 June 2017	0.8	6.5	6.3	13.6

There has been no impairment of property, plant and equipment during the year (2018: £nil, 2017: £nil). Fixed assets included £nil net book value, and £nil depreciation, for assets held under finance leases (2018: £0.2m and £0.4m, 2017: £0.6m and £0.3m).

13. Investments in joint ventures

	2019 £m	2018 £m	2017 £m
At 1 July	–	0.8	0.7
Dividend received from joint ventures	(0.3)	(1.0)	–
Share of post tax profit	0.3	0.2	0.1
At 30 June	–	–	0.8

At 30 June 2019 Construction held interests in joint ventures, all of which are incorporated in England and Wales or in Scotland.

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

	2019 £m	2018 £m	2017 £m
Current assets	0.9	2.7	2.1
Non-current assets	–	–	–
Current liabilities	(0.9)	(1.9)	(1.3)
Non-current liabilities	–	(0.8)	–
	–	–	0.8
Amounts due from joint ventures	–	–	–
Amounts due to joint ventures	–	–	–
Revenue	15.9	7.2	14.7
Expenses	(15.3)	(6.8)	(14.5)
	0.6	0.4	0.2
Finance cost	(0.3)	(0.2)	–
Income tax	–	–	(0.1)
Share of post-tax profits from joint ventures	0.3	0.2	0.1

As at 30 June 2019, amounts due from joint ventures were £nil (2018: £nil, 2017: £nil) and therefore no consideration of impairment (in accordance with IFRS 9) was applicable.

Construction has no commitments (2018: £nil, 2017: £nil) to provide further subordinated debt to its joint ventures.

Our share of joint ventures external bank funding was £nil at 30 June 2019 (2018: £nil, 2017: £nil). The joint ventures have no significant contingent liabilities to which Construction is exposed (2018: £nil, 2017: £nil). The joint ventures had no capital commitments as at 30 June 2019 (2018: £nil, 2017: £nil).

Details of related party transactions with joint ventures are given in note 30.

14. PPP and other investments

	2019 £m	2018 £m	2017 £m
At 1 July	26.1	24.3	16.2
Effect of change in accounting policy[1]	5.5	–	–
Restated at 1 July	31.6	24.3	16.2
Additions	22.7	10.9	8.6
Disposals and subordinated loan repayments	(13.9)	(9.1)	(0.5)
Movement in fair value	0.8	–	–
At 30 June	41.2	26.1	24.3

1. Construction adopted IFRS 9 Financial Instruments on 1 July 2018 using the modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to opening equity (note 1).

These comprise PPP/PFI investments.

Construction's share of post-tax profits from PPP investments was £4.1m (2018: £3.9m, 2017: £2.9m) but was impaired to a net balance of £nil (2018: £nil, 2017: £nil).

Construction has sold the majority of its shared equity portfolio.

None of the financial assets are past their due dates (2018: £nil, 2017: £nil) and the directors expect an average maturity profile of 10 years.

During the year additional subordinated loans and other investments of £22.7m (2018: £10.9m, 2017: £8.6m) were added to Construction's PPP/PFI investments, subordinated loans of £1.4m (2018: £0.6m, 2017: £nil) were repaid and Construction disposed of interests held at £12.8m (2018: £8.5m, 2017: £0.5m), generating a profit on disposal of £6.9m (2018: £5.5m, 2017: £nil).

Construction has commitments of £9.0m (2018: £20.0m, 2017: £32.0m) to provide further subordinated debt to its investments.

Our share of PPP and other investments external bank funding was £296.9m at 30 June 2019 (2018: £335.0m, 2017: £338.3m). Our share of these entities' other external funding consists of £68.1m (2018: £90.6m, 2017: £87.9m) of listed bonds.

15. Construction contracts

	2019 £m	2018 £m	2017 £m
Contracts in process at balance sheet date:			
Amounts receivable on construction contracts included in trade and other receivables	–	312.9	240.4
Payments received on account on construction contracts included in trade and other payables	–	(50.1)	(92.8)
	–	262.8	147.6

Construction adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to opening equity (note 32). Consequently, no balances are shown for this note in 2019 and are included within contract assets and contract liabilities.

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 £4,988m in 2018 (2017: £4,170m).

Retentions held by customers for contract work amounted £60.9m in 2018 and £58.7m in 2017).

16. Trade and other receivables

	2019 £m	2018 £m	2017 £m
Amounts falling due within one year:			
Trade receivables	60.9	135.0	120.8
Less: provision for impairment of receivables	–	–	(0.2)
Trade receivables – net	60.9	135.0	120.6
Amounts recoverable on construction contracts[1]	–	312.9	240.4
Contract assets[1, 2]	344.6	–	–
Other receivables	–	1.8	16.8
Prepayments and accrued income[1]	49.1	76.1	103.5
	454.6	525.8	481.3

1. Construction adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to opening equity (note 32).

2. Contract assets of £344.6m at 30 June 2019 includes a life-time expected credit loss allowance of £14.0m (2018: £nil, 2017: £nil). The movement in the year is due to an £11.2m IFRS 9 transition adjustment (note 1) and an impairment charge of £2.8m incurred in the year (note 4).

Prepayments and accrued income includes £nil (2018: £1.6m, 2017: £2.4m) of accrued income.

Movements on Construction provision for impairment of trade receivable were as follows:

	2019 £m	2018 £m	2017 £m
At 1 July	–	(0.2)	(0.3)
Decrease in provision for receivables impairment	–	0.2	0.1
At 30 June	–	–	(0.2)

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 Construction's investment in shared equity receivables (note 14) and its cash and cash equivalents. Construction does not hold any collateral as security.

Management believes that the concentration of credit risk with respect to trade receivables is limited due to Construction's customer base being large and unrelated. Major water industry customers accounted for in total 8 per cent.(2018: 6 per cent., 2017: 5 per cent.) 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.

As at 30 June 2019, trade receivables of £29.0m (2018: £38.1m, 2017: £36.8m) 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:

	2019 £m	2018 £m	2017 £m
Number of days past due date:			
Less than 30 days	13.9	21.4	21.8
Between 30 and 60 days	3.0	7.1	1.4
Between 60 and 90 days	2.3	3.0	3.7
Between 90 and 120 days	1.9	0.5	1.5
Greater than 120 days	7.9	6.1	8.4
	29.0	38.1	36.8

As at 30 June 2019, trade receivables were considered for impairment based on management's judgment and review of the trade receivables listings. The amount provided for these balances was £nil (2018: £nil, 2017: £0.2m). The allocation of the provision is as follows:

	2019 £m	2018 £m	2017 £m
Number of days past due date:			
Greater than 120 days	–	–	0.2
	–	–	0.2

17. Cash and cash equivalents

	2019 £m	2018 £m	2017 £m
Cash at bank and in hand	846.9	833.9	930.3

Cash at bank above includes £nil (2018: £nil, 2017: £nil) of restricted cash. The effective interest rate received on cash balances is 0.4 per cent. (2018: 0.3 per cent., 2017: 0.3 per cent.) from the bank and 6.0 per cent. (2018: 6.0 per cent., 2017: 6.0 per cent.) from internal loans.

	2019 £m	2018 £m	2017 £m
Net cash			
Cash and cash equivalents excluding bank overdrafts	846.9	833.9	930.3
Current borrowings – bank overdrafts (note 20)	(129.0)	(33.6)	(187.5)
Cash and cash equivalents per the statements of cashflows	717.9	800.3	742.8
Current borrowings – obligations under finance leases and hire purchase contracts (note 20)	–	(0.1)	(0.3)
Non-current borrowings (note 20)	–	(97.1)	(96.2)
Current borrowings – bank loans (note 20)	(98.2)	–	–
Net cash	619.7	703.1	646.3

18. Trade and other payables

	2019 £m	2018 £m	2017 £m
Payments received on account on construction contracts[1]	–	50.1	92.8
Trade payables[1]	256.5	358.0	274.1
Contract liabilities[1]	127.1	–	–
Other taxation and social security payable	5.1	13.3	14.7
Other payables	25.0	25.4	11.4
Accruals and deferred income[1]	296.0	323.1	411.2
	709.7	769.9	804.2

1. Construction adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to opening equity (note 32).

Accruals and deferred income includes £nil (2018: £nil, 2017: £0.2m) deferred income.

19. Provisions for other liabilities and charges

	Property related £m	**Total £m**
At 1 July 2016	1.9	1.9
Utilised in year	(0.4)	(0.4)
At 1 July 2017	1.5	1.5
Utilised in year	(0.4)	(0.4)
At 1 July 2018	1.1	1.1
Utilised in year	(0.3)	(0.3)
At 30 June 2019	0.8	0.8
Analysis of total provisions		
Current	0.3	0.3
Non-current	1.2	1.2
At 30 June 2017	1.5	1.5
Current	0.3	0.3
Non-current	0.8	0.8
At 30 June 2018	1.1	1.1
Current	0.4	0.4
Non-current	0.4	0.4
At 30 June 2019	0.8	0.8

Property related provisions

The property related provisions relate primarily to the excess profit generated when properties, which continue to be occupied by Construction, 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 Construction at amounts below the level of rental being paid by Construction.

20. Financial liabilities – borrowings

	2019 £m	2018 £m	2017 £m
Current			
Obligations under finance leases and hire purchase contracts	–	0.1	0.3
Bank overdrafts[1]	129.0	33.6	187.5
Bank loans[1]	98.2	–	–
	227.2	33.7	187.8
Non-current			
Bank loans[1]	–	97.1	96.0
Obligations under finance leaves and hire purchase contracts	–	–	0.2
	–	97.1	96.2

1. The bank loans and overdrafts are unsecured. They currently incur interest at 2.0 per cent. – 2.3 per cent. (2018: 2.0 per cent. – 2.3 per cent., 2017: 2.0 per cent. – 2.3 per cent.) over LIBOR. Construction has entered into interest rate swaps as set out in note 27. The bank loans are classified as non-current as Construction expects to, and has the discretion to, roll over the obligations under its existing bank facility.

21. Other non-current liabilities

	2019 £m	2018 £m	2017 £m
Other payables	–	–	0.1
Accruals and deferred income[1]	1.3	1.3	4.2
	1.3	1.3	4.3

1. Construction adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to opening equity (note 32).

Accruals and deferred income includes £nil (2018: £nil, 2017: £2.9m) deferred income.

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

	Financial liabilities 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	–	–	577.3	577.3
More than one year and less than two years	–	–	1.3	1.3
More than two years	–	–	–	–
30 June 2019	–	–	578.6	578.6

	Financial liabilities 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	–	–	641.3	641.3
More than one year and less than two years	–	–	1.3	1.3
More than two years	–	–	–	–
30 June 2018	–	–	642.6	642.6

	Financial liabilities 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	–	–	689.1	689.1
More than one year and less than two years	–	–	1.4	1.4
More than two years	–	–	–	–
30 June 2017	–	–	690.5	690.5

22. Contract balances

Contract assets and liabilities are included within "trade and other receivables" and "trade and other payables" respectively on the face of the balance sheet. Where there is a corresponding contract asset and liability in relation to the same contract, the balance shown is the net position. The timing of work performed (and thus revenue recognised), billing profiles and cash collection, results in trade receivables (amounts billed to date and unpaid), contract assets (unbilled amounts where revenue has been recognised) and customer advances and deposits (contract liabilities), where corresponding work has yet to be performed, being recognised on Construction's balance sheet.

The reconciliation of the opening to closing contract balances is shown below:

	Contract asset £m	Contract liability £m
1 July 2018	–	–
Adjustment as a result of transitioning to IFRS 9[1] and IFRS 15[2] on 1 July 2018	302.3	(115.5)
1 July 2018 as restated	302.3	(115.5)
Revenue recognised		
Of which relates to performance obligations		
– Satisfied in the current year	1,362.9	40.0
Expected credit loss per IFRS 9 (note 4)	(2.8)	–
Total revenue recognised	1,360.1	40.0
Transfers in the period from contract assets to trade receivables	(1,317.8)	–
Net cash received in advance of performance obligations being fully satisfied	–	(51.6)
30 June 2019	344.6	(127.1)

1. Includes impairment of £11.2m of adoption of IFRS 9 Financial Instruments on 1 July 2018 (note 4).

2. Construction adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to opening equity (note 32).

The amount of incremental costs to obtain or fulfil a contract which have been recognised as an asset is £3.3m.

Revenue allocated to performance obligations that are unsatisfied at 30 June, are expected to be recognised as disclosed in note 3.

23. Deferred income tax

Deferred income tax is calculated in full on temporary differences under the liability method, using a tax rate of 19.0 per cent. (2018: 19.0 per cent., 2017: 19.75 per cent.).

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:

	2019 £m	2018 £m	2017 £m
Deferred income tax assets – non-current	5.7	3.6	4.3
Deferred income tax assets	5.7	3.6	4.3
Deferred income tax liabilities – non-current	(3.1)	(3.0)	(3.5)
Deferred income tax liabilities	(3.1)	(3.0)	(3.5)
Net deferred income tax	2.6	0.6	0.8

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

	2019 £m	2018 £m	2017 £m
At 1 July	0.6	0.8	1.4
Effect of change in accounting policy[1, 2]	8.8	–	–
Restated at 1 July	9.4	0.8	1.4
Income statement			
Current year's deferred income tax	(6.6)	0.1	(0.6)
Adjustment in respect of prior years	(0.1)	–	0.4
(Expense) recognised in equity	(0.1)	(0.3)	(0.4)
At 30 June	2.6	0.6	0.8

1. Construction adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to opening equity (notes 1 and 32).

2. Construction adopted IFRS 9 Financial Instruments on 1 July 2018 (notes 4 and 22).

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

	Accelerated tax depreciation and other £m	Retirement benefit obligations £m	Share-based payments £m	Interest provisions & intangible assets acquired £m	Total £m
At 1 July 2016	–	0.8	0.5	4.4	4.9
Income/(expense) taken to income statement	–	–	0.3	(0.5)	(0.2)
Transfer from deferred income tax liabilities	–	–	–	–	–
Transfer to deferred income tax liabilities	–	–	–	–	–
(Expense)/income recognised in equity	–	(0.2)	0.1	(0.5)	(0.4)
At 1 July 2017	–	0.6	0.9	3.4	4.3
Income/(expense) taken to income statement	0.5	–	(0.3)	(0.2)	–
Transfer from deferred income tax liabilities	(0.4)	–	–	–	(0.4)
(Expense) recognised in equity	–	–	(0.1)	(0.2)	(0.3)
At 30 June 2018	0.1	–	0.5	3.0	3.6
Effect of change in accounting policy[1, 2]	8.8	–	–	–	8.8
Restated at 1 July	8.9	–	0.5	3.0	12.4
(Expense)/income taken to income statement	(6.7)	–	(0.1)	0.3	(6.5)
Transfer to deferred income tax liabilities	(0.1)	–	–	–	(0.1)
(Expense) recognised in equity	–	–	–	(0.1)	(0.1)
At 30 June 2019	2.1	–	0.4	3.2	5.7

1. Construction adopted IFRS 15 Revenue from Contracts with Customers on 1 July 2018 using the modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to opening equity (notes 1 and 32).

2. Construction adopted IFRS 9 Financial Instruments on 1 July 2018 (notes 4 and 22).

Deferred income tax liabilities

	Fair value adjustments £m	Retirement benefit obligations £m	Accelerated tax depreciation £m	Total £m
At 1 July 2016	(3.2)	–	(0.3)	(3.5)
Income taken to income statement	0.1	–	(0.1)	–
Income recognised in equity	–	–	–	–
Transfer to deferred income tax assets	–	–	–	–
Transfer from deferred income tax assets	–	–	–	–
At 1 July 2017	(3.1)	–	(0.4)	(3.5)
Income taken to income statement	0.1	–	–	0.1
On acquisition of subsidiaries	–	–	–	–
Transfer to deferred income tax assets	–	–	0.4	0.4
At 30 June 2018	(3.0)	(1.3)	–	(3.0)
Income taken to income statement	–	–	(0.2)	(0.2)
Income recognised in equity	–	–	–	–
Transfer from deferred income tax assets	–	–	0.1	0.1
At 30 June 2019	(3.0)	(1.3)	(0.1)	(3.1)

24. Financial instruments

Construction'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. Construction's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Construction'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.

Construction and the Company operate within financial risk policies and procedures approved by the Board. It is, and has been throughout the year, Construction'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. Construction's and Company's financial instruments principally comprise bank borrowings, cash and cash equivalents, receivables and payables, PPP and other investments and interest rate swaps that arise directly from its operations and its acquisitions.

Capital risk management

Construction is funded by ordinary shares, retained profits and a single bank facility. Construction's objectives when managing capital are to safeguard Construction'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.

In order to maintain or adjust the capital structure, Construction may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Construction 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 combined balance sheet) less cash and cash equivalents. Construction held net debt at 30 June 2019 but net cash at 30 June 2018 and 30 June 2017 and therefore had gearing of 8 per cent. in 2019 and nil per cent. in 2018 and 2017. Construction also has capital requirements in the covenants in its bank facilities, as set out later in this note. Construction has complied with all bank covenants during the year.

Financial risk factors

(a) *Market risk*

(i) Foreign exchange risk

All material activities of Construction 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, Construction's policy is to enter into forward foreign currency contracts. Construction and Company have no material currency exposure at 30 June 2019 (2018: nil, 2017: nil.

(ii) Price risk

Construction has no quoted investments that are exposed to equity securities price risk. Construction is not exposed to commodity price risk.

(iii) Interest rate risk

Construction's income and operating cash flows are substantially independent of changes in market interest rates.

Construction's interest rate risk arises from movement in cash and cash equivalents and long-term borrowings. Borrowings issued at variable rates expose Construction to cash flow interest rate risk. Construction'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 Construction are set out below.

Construction analyses its interest rate exposure on a dynamic basis. On a regular basis Construction calculates the impact on the income statement of a defined interest rate shift on Construction's borrowing position.

Based on the forecasts performed, the impact on post tax profit and equity of a 1 per cent. decrease or increase in interest rates for a year would be a maximum increase of £3.0m (2018: £2.7m, 2017: £2.9m) or decrease of £3.0m (2018: £2.7m, 2017: £2.9m), respectively.

(b) *Credit risk*

Credit risk is managed on a Construction 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. Construction has a credit risk exposure to the providers of its banking facilities. These are primarily provided by HSBC Bank plc, Santander UK plc, National Westminster Bank 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 16. 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, treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Construction finances its operations through a mixture of retained profits and bank borrowings. Management monitors rolling forecasts of Construction's liquidity reserve, which comprises undrawn borrowing facilities (see below) and cash and cash equivalents (note 17) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of Construction, in accordance with practices and limits set by Construction. 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 Construction's operating companies are aggregated into a total cash or borrowings figure, in order that Construction can obtain the most advantageous interest rate.

In accordance with IFRS 9 'Financial Instruments', Construction 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:

	2019 £m	**2018 £m**	**2017 £m**
At 30 June			
Non-current liabilities	(0.4)	(0.9)	(2.0)

During the year ended 30 June 2015 Construction 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 2019 was £100m (2018: £100m, 2017: £100m) and the fixed interest rate is 1.4 per cent. (2018: 1.4 per cent., 2017: 1.4 per cent.). This swap is designated as a cash flow hedge and changes in fair value are recognised directly in reserves. A profit of £0.5m (2018: £1.1m, 2017: £2.5m) was recognised in other comprehensive income in the year. 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 a loss of £0.4m (2018: £0.8m, 2017: £0.7m) was recognised in the current year.

Fair values of non-derivative financial assets and financial liabilities
Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flows at the prevailing interest rate. The fair

value of current borrowings equals their carrying amounts as the impact of discounting is not significant.

Fair value of current and non-current borrowings	Notes	2019 Book value £m	2019 Fair value £m	2018 Book value £m	2018 Fair value £m	2017 Book value £m	2017 Fair value £m
Current borrowings	20	98.2	102.9	–	–	–	–
Non-current borrowings	20	–	–	97.1	102.8	96.2	96.2

Fair value of other financial assets and financial liabilities
Primary financial instruments held or issued to finance Construction's operations:

	Notes	2019 Book value £m	2019 Fair value £m	2018 Book value £m	2018 Fair value £m	2017 Book value £m	2017 Fair value £m
Financial liabilities:							
Current borrowings	20	–	–	0.1	0.1	0.3	0.3
Current financial liabilities and payables measured at amortised cost	18	577.3	577.3	641.3	641.3	689.1	689.1
Non-current financial liabilities and payables measured at amortised cost	21	1.3	1.3	1.3	1.3	1.4	1.4
Financial assets:							
PPP and other investments	14	41.2	41.2	26.1	26.1	24.3	24.3
Loans and receivables	16	405.5	405.5	449.7	449.7	377.8	377.8
Cash and cash equivalents	27	717.9	717.9	800.3	800.3	742.8	742.8

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 Construction's non-derivative financial liabilities is given in note 21.

There is no difference between the book value and the fair value of the Company's other financial assets and financial liabilities.

Borrowing facilities
Construction had the following undrawn committed borrowing facilities available at 30 June:

	2019 Floating rate £m	2018 Floating rate £m	2017 Floating rate £m
Expiring:			
In more than two years	347.2	342.4	342.4
	347.2	342.4	342.4

In February 2014 Construction agreed a five-year £400m unsecured revolving credit facility with HSBC Bank plc, Santander UK plc, Barclays Bank plc and The Royal Bank of Scotland plc . In February 2015, Construction agreed a one-year extension on the facility, to 2020, and in March 2016 agreed an increase in the facility to £450m. In December 2016, Construction agreed a further two-year extension to February 2022. The facility provides long-term finance and bonding facilities and is subject to covenants over interest cover, gearing (adjusted to take account of development land payables) and minimum consolidated tangible net assets. Interest is calculated by aggregating margin, LIBOR and relevant costs.

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

- Level 1 – Quoted market prices or dealer quotes in active markets for similar instruments.
- Level 2 – The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows, based on observable yield curves.

- Level 3 – Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments. The fair value of other investments is set out in note 14.

The following table presents Construction's assets and liabilities that are measured at fair value at 30 June:

			2019			2018			2017
	Level 2 £m	Level 3 £m	Total £m	Level 2 £m	Level 3 £m	Total £m	Level 2 £m	Level 3 £m	Total £m
Assets									
Available for sale financial assets									
– PPP and other investments	–	41.2	41.2	–	–	–	–	–	–
Total	–	41.2	41.2	–	–	–	–	–	–
Liabilities									
Liabilities at fair value through income statement									
– Derivatives used for hedging	(0.4)	–	(0.4)	(0.9)	–	(0.9)	(2.0)	–	(2.0)

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. In the table above, the derivatives used for hedging are fully attributable to the Company.

Fair value measurements using significant unobservable inputs (Level 3)

	2019	2018	2017
Opening balance	–	–	–
Effect of change in accounting policy[1]	31.6	–	–
Restated at 1 July	31.6	–	–
Additions	22.7	–	–
Movement in fair value	0.8	–	–
Disposals and subordinated loan repayments	(13.9)	–	–
Closing balance	41.2	–	–

1. Construction adopted IFRS 9 Financial Instruments on 1 July 2018 using the modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to opening equity (note 1).

The key assumptions used in Level 3 valuations include the expected timing of receipts, credit risk and discount rates. 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 (2018: £nil, 2017: £nil) in cost of sales and £nil (2018: £nil, 2017: £nil) finance income.

25. Invested capital

	Total £m
At 1 July 2016	441.5
Loss for the year	(93.9)
Other comprehensive income	4.4
Total comprehensive loss for the year	(89.5)
Dividends	(72.8)
Net distributions and cashflows from subsidiary undertakings[1]	93.3
Share-based payments	1.3
Transfer of Private Placement debt[2]	100.0
Purchase of own shares	(2.0)
Issue of shares	0.1
Defined benefit pension scheme contributions on behalf of subsidiary undertakings[3]	(6.4)
At 30 June 2017	465.5
Loss for the year	(39.2)
Other comprehensive income	2.0
Total comprehensive profit for the year	(37.2)
Dividends	(75.9)
Net distributions and cashflows from subsidiary undertakings[1]	109.6
Share-based payments	2.0
Purchase of own shares	(1.5)
Issue of shares[4]	153.2
Defined benefit pension scheme contributions on behalf of subsidiary undertakings[3]	(6.8)
At 30 June 2018	608.9
Adjustment as a result of transition to IFRS 9 and IFRS 15 on 1 July 2018[5]	(32.3)
Adjusted invested capital at 1 July 2018	576.6
Loss for the year	(57.2)
Other comprehensive (expense)	1.8
Total comprehensive loss for the year	(55.4)
Dividends	(79.9)
Net distributions and cashflows from subsidiary undertakings[1]	99.6
Share-based payments	0.5
Issue of shares	0.1
Defined benefit pension scheme contributions on behalf of subsidiary undertakings[3]	(7.2)
At 30 June 2019	534.3

1. Annual dividends and other cashflows received from subsidiary undertakings that will be sold as part of the Transaction.

2. £100m of 10-year sterling Private Placement notes that were issued by Galliford Try plc in 2017 have been excluded from this historical financial information and allocated to the businesses being sold to Bovis Homes as part of the Transaction.

3. This represents contributions made by Construction into the defined benefit pension schemes on behalf of the subsidiary undertakings which will transfer to Bovis Homes as part of the Transaction.

4. In 2018, Construction completed a rights issue of one new ordinary share of 50p each for every three ordinary shares of 50p each (in Galliford Try plc), with an issue price per new ordinary share of £5.68. The rights issue was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital being recognised within retained earnings under section 612 of the Companies Act 2006.

5. See further explanation in notes 1, 4, 14, 22 and 32.

26. 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 £0.5m (2018: £2.0m, 2017: £1.3m), all of which related to equity-settled share-based payment transactions. After deferred tax, the total charge was £0.4m (2018: £1.7m, 2017: £1.3m).

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 per cent. 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	Shares under option	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
14.11.12	–	639p	591p	01.01.13	46%	5	0.9%	4.2%	10%	199.9p
10.11.14	–	1057p	838p	01.01.15	23%	3	1.2%	4.5%	10%	192.9p
10.11.14	102,187	1057p	838p	01.01.15	28%	5	1.6%	4.5%	10%	229.0p
21.10.15	118,419	1405p	1234p	01.01.16	22%	3	0.8%	4.4%	10%	195.8p
21.10.15	36,071	1405p	1234p	01.01.16	25%	5	1.2%	4.4%	10%	233.2p
01.11.16	233,051	1120p	936p	01.01.17	27%	3	0.4%	6.6%	10%	158.5p
01.11.16	53,240	1120p	936p	01.01.17	26%	5	0.7%	6.6%	10%	137.6p
02.11.17	299,788	1090p	928p	01.01.18	27%	3	0.5%	7.9%	10%	113.7p
02.11.17	71,763	1090p	928p	01.01.18	25%	5	0.8%	7.9%	10%	89.8p
23.10.18	587,599	851p	823p	01.01.19	32%	3	0.9%	8.7%	10%	79.2p
23.10.18	104,106	851p	823p	01.01.19	28%	5	1.1%	8.7%	10%	58.5p

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 2019 is shown below:

	2019		2018		2017	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 July	1,416,686	966p	1,368,887	1035p	1,230,395	1101p
Awards[1]	820,542	823p	738,421	928p	588,846	1040p
Forfeited	(57,318)	931p	(79,310)	985p	(74,504)	1096p
Cancelled	(526,523)	926p	(213,205)	1008p	(327,541)	1278p
Expired	(42,708)	956p	–	–	(31,470)	1180p
Exercised	(4,455)	862p	(398,107)	760p	(16,839)	808p
Outstanding at 30 June[2]	1,606,224	908p	1,416,686	966p	1,368,887	1035p
Exercisable at 30 June	–	–	–	–	–	–

1. Including additional shares granted in 2018 in respect of rights issue completed in April 2018.

2. Includes some share awards that relate to employees that will transfer with the disposed businesses as part of the Proposed Transaction.

The weighted average fair value of awards granted during the year was 76p (2018: 109p, 2017: 171p). There were 4,455 share options exercised during the year ended 30 June 2019 (2018: 398,107, 2017: 16,839) and the weighted average share price at the date of exercise was 863p (2018: 1,070p, 2017: 1,245p). The weighted average remaining contractual life is two years and four months (2018: three years and seven months, 2017: two years and six 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	Shares under option	Share price at grant date	Vesting period/option life (months)	Risk free rate	Dividend yield	Fair value per option
26.09.15	–	1476p	36	0.8%	4.1%	757p
16.11.16	232,079	1155p	36	0.4%	6.4%	459p
22.09.17	340,590	1192p	36	0.5%	7.2%	0p
20.09.18	515,139	1065p	36	1.0%	7.0%	0p

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:

	2019 Number	2018 Number	2017 Number
Outstanding at 1 July	994,630	824,024	885,819
Granted[1]	627,012	506,777	299,737
Expired	(158,378)	(255,620)	(20,967)
Forfeited	(292,045)	(30,047)	(43,953)
Exercised	(83,411)	(50,504)	(296,612)
Outstanding at 30 June[2]	1,087,808	994,630	824,024
Exercisable at 30 June	–	–	–

1. Including additional shares granted in 2018 in respect of rights issue completed in April 2018.
2. Includes some share awards that relate to employees that will transfer with the disposed businesses as part of the Proposed Transaction.

The weighted average fair value of awards granted during the year was 0p (2018: 337p, 2017: 577p). There were 83,411 options exercised during the year ended 30 June 2019 (2018: 50,504, 2017: 296,612). The weighted average remaining contractual life is nil as the shares are exercised on the day that they vest (2018: nil, 2017: nil).

27. Retirement benefit assets

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, Construction has operated a pension salary sacrifice scheme which means that all employee pension contributions are paid as employer contributions on their behalf.

Defined benefit schemes

Construction operates one defined benefit pension scheme 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 Group Special Scheme.

The Trustees of the scheme are required to act in the best interests of the plans' beneficiaries and are responsible for the investment strategy of the Scheme. Construction 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 Construction could vary in the future. The two key risks faced by pension schemes are longevity (ie members living longer than expected) and investment risk (ie 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 actuarial valuation of the Scheme was prepared using the defined accrued benefit method as at 1 April 2016. No further contributions are expected to be required for this Scheme and in July 2018, the Scheme completed a £7m insurance bulk annuity buyout transaction, securing the pensioner liabilities of the scheme. Options for winding-up the scheme are now being reviewed and it is expected that this transaction will be completed during the coming year.

Contributions of £7.2m (2018: £6.8m, 2017: £6.4m) were made to the Galliford Try Final Salary Pension Scheme (which is transferring to Bovis Homes as part of the Transaction) on behalf of subsidiary undertakings.

28. Financial and capital commitments

Construction had no commitments for subordinated debt to joint ventures or other investments at 30 June 2019 (2018: £nil, 2017: £nil), nor any commitment for other capital expenditure.

Construction, 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 Construction's ability to pay dividends or obtain other financing. The minimum commitments for payments under these contracts are as follows:

	2019 **£m**	**2018** **£m**	**2017** **£m**
Amounts due:			
Within one year	10.3	13.8	13.9
Later than one year and less than five years	16.3	19.1	22.3
After five years	6.5	6.4	5.4
	33.1	39.3	41.6

Construction, together with certain of its subsidiaries, has entered into arrangements with HSBC Bank plc, National Westminster Bank plc, Santander UK plc and Barclays Bank plc to guarantee the borrowings of Business companies.

29. Guarantees and contingent liabilities

Construction 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 Construction's undertakings, including joint arrangements, amounting to £154.6m (2018: £293.2m, 2017: £307.2m).

Disputes arise in the normal course of business, some of which lead to litigation or arbitration procedures. The directors make proper provision in the historical financial information 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 Construction's financial position.

30. Related party transactions

Transactions between Construction 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		
	2019 £m	2018 £m	2017 £m	2019 £m	2018 £m	2017 £m	2019 £m	2018 £m	2017 £m	2019 £m	2018 £m	2017 £m
Trading transactions												
Subsidiary undertakings	6.6	8.1	8.4	–	–	–	–	–	–	–	–	–
Jointly controlled operations	44.8	37.3	50.6	–	0.1	0.1	7.8	7.5	7.7	8.5	24.4	20.1

Sales to related parties are based on terms that would be available to unrelated third parties. Receivables are due within seven years (2018: seven years, 2017: seven years) and are unsecured, with interest rates varying from bank base rate plus 1.75 per cent. to 10 per cent. Payables are due within one year (2018: one year, 2017: one year) and are interest free.

31. Post balance sheet events

On 10 September 2019, Galliford Try plc announced the boards of Galliford Try plc and Bovis Homes had reached agreement regarding a potential combination (the "Proposed Transaction") of (i) Bovis Homes and (ii) Galliford Try's Linden Homes division ("Linden Homes") and Partnerships & Regeneration division ("Partnerships & Regeneration").

The NewCo Group has submitted claims of approximately £54 million, and recognised significant value, in respect of three contracts with entities owned by a major infrastructure fund of a blue-chip listed company (in respect of which corresponding counterclaims have been received since the balance sheet date, which the NewCo Group will vigorously defend). The NewCo Group, through its joint arrangement with Balfour Beatty, is continuing to negotiate a significant claim against the client on the AWPR contract (which relates to the construction of the Aberdeen Western Peripheral Route), construction of which was substantially concluded in early 2019, whilst preparing to pursue this through initiating formal dispute resolution by December 2019 should these negotiations not reach a satisfactory conclusion. The latest proposal put to the NewCo Group, since the balance sheet date, is less than the amount assumed and if settled at this amount would result in a cash inflow but an asset write off.

32. Impact of the adoption of IFRS 15 Revenue from Contacts with Customers

Construction has adopted IFRS 15 from 1 July 2018 and as a result, has changed its accounting policy for revenue recognition as detailed in note 1. Construction has applied IFRS 15 using the modified retrospective approach of initially applying the new standard as an adjustment to the opening balance of equity as at 1 July 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. The details of any changes are set out below.

(i) IAS 11 'Construction Contracts' permitted the recognition of expected reimbursements resulting from claims against a third party (as well as the customer) if it was probable that the claim would be accepted. Certain third-party claims (such as insurance recoveries and claims for cost reimbursements) are not covered by similar provisions in IFRS 15, which only deals with claims against the customer. Following the withdrawal of IAS 11, in order to recognise an asset for these third-party claims Construction will need to comply with the requirements of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. The requirements of IAS 37 are more stringent than IAS 11, requiring recovery to be 'virtually certain' before an asset can be recognised. Whilst Construction still expects to recover the amounts claimed from third parties that Construction had recognised at the 30 June 2018 balance sheet date, certain claims do not meet the 'virtually certain' criteria of IAS 37. These claims have therefore been de-recognised at the transition date and will be accounted for in future periods, in line with the requirements of IAS 37.

(ii) Construction's notes to the accounts (specifically 'trade and other receivables', 'trade and other payables' and 'other non-current liabilities') are impacted as a result of moving away from IAS 11 balance sheet captions to those prescribed by IFRS 15. The main reclassification adjustment is in relation to reclassifying 'Amounts recoverable on construction contracts' and 'Payments received on account on construction contracts' to 'Contract Assets' or 'Contract Liabilities'. Additionally, the relevant accrued income balances which were previously presented within 'Prepayments and accrued income' and deferred income balances which were previously presented within 'Accruals and deferred income' for contracts that were ongoing at that time in line with the requirements of IAS 11, have now been presented within 'Contract assets' or 'Contract liabilities' as appropriate. This has not resulted in any change to the balances disclosed in the balance sheet.

Impact on the historical financial information on transition at 1 July 2018

As noted above, the adjustments to Construction's combined balance sheet on the adoption of IFRS 15 were in respect of accounting for certain third-party claims (such as insurance recoveries and claims for cost reimbursements). There was no effect on Construction's combined income statement for the year ended 30 June 2018. However, the cumulative effect of adjustment (i) to Construction's combined balance sheet as at 30 June 2018, was as follows:

	30 June 2018 £m	Adjustment (i) £m	1 July 2018 £m
Assets			
Non-current assets			
Intangible assets	11.7	–	11.7
Goodwill	77.2	–	77.2
Property, plant and equipment	13.3	–	13.3
PPP and other investments	26.1	–	26.1
Deferred income tax asset	0.6	6.7	7.3
Total non-current assets	128.9	6.7	135.6
Current assets			
Trade and other receivables	525.8	(31.7)	494.1
Current income tax assets	24.3	–	24.3
Cash and cash equivalents	833.9	–	833.9
Total current assets	1,384.0	(31.7)	1,352.3
Total assets	1,512.9	(25.0)	1,487.9
Liabilities			
Current liabilities			
Financial liabilities			
– Borrowings	(33.7)	–	(33.7)
Trade and other payables	(769.9)	(3.7)	(773.6)
Provisions for other liabilities and charges	(0.3)	–	(0.3)
Total current liabilities	(803.9)	(3.7)	(807.6)
Net current assets	580.1	(35.4)	544.7
Non-current liabilities			
Financial liabilities			
– Borrowings	(97.1)	–	(97.1)
– Derivative financial liabilities	(0.9)	–	(0.9)
Other non-current liabilities	(1.3)	–	(1.3)
Provisions for other liabilities and charges	(0.8)	–	(0.8)
Total non-current liabilities	(100.1)	–	(100.1)
Total liabilities	(904.0)	(3.7)	(907.7)
Net assets	608.9	(28.7)	580.2
Invested capital			
Invested capital	608.9	(28.7)	580.2
Total invested capital	608.9	(28.7)	580.2

Impact of adopting IFRS 15 on Construction's 2019 annual results

Impact on Construction's combined income statement for the twelve months to 30 June 2019

Construction's combined income statement for the twelve months ending 30 June 2019 is impacted by adjustment (i) as noted in the transition adjustments above, namely differences on the recognition of certain claims from third parties. Construction would have recognised an additional profit of £2.8m if it had continued to apply IAS 11 and IAS 18 in the year.

Impact on Construction's combined balance sheet at 30 June 2019

As a result of the adoption of IFRS 15 on 1 July 2018, Construction's combined balance sheet as at 30 June 2019 has been impacted by adjustment (i) above, resulting in a cumulative reduction in net assets of £31.5m, as detailed below:

	30 June 2019 as reported under IFRS 15 £m	Adjustment (i) £m	30 June 2019 reported under IAS 11/IAS 18 £m
Assets			
Non-current assets			
Intangible assets	9.6	–	9.6
Goodwill	77.2	–	77.2
Property, plant and equipment	12.5	–	12.5
PPP and other investments	41.2	–	41.2
Deferred income tax assets	2.6	–	2.6
Total non-current assets	143.1	–	143.1
Current assets			
Trade and other receivables	454.6	35.1	489.7
Current income tax assets	29.1	(7.3)	21.8
Cash and cash equivalents	846.9	–	846.9
Total current assets	1,330.6	27.8	1,358.4
Total assets	1,473.7	27.8	1,501.5
Liabilities			
Current liabilities			
Financial liabilities			
– Borrowings	(227.2)	–	(227.2)
Trade and other payables	(709.7)	3.7	(706.0)
Provisions for other liabilities and charges	(0.4)	–	(0.4)
Total current liabilities	(937.3)	3.7	(933.6)
Net current assets	393.3	31.5	424.8
Non-current liabilities			
Financial liabilities			
– Derivative financial liabilities	(0.4)	–	(0.4)
Other non-current liabilities	(1.3)	–	(1.3)
Provisions for other liabilities and charges	(0.4)	–	(0.4)
Total non-current liabilities	(2.1)	–	(2.1)
Total liabilities	(939.4)	3.7	(935.7)
Net assets	534.3	31.5	565.8
Invested capital			
Invested capital	534.3	31.5	565.8
Total invested capital	534.3	31.5	565.8

The areas of the balance sheet impacted by the adoption of IFRS 15 and the nature of the adjustments are consistent with the transitional adjustments noted above.

PART B

ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION

The Directors
Galliford Try Holdings plc (the "**Company**")
Cowley Business Park
Cowley
Uxbridge
Middlesex UB8 2AL

The Directors
Galliford Try plc ("**Galliford Try**")
Cowley Business Park
Cowley
Uxbridge
Middlesex UB8 2AL

HSBC Bank plc ("**HSBC**")
8 Canada Square
London E14 5HQ

Peel Hunt LLP ("**Peel Hunt**")
Moor House
120 London Wall
London EC2Y 5ET

(HSBC and Peel Hunt are the "**Joint Sponsors**" and, for the purposes of the Terms of Business, each a "**Sponsor**").

25 November 2019

Dear Ladies and Gentlemen

Construction

For the purposes of this letter, Galliford Try and its existing subsidiaries are referred to as the "**Existing Group**", the Linden Homes and the Partnerships & Regeneration businesses are referred to as the "**Disposal Group**" and "**Construction**" is defined as the Existing Group excluding the Disposal Group.

We report on the financial information for the three years ended 30 June 2019 (the "**Construction Financial Information Table**") set out in Part A of Part 9 of the Company's prospectus dated 25 November 2019 (the "**Prospectus**") which has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 1 to the Construction Financial Information Table. This report is required by item 18.3.1 of Annex 1 to the PR Regulation and is given for the purpose of complying with that item and for no other purpose.

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Responsibilities

The directors of the Company are responsible for preparing the Construction Financial Information Table in accordance with the basis of preparation set out in note 1 to the Construction Financial Information Table.

It is our responsibility to form an opinion as to whether the Construction Financial Information Table gives a true and fair view, for the purposes of the Prospectus and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.2R(2)(f) of the Prospectus Regulation Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to the PR Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to Construction's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Construction Financial Information Table gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of Construction as at the dates stated and of its losses, cash flows and changes in invested capital for the periods then ended in accordance with the basis of preparation set out in note 1 to the Construction Financial Information Table.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Prospectus and we declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 and item 1.2 of Annex 11 to the PR Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 10

UNAUDITED PRO FORMA FINANCIAL INFORMATION

PART A

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the proposed Demerger on the net assets of the NewCo Group as if it had occurred on 30 June 2019 and the income statement of the NewCo Group as if it had occurred on 1 July 2018. The unaudited pro forma statement of net assets and unaudited pro forma income statement (together, the "**Pro Forma Financial Information**") have been prepared on the basis of, and should be read in conjunction with, the notes set out below.

The unaudited pro forma financial information has been prepared in accordance with the IFRS accounting policies adopted in the Existing Group's consolidated financial statements for the period ended 30 June 2019 adopted by the NewCo Group in preparing the Historical Financial Information.

The unaudited pro forma information of the NewCo Group has been prepared for illustrative purposes only and in accordance with Annex 20 of the PR Regulation. Because of its nature, the unaudited pro forma information of the NewCo Group addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of the NewCo Group and the hypothetical financial position included in the unaudited pro forma information may differ from the NewCo Group's actual financial position or results. It may not, therefore give a true picture of the NewCo Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future.

The unaudited pro forma information does not constitute financial statements within the meaning of section 434 of the Act. Prospective investors should read the whole of this document and not rely solely on the summarised financial information contained in this Part 10 (*Unaudited Pro Forma Financial Information*).

NewCo Group unaudited consolidated pro forma statement of net assets as at 30 June 2019

£m	Construction as at 30 June 2019 (note 1)	Adjustments: Assumption of Disposal Group debt (note 2)	Adjustments: Net proceeds to be received (note 3)	NewCo Group pro forma net assets
Assets				
Non-current assets				
Intangible assets	9.6			9.6
Goodwill	77.2			77.2
Property, plant and equipment	12.5			12.5
PPP and other investments	41.2			41.2
Deferred income tax assets	2.6			2.6
Total non-current assets	143.1	–	–	143.1
Current assets				
Trade and other receivables	454.6			454.6
Current income tax assets	29.1			29.1
Cash and cash equivalents	846.9	38.4		885.3
Total current assets	1,330.6	38.4	–	1,369.0
Total assets	1,473.7	38.4	–	1,512.1
Liabilities				
Current liabilities				
Financial liabilities:				
Borrowings	(227.2)	(614.8)	279.5	(562.5)
Trade and other payables	(709.7)			(709.7)
Provisions for other liabilities and charges	(0.4)			(0.4)
Total current liabilities	(937.3)	(614.8)	279.5	(1,272.6)
Net current assets	393.3	(576.4)	279.5	96.4
Non-current liabilities				
Financial liabilities:				
Derivative financial liabilities	(0.4)			(0.4)
Other non-current liabilities	(1.3)			(1.3)
Provisions for other liabilities and charges	(0.4)			(0.4)
Total non-current liabilities	(2.1)	–	–	(2.1)
Total liabilities	(939.4)	(614.8)	–	(1,247.7)
Net assets	534.3	(576.4)	279.5	237.4

Notes:

1) Construction's financial information as at 30 June 2019 has been extracted, without material adjustment, from Construction's financial information table for the year ended 30 June 2019 set out in Part 9 (*Historical Financial Information*) of this document.

2) The Disposal Group will transfer on a cash and debt free basis; this adjustment absorbs the Disposal Group net debt into Construction.

3) This adjustment reflects the cash consideration of £300.0 million (less £20.5 million of estimated transaction and stamp duty costs) receivable by Construction from Bovis Homes on Completion. The total cash proceeds received on Completion will be different to the proceeds presented in this unaudited pro forma financial information. This is due to potential adjustment required in relation to the movement in TGAV in Linden Homes and separately in Partnerships & Regeneration between 30 June 2019 and Completion and in line with the terms set out in the Sale and Purchase Agreement.

4) In preparing the unaudited pro forma statement of net assets no account has been taken of the trading results of Construction or the NewCo Group for the period since 30 June 2019.

NewCo Group unaudited consolidated pro forma income statement for the 12 months ended 30 June 2019

		Adjustments			
	Construction (note 1) £m	**Transaction costs (note 2) £m**	**Transaction adjustments (note 3) £m**	**Profit on disposal of Disposal Group (note 4) £m**	**NewCo Group pro forma income statement £m**
Group revenue	1,400.1				1,400.1
Cost of sales	(1,390.4)				(1,390.4)
Gross profit	9.7	–	–	–	9.7
Administrative expenses	(75.5)	(20.5)	0.6		(95.4)
Share of post tax profits from joint ventures	0.3				0.3
Loss/profit before finance costs	(65.5)	(20.5)	0.6	–	(85.4)
Profit on disposal of Disposal Group				75.4	75.4
Finance income	3.6				3.6
Finance costs	(12.4)		12.4		–
Loss/profit before income tax	(74.3)	(20.5)	13.0	75.4	(6.4)
Taxation (note 5)	17.1	3.0	(2.5)		17.6
Loss/profit for the year	(57.2)	(17.5)	10.5	75.4	11.2

Notes:

1) Construction's financial information for the year ended 30 June 2019 has been extracted, without material adjustment, from the Historical Financial Information for the year ended 30 June 2019 set out in Part 9 (*Historical Financial Information*) of this document.

2) This adjustment reflects an adjustment of £20.5 million in relation to the estimated transaction costs and stamp duty costs for the Demerger charged to administrative expenses. This adjustment will not have a continuing impact on the NewCo Group.

3) This reflects an adjustment of £0.6 million in relation to the transfer of the rights and obligations of two of the Group's pension schemes to the Disposal Group, charged to administrative expenses and an adjustment to finance costs of £12.4 million which relates to external finance costs in relation to interest on borrowing that will be settled on completion, as if this took place on 1 July 2018. The adjustment to administrative expenses will not have a continuing impact on the NewCo Group. The adjustment to finance costs will have a continuing impact on the NewCo Group.

4) This reflects an adjustment of £75.4 million in relation to the profit that will arise on disposal of the Disposal Group on receipt of gross cash consideration of £300.0 million. This adjustment will not have a continuing impact on the NewCo Group.

5) The net adjustments of £0.5 million to taxation are a result of previous adjustments to administrative expenses and finance costs detailed in notes 2 and 3 to the unaudited pro forma income statement. These taxation adjustments are calculated at the prevailing rate of UK corporation tax of 19 per cent. with the exception of stamp duty costs (note 2) which are not deductible for tax purposes.

6) In preparing the unaudited pro forma income statement no account has been taken of the trading or transactions of Construction or the NewCo Group since 30 June 2019.

PART B

ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

pwc

The Directors
Galliford Try Holdings plc (the "**Company**")
Cowley Business Park
Cowley
Uxbridge
Middlesex UB8 2AL

The Directors
Galliford Try plc ("**Galliford Try**")
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Middlesex UB8 2AL

HSBC Bank plc
8 Canada Square
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Peel Hunt LLP
Moor House
120 London Wall
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EC2Y 5ET

25 November 2019

Dear Ladies and Gentlemen

Galliford Try Holdings plc (the "Company")

We report on the unaudited pro forma financial information (the "**Pro Forma Financial Information**") set out in Part A of Part 10 of the Company's prospectus dated 25 November 2019 (the "**Prospectus**") which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about the proposed admission of the ordinary shares of the Company to the premium segment of the Official List maintained by the Financial Conduct Authority (the "**FCA**") and the proposed admission of those shares to trading on the London Stock Exchange's main market for listed securities (the "**Transaction**"), pursuant to a reorganisation of the Galliford Try group in order to give effect to the Transaction and disposal by Galliford Try of its Linden Homes and Partnerships & Regeneration businesses to Bovis Homes Group PLC (the "**Disposal**"), presented on the basis of the accounting policies adopted by Galliford Try in preparing the financial statements for the period ended 30 June 2019. This report is required by section 3 of Annex 20 to the PR Regulation and is given for the purpose of complying with that PR Regulation and for no other purpose.

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
T: +44 (0) 2075 835 000, F: +44 (0) 2072 124 652, www.pwc.co.uk

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Annex 20 of the PR Regulation.

It is our responsibility to form an opinion, as required by section 3 of Annex 20 to the PR Regulation as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under item 5.3.2R(2)(f) of the Prospectus Regulation Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 1 to the PR Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Galliford Try.

Opinion

In our opinion:

a) the Pro Forma Financial Information has been properly compiled on the basis stated; and

b) such basis is consistent with the accounting policies of Galliford Try.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f), we are responsible for this report as part of the Prospectus and we declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex 1 and item 1.2 of Annex 11 to the PR Regulation.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

PART 11

OPERATING AND FINANCIAL REVIEW

*The following discussion and analysis of Construction's financial condition and results of operations should be read in conjunction with the combined historical financial information as at and for the years ended 30 June 2017, 2018 and 2019 and related notes, included in Part 9 (Historical Financial Information) of this document (together, the "**Historical Financial Information**"), and the other information relating to the business of the NewCo Group and Construction contained in this document. The Historical Financial Information has been audited and prepared in accordance with IFRS.*

*This operating and financial review of Construction discusses Construction's results of operations, cash flows, debt profile, and capitalisation and indebtedness as well as key performance indicators ("**KPIs**") and certain other financial measures of performance. It is presented based on the IFRS measures as reflected in Construction's financial statements and certain non-IFRS financial information including revenue, profit from operations and operating profit margin.*

The Historical Financial Information should be read in its entirety and reliance should not be placed merely on the information contained in this Part 11 (Operating and Financial Review). Some of the information in the following discussion and analysis includes forward-looking statements that involve risks and uncertainties. Construction's actual results could differ materially from those discussed in these statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this document, particularly in Part 2 (Risk Factors).

1. OVERVIEW

1.1 The NewCo Group is one of the UK's leading construction groups. Construction is a major contractor, working primarily in the public and regulated sectors. To create real value, Construction needs to balance its financial performance with its obligations to all its stakeholders (including clients, customers, employees, and the communities in which it operates) so it can deliver truly sustainable growth.

1.2 Construction operates nationwide, primarily under the Galliford Try and Morrison Construction brands. Its network of regional offices is a key advantage, enabling it to deploy its national strength using a local approach. Construction is organised into the Building, Infrastructure and PPP Investments divisions. It also includes facilities management, dry lining and piling businesses. A revised focus has realigned Construction's divisions as follows:

- "**Building**" serves a range of clients across the UK, retaining a substantial presence in Scotland. It works with clients in the public and regulated sectors, in particular the health, education and defence markets, and rail and aviation sectors. Building also serves commercial clients, mainly in the South East and Midlands.
- "**Infrastructure**" carries out civil engineering projects, specialising in the highways and water sectors.
- "**PPP Investments**" delivers major building and infrastructure projects through public private partnerships. It leads bid consortia and arranges finance, making equity investments and managing construction through to operations.

1.3 Revenue generated by Construction in the year ended 30 June 2019 stood at £1,386.8 million, with an order book of £2.9 billion.

2. RECENT DEVELOPMENTS

2.1 As set out in the Galliford Try Circular, since Galliford Try announced its preliminary results on 11 September 2019 there has continued to be political and macroeconomic uncertainty affecting the markets in which Construction operates. Consequently, the Board anticipates that the results of Construction will be more weighted to the second half of the financial year than in previous years due to both this market uncertainty and the settlement of certain claims in the first half year, with operational performance improving in the second half of the year. Galliford Try is continuing its negotiations with Transport Scotland in relation to the AWPR claim, although the latest proposal put to Galliford Try is less than the amount assumed and if settled would result in a cash inflow but an asset write off. Separately its £54 million claim for three contracts with a single client remains ongoing (in respect of which corresponding counterclaims have been received since the publication of the Galliford Try Circular, which the NewCo Group will vigorously defend). As noted in paragraph 11 of Part 13 (*Additional Information*) of this document, the FRC is currently reviewing certain aspects of the Existing Group's accounting treatment, including in relation to the AWPR contract and other third-party claims.

2.2 As set out in paragraph 9 of Part 13 (*Additional Information*) of this document, there has been no significant change in the financial performance or financial position of the Existing Group (excluding the Disposal Group) since 30 June 2019.

3. PRINCIPAL FACTORS AFFECTING CONSTRUCTION'S RESULTS OF OPERATIONS

3.1 Macroeconomic and UK construction market conditions

Construction operating results are dependent on macroeconomic factors and conditions in the UK construction markets. Macroeconomic factors affect the new investment into the building and infrastructure sectors, which can affect the opportunities available to Construction. The majority of Construction's revenue is derived from public and regulated customers. These customers are considered to be more resilient, but not removed from, challenging economic conditions.

3.2 UK Government policies

Construction receives support from UK Government policies and spending with regard to investment in civil and social infrastructure. This includes direct government contracts, joint ventures and PFIs. Any change in government or government policies, programmes or procurement methodologies could adversely affect revenues and profitability.

Most notably, Construction receives support from the UK Government's policies and spending in the education, transport, health, public utility, renewable energy, secure establishment and defence sectors through direct government contracts, joint ventures and PPPs. Construction benefits from such policies and spending as it operates predominantly in the public and regulated sectors. Given the benefit of such policies and spending to Construction, any change in Government programmes or procurement methodologies could adversely affect revenues and profitability. For instance, a change in the UK Government may lead to the implementation of new policies and programmes, including, for example, the nationalisation of certain PFI and other projects or the introduction of "windfall" or similar taxes on companies involved in PFI projects. Other changes in UK Government policies, such as a move towards fixed price contracts, could also affect Construction's operations, leaving it unable to maintain its existing levels of UK Government work or unable to maintain existing levels of profitability on that work.

Construction could also be adversely affected by uncertainty, disruption or other consequences of the UK's referendum decision to leave the EU.

3.3 Performance of Construction's projects

Construction delivers its projects through the use of third party sub-contractors and suppliers and if it is unable to accurately estimate the overall risks, revenues or costs on a contract, then a lower than anticipated profit may be achieved or a loss may be incurred on a particular contract.

A significant proportion of Construction depends for its profit on costs being controlled and projects being completed on time, so that costs are contained within the pricing structure of the relevant contract. Cost overruns, whether due to inefficiency, poor design where the contractor has design responsibilities, faulty estimates, cost overruns by sub-contractors or other factors, result in lower profit or a loss on a project. A significant number of contracts are based in part on cost estimates that are subject to a number of assumptions. If estimates of the overall risks, revenues or costs prove inaccurate or circumstances change, a lower profit or a loss on the contract may result.

Construction has a number of significant building and infrastructure projects which were generally entered into on a fixed price, all risk basis prior to the end of 2014 (referred to as legacy projects). Following Bill Hocking's appointment to the position of Chief Executive of Construction in September 2015 the tendering policy was changed and significant infrastructure contracts were no longer entered into on a fixed price, all risk basis. This reflected the broader shift of emphasis in Construction towards a model focussed on improving profitability through the prudent management of risk. Construction continues to progress the resolution of its legacy projects, most of which are now complete on site with continuing uncertainties relating to final settlements, claim recoveries and claims from sub-contractors. There remains intrinsic uncertainty around amounts to be recovered from some significant claims.

3.4 Cost base

A significant portion of Construction's costs relate to the costs of delivering its construction projects. Whilst Construction can influence the types of construction contract it enters into, the primary cost of delivering the contracts is borne through Construction's supply chain. If these external costs increase, Construction can only pass these onto the customer in certain circumstances, such as a cost-plus contract. As the market became more buoyant following the financial crisis, price inflation impacted Construction specifically in relation to its legacy fixed-price contracts resulting in reduced margins.

Construction manages overhead costs carefully, which are primarily driven by wage costs of administrative and overhead staff, as well as other costs such as property and IT. In the last three full financial years, overhead costs as a percentage of Construction's revenue have decreased from 5.4 per cent. to 5.3 per cent. Given the nature of the costs, Construction's administrative and overhead costs may increase as a result of factors outside the direct control of Construction such as wage inflation, property cost inflation and other price changes.

3.5 Exceptional items

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

In the year ended 30 June 2019, exceptional items totalled £46.4 million. Of this, £32.3 million was in relation to additional costs to complete the AWPR contract, of which £26.0 million was for additional costs to complete the project as accrued in the first half of the year and £6.3 million resulted from the impact of the NewCo Group's updated accounting policy on claims from other parties. In addition, the exceptional charge included £6.7 million in respect of other legacy contracts and £4.6 million in respect of the restructure announced in May 2019, completed within Construction, which has simplified the business and the management structure. Furthermore, in accordance with IFRS 9 Financial Instruments (which was adopted on 1 July 2018), Construction has performed an assessment of the expected credit loss at the closing balance sheet date (30 June 2019), based on estimated provision matrices. This resulted in an exceptional impairment charge of £2.8 million incurred in the year.

In the year ended 30 June 2018, Construction incurred £45.0 million in respect of the AWPR contract, which included the additional share of costs taken on following the insolvency of Carillion plc, one of the NewCo Group's two joint venture partners, which was treated as an exceptional item, bringing the total exceptional items in the year to 30 June 2018 to £45.0 million.

In the year ended 30 June 2017, Construction incurred £87.9 million in respect of the AWPR and Queensferry Crossing contracts, which were treated as exceptional items, which in addition to

£1.0 million of professional fees, brought the total exceptional items in the year to 30 June 2017 to £88.9 million.

3.6 Reliance on the senior management team and experienced workforce

Construction's future success depends in large part upon the continued service of its senior management team, who are critical to the overall management of the Existing Group as well as the development of its products, culture and strategic direction.

The success of Construction will also depend on continuing to attract, retain and develop highly-skilled, competent people at all levels of the organisation. Construction experiences a degree of regular employee turnover, which could increase and could be particularly straining to Construction during periods of high activity. In addition, Construction relies on its project managers and skilled personnel (e.g. designers) for the day-to-day execution of its projects, and qualified personnel for these key positions are in high demand and short supply.

4. KEY PERFORMANCE INDICATORS

	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2017
Revenue[1] (£m)	1,402.9	1,702.6	1,580.3
(Loss)/profit from Operations[1] (£m)	(16.7)	9.3	(13.6)
Operating Margin[1] (per cent.)	(1.2)	0.5	(0.9)
Period end net cash (£m)	619.7	703.1	646.3
Order book (£bn)	2.9	3.3	3.6

Notes:

1) Excluding exceptional items

In the year ended 30 June 2019, revenue was £1,402.9 million (2018: £1,702.6 million), with pre-exceptional loss from operations of £16.7 million (2018: profit of £9.3 million) resulting in an operating profit margin of (1.2) per cent. compared with 0.5 per cent. in the previous year. The operating loss includes the impact of contract write downs announced in April 2019, of £33.0 million.

In the year ended 30 June 2018, revenue was £1,702.6 million (2017: £1,580.3 million), with profit from operations of £9.3 million (2017: loss of £13.6 million) resulting in an operating profit margin of 0.5 per cent. compared with (0.9) per cent. in the previous year.

Cash remains a prime focus in Construction and year-end net cash balances were £619.7 million at 30 June 2019 (2018: £703.1 million; 2017: £646.3 million). The reduction of cash over the period reflects legacy contract issues and the associated work in progress that is held on those contracts.

Construction continues to maintain a high quality order book of £2.9 billion as at 30 June 2019 (30 June 2018: £3.3 billion; 2017: £3.6 billion), comprising 4 per cent. in the regulated sector, 79 per cent. in the public sector and 17 per cent. in the private sector (30 June 2018: 9 per cent., 75 per cent. and 16 per cent.; 30 June 2017: 13 per cent., 74 per cent. and 13 per cent., respectively). Framework contracts provide 78.6 per cent. of this order book (2018: 73.1 per cent.; 2017: 74.0 per cent.). Generating a high level of work through frameworks is an important part of Construction's model. They allow Construction to work collaboratively with clients, gain a deep understanding of their needs and build expertise through delivering repeat projects.

5. KEY IFRS LINE ITEMS

The following explains the key line items of Construction's IFRS Income Statement.

5.1 Revenue

Revenue is recognised when the NewCo Group transfers control of goods or services to customers. Revenue comprises the fair value of the consideration received or receivable net of rebates, discounts and value added tax. Where consideration is subject to variability, the NewCo Group estimates the amount receivable. Revenue is constrained to the amount which is highly probably not to result in a significant reversal in future periods. Sales within Construction are eliminated. Revenue also includes Construction's proportion of work carried out under jointly controlled operations and the disposal of equity investments by its PPP Investments division, but excludes Construction's share of revenue from joint venture companies and LLPs.

Revenue on construction contracts comprises the value of construction transferred to a customer during the year. The results for the year include adjustments for the outcome of contracts, including jointly controlled operations, executed in both the current and preceding years. NewCo Group revenue on facilities management contracts is recognised over time as control passes to the customer.

The results for the year include adjustments for the outcome of construction contracts, including jointly controlled operations, executed in both the current and preceding years.

5.2 **Cost of sales**

Cost of sales consists of all costs associated with delivering revenue, typically including infrastructure, groundworks and the cost of construction.

5.3 **Administrative expenses**

Administrative expenses consist of the costs of running Construction's operations that are not directly associated with construction contracts, for example head office functions such as accounting, information technology and human resources.

5.4 **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.

5.5 **Share of post-tax profits from joint ventures**

Share of post-tax profits from joint ventures represents the share attributable to Construction of the post-tax results from these joint ventures.

5.6 **Share of joint ventures' interest and tax**

Share of joint ventures' interest and tax represents the share attributable to Construction of the finance costs and corporation tax expense from joint ventures, which is included within share of post-tax profits from joint ventures.

5.7 **Amortisation of intangibles**

Intangible assets include brands, customer contracts and customer relationships acquired on acquisition of subsidiary companies, and computer software developed by Construction. 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. Intangible assets are amortised over periods up to ten years, depending on the nature of the intangible asset.

5.8 **Finance costs and income**

Finance costs consist principally of interest payable, principally interest accrued on borrowings. Finance costs also include amortisation of loan arrangement fees and interest on future land creditor payments. Finance income consists principally of income accrued on loans to joint venture companies. Interest income and expense is recognised on a time proportion basis using the effective interest method.

5.9 **Income tax expense**

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. 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.

6. RESULTS OF OPERATIONS

6.1 Income statement data

The following table is extracted from the audited Historical Financial Information:

	Year ended 30 June 2019 £m	**Year ended 30 June 2018 £m**	**Year ended 30 June 2017 £m**
Construction revenue[1]	1,402.9	1,702.6	1,580.3
Cost of sales[1]	(1,348.4)	(1,612.4)	(1,510.8)
Gross profit[1]	54.5	90.2	69.5
Administrative expenses	(73.9)	(83.4)	(85.4)
Profit on disposal of property plant and equipment	–	–	0.1
Share of post-tax profits from joint ventures	0.3	0.2	0.1
Pre-exceptional (loss)/profit before finance costs[1]	(19.1)	7.0	(15.7)
Pre-exceptional (loss)/profit from operations	(16.7)	9.3	(13.6)
Share of joint ventures' interest and tax	(0.3)	(0.2)	(0.1)
Amortisation of intangibles	(2.1)	(2.1)	(2.0)
Pre-exceptional (loss) before finance costs	(19.1)	7.0	(15.7)
Exceptional items	(46.4)	(45.0)	(88.9)
Post-exceptional (loss) before finance costs	(65.5)	(38.0)	(104.6)
Finance income	3.6	1.0	0.3
Finance costs	(12.4)	(13.3)	(14.9)
(Loss) before income tax	(74.3)	(50.3)	(119.2)
Income tax credit	17.1	11.1	25.3
(Loss) for the year	(57.2)	(39.2)	(93.9)

Notes:

1. Excluding exceptional items

6.2 Comparison of the year ended 30 June 2019 and 30 June 2018

6.2.1 Revenue

Revenue contracted by 17.6 per cent. to £1,402.9 million (2018: £1,702.6 million), in line with expectations following the completion of the AWPR contract and the strategic review conducted in early 2019.

6.2.2 Cost of sales

Cost of sales for the year ended 30 June 2019 was £1,348.4 million, a decrease of £264 million from £1,612.4 million in the year ended 30 June 2018 in line with the reduction in revenue.

6.2.3 Administrative expenses

Administrative expenses for the year ended 30 June 2019 were £73.9 million, a decrease of £9.5 million from £83.4 million in the year ended 30 June 2018. Total administrative expenses as a proportion of revenue increased in the year ended 30 June 2019 from 4.9 per cent. to 5.3 per cent.

6.2.4 Loss from operations

Pre-exceptional loss from operations, which is stated before exceptional items, finance costs, tax and Construction's share of joint ventures' interest and tax, was £16.7 million at 30 June 2019 (30 June 2018: profit £9.3 million), including the effect of £33 million contract write downs announced in April 2019. Loss from operations after exceptional items rose from £35.7 million at 30 June 2018 to £63.1 million at 30 June 2019.

6.2.5 Exceptional items

Exceptional items in the year totalled £46.4 million. Of this, £32.3 million was in relation to additional costs to complete the AWPR contract, of which £26.0 million was for additional costs to complete the project as accrued in the first half of the year and £6.3 million resulted from the impact of the NewCo Group's updated accounting policy on claims from other parties. Construction is pursuing a significant claim against the client and others, which is yet to be concluded. Once settled, this is expected to provide an upside to Construction's cash position.

In addition, the exceptional charge included £6.7 million in respect of other legacy contracts and £4.6 million in respect of the restructure announced in May 2019, completed within Construction, which has simplified the business and the management structure; £4.4 million in relation to pension equalisation; and £2.8 million from an assessment of IFRS9 expected credit loss.

6.2.6 Share of post-tax profits from joint ventures

Share of post-tax profits from joint ventures in the year ended 30 June 2019 were £0.3 million, an increase of £0.1 million from £0.2 million in the year ended 30 June 2018.

6.2.7 Share of joint ventures' interest and tax

Share of joint ventures interest and tax in the year ended 30 June 2019 was £(0.3 million), an increase of £0.1 million from £(0.2 million) in the year ended 30 June 2018.

6.2.8 Amortisation of intangibles

Amortisation of intangibles in the year ended 30 June 2019 was £2.1 million, with no change from the year ended 30 June 2018. Amortisation principally related to the NewCo Group's IT and reporting systems.

6.2.9 Finance income

Finance income in the year ended 30 June 2019 was £3.6 million, an increase of £2.6 million from £1.0 million in the year ended 30 June 2018.

6.2.10 Finance costs

Finance costs in the year ended 30 June 2019 was £12.4 million, a decrease of £0.9 million from £13.3 million in the year ended 30 June 2018. The change is principally related to interest payable on borrowings.

6.2.11 Income tax expense

The income tax credit increased from £(11.1 million) at 30 June 2018 to £(17.1 million) at 30 June 2019. The taxation expense on profit for the period of 23.3 per cent. (30 June 2018: 22.1 per cent.) reflects the prevailing mainstream rate impacted by non-taxable income and other adjustments. The standard corporation tax rate is currently 19.0 per cent.

6.3 **Comparison of the year ended 30 June 2018 and 30 June 2017**

6.3.1 Revenue

Revenue grew by 7.7 per cent. to £1,702.6 million (2017: £1,580.3 million), in line with expectations and reflecting the mix and timing of work coming through the order book, with both the Building and Infrastructure divisions growing in the period.

6.3.2 Cost of sales

Cost of sales for the year ended 30 June 2018 was £1,612.4 million, an increase of £101.6 million from £1,510.8 million in the ended 30 June 2017, slightly lower than the increase in revenue as the business continues to work through its lower margin legacy contracts.

6.3.3 Administrative expenses

Administrative expenses for the year ended 30 June 2018 were £83.4 million, a decrease of £2.0 million from £85.4 million in the year ended 30 June 2017. Total administrative expenses as a proportion of Construction revenue fell in the year ended 30 June 2018 from 5.4 per cent. to 4.9 per cent.

6.3.4 Profit from operations

Pre-exceptional profit from operations, which is stated before exceptional items, finance costs, tax and Construction's share of joint ventures' interest and tax, rose to £9.3 million (30 June 2017: loss of £13.6 million). Loss from operations after exceptional items fell from £102.5 million at 30 June 2017 to £35.7 million at 30 June 2018.

6.3.5 Exceptional items

The additional costs required to complete the AWPR contract is shown as an exceptional item at 30 June 2018 of £45.0 million within cost of sales.

6.3.6 Share of post-tax profits from joint ventures

Share of post-tax profits from joint ventures in the year ended 30 June 2018 were £0.2 million, an increase of £0.1 million from £0.1 million in the year ended 30 June 2017.

6.3.7 Share of joint ventures' interest and tax

Share of joint ventures interest and tax in the year ended 30 June 2018 was £0.2 million, an increase of £0.1 million from £0.1 million in the year ended 30 June 2017.

6.3.8 Amortisation of intangibles

Amortisation of intangibles in the year ended 30 June 2018 was £2.1 million, an increase of £0.1 million from £2.0 million in the year ended 30 June 2017. Amortisation principally related to the NewCo Group's IT and reporting systems.

6.3.9 Finance income

Finance income in the year ended 30 June 2018 was £1.0 million, an increase of £0.7 million from £0.3 million in the year ended 30 June 2017.

6.3.10 Finance costs

Finance costs in the year ended 30 June 2018 was £13.3 million, a decrease of £1.6 million from £14.9 million in the year ended 30 June 2017. The change is principally related to interest payable on borrowings.

6.3.11 Income tax expense

The income tax expense rose from £(25.3 million) at 30 June 2017 to £(11.1 million) at 30 June 2018. The taxation credit expense on profit for the period of 22.1 per cent. (30 June 2017: 21.2 per cent.) reflects the prevailing mainstream rate impacted by non-taxable income and other adjustments. The standard corporation tax rate is currently 19.0 per cent.

7. LIQUIDITY AND CAPITAL RESOURCES

The NewCo Group is funded by ordinary shares and retained profits. As at the Latest Practicable Date, Galliford Try has a £450 million bank facility but it is expected that following receipt of the Cash Consideration on Completion the bank facility will be prepaid and cancelled by Galliford Try.

The NewCo Group's business model reduces its reliance on external funding. Construction had an average net debt balance of £72 million during the year to 30 June 2019. Construction's joint ventures (including PPP Investments) also use bank funding, which has limited recourse to the NewCo Group. At 30 June 2019, this funding totalled £296.8 million.

The following table summarises Construction's cash flow as presented in the IFRS cash flow statements for the periods indicated:

	Year ended 30 June 2019 £m	**Year ended 30 June 2018 £m**	**Year ended 30 June 2017 £m**
Net cash (used in)/generated from operating activities	(99.7)	(129.9)	9.5
Net cash/generated from investing activities	96.1	110.9	81.0
Net cash (used in)/generated from financing activities	(78.8)	76.5	(50.8)
Cash and cash equivalents at start of period	800.3	742.8	703.1
Cash and cash equivalents at end of period	717.9	800.3	742.8

There are no restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the NewCo Group's operations.

7.1 Net cash (used in)/generated from operations

Net cash used in operations reduced to £99.7 million in the year ended 30 June 2019 compared to £129.9 million in the year ended 30 June 2018. After allowing for exceptional items, loss before finance costs was higher at 30 June 2019 at £(65.5 million) (2018: £(38.0) million). However, the net outflow resulting from changes in working capital at 30 June 2019 of £31.9 million was less than the outflow of £76.8 million at 30 June 2018.

In the year ended 30 June 2018, net cash used in operations was £139.4 million lower than the £9.5 million generated in 2017. Loss before finance costs of £(38.0) million was £66.6 million lower than June 2017, but there was a net outflow from changes in working capital of £76.8 million (2017: inflow £111.9 million).

7.2 Net cash generated from investing activities

Net cash generated from investing activities decreased in the year ended 30 June 2019 to £96.1 million compared to £110.9 million in the year ended 30 June 2018 principally as a result of a reduction in dividends received from subsidiary undertakings.

In the year ended 30 June 2018, net cash generated from investing activities was £29.9 million higher than the £81.0 million generated in the year ended 30 June 2017, principally as a result of an increase in dividends received from subsidiary undertakings.

7.3 **Net cash (used in) financing activities**

Net cash used in financing activities increased in the year ended 30 June 2019 to £78.8 million compared to cash generated of £76.5 million in the year ended 30 June 2018, primarily due to proceeds on issue of share capital of £153.2 million in 2018.

In the year ended 30 June 2018, net cash generated from financing activities was £127.3 million higher than the £50.8 million used in the year ended 30 June 2017, primarily due to proceeds on issue of share capital of £153.2 million in 2018.

8. CONSTRUCTION'S DEBT

Construction monitors net cash (being total current and non-current borrowings less cash) as described in paragraph 14 below. Construction's net cash was £619.7 million at 30 June 2019, compared to a net cash position of £703.1 million at 30 June 2018 (2017: net cash £646.3 million).

Construction's borrowings (excluding any share of joint venture (non-recourse) borrowings) at 30 June 2019, 2018 and 2017 are summarised in the table below:

Maturity profile of borrowing	**Year ended 30 June 2019 £m**	**Year ended 30 June 2018 £m**	**Year ended 30 June 2017* £m**
In one year or less	227.2	33.7	187.8
In more than one year but less than two	–	97.1	0.2
In more than two years but less than five	–	–	96.0
In more than five years but less than ten	–	–	–
In more than ten years	–	–	–
Total borrowings	227.2	130.8	284.0
Cash and cash equivalents	846.9	833.9	930.3
Net borrowings	619.7	703.1	646.3

*In 2016, the IFRS Interpretations Committee released an update in respect of IAS32 'Financial instruments: presentation' specifically in relation to offsetting and cash pooling. This clarified that in order to offset bank account balances, an entity must have both a legally enforceable right and an intention to do so. As Construction maintains separate bank accounts with both cash and overdrawn balances, Construction's consolidated financial statements had been prepared without offsetting these balances with positive cash balances included within cash and cash equivalents and overdrawn balances included within financial liabilities – current borrowings. The total borrowings and cash and cash equivalent figures for June 2017 have been restated on this basis.

8.1 **Principal banking facilities**

As at the Latest Practicable Date, Galliford Try has a £450 million unsecured revolving credit facility in place for its general corporate purposes but it is expected that following receipt of the Cash Consideration on Completion the facility will be prepaid and cancelled by Galliford Try. In February 2014, the Existing Group agreed a five-year £400 million unsecured revolving credit facility with HSBC, Abbey National Treasury Services plc (Santander), Barclays Bank PLC and The Royal Bank of Scotland plc. In February 2015, the Existing Group agreed a one-year extension on the facility, to 2020, and in March 2016 agreed an increase in the facility to £450 million. In December 2016, the Existing Group agreed a further two-year extension to February 2022. The Existing Group has an interest rate swap for £100 million at 1.4 per cent. which runs until 2020. A second interest rate swap for £75 million at 1.5 per cent. expired in May 2017 and was not renewed given that the Existing Group had a fixed interest rate on its £100 million PP Bond.

The revolving credit 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.

The revolving credit facility agreement provides for biannual testing of the covenants. To comply with the covenants, the Existing Group must ensure that:

- Interest cover over the previous 12 months is not less than 3:1 at the covenant date. Interest is calculated by aggregating margin, LIBOR and relevant costs. Earnings are stated on a pre-exceptional basis and exclude the share of results of joint venture companies.
- Gearing is not more than 125 per cent., reducing to not more than 110 per cent. from 1 January 2019, based on tangible net assets of the Existing Group. For the purpose of the test, gearing means the ratio of net debt (including land creditors) to tangible net assets.
- Consolidated tangible net assets exceed £383.5 million as at 30 June 2016, with the minimum requirement increasing each year in proportion to retained profits. As at 30 June 2019 the minimum requirement was £417.4 million.

As at the Latest Practicable Date the revolving credit facility remains in place, but it is expected that following receipt of the Cash Consideration on Completion the revolving credit facility will be prepaid and cancelled by Galliford Try.

8.2 **Performance bonds**

Construction is often required to provide performance bonds, generally to clients and housing or other statutory authorities, to secure Construction's performance under development agreements and other arrangements. These are procured through the revolving credit facility described above and also through the surety market. Construction currently has bonding arrangements with six surety companies, with aggregate facilities at 30 June 2019 in excess of £450 million, of which £154.6 million was utilised by Construction at that date. The ability to obtain additional surety bonds primarily depends upon Construction's past performance, management expertise and certain external factors, including the capacity of the surety market. Surety providers consider the aforementioned factors in addition to performance and claims record and providers' underwriting standards, which may change from time to time. Although the Directors believe that Construction has adequate headroom within its existing surety bonding lines, these facilities are not committed and additional surety facilities beyond Construction's current facilities may be required in the future.

9. CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

In the year ended 30 June 2019, Construction invested £2.7 million in new property, plant and equipment. Construction has no material capital commitments.

10. CONTINGENT LIABILITIES

The NewCo Group 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 NewCo Group undertakings, including joint arrangements and joint ventures, amounting to £154.6 million at 30 June 2019.

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 Construction's financial position. Further details of ongoing litigation are set out in paragraph 10 of Part 13 (*Additional Information*) of this document.

11. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarises Construction's contractual obligations as at 30 June 2019:

Payment due by period	Total	Less than one year	1-5 years	More than 5 years
Long-term debt obligations	1.3	–	1.3	–
Short-term debt obligations	577.3	577.3	–	–
Capital lease obligations	–	–	–	–
Operating lease obligations	33.1	10.3	16.3	6.5
Development land creditors	–	–	–	–
Total	611.7	587.6	17.6	6.5

12. OFF BALANCE SHEET ARRANGEMENTS

Construction has no material off balance sheet arrangements as determined under IFRS.

13. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Construction'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. Construction's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Construction's financial performance.

13.1 Foreign exchange risk

All material activities of Construction 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, Construction's policy is to enter into forward foreign currency contracts. Construction had no material currency exposure at 30 June 2019.

13.2 Price risk

Construction has no quoted investments that are exposed to equity securities price risk. Construction is not exposed to commodity price risk.

13.3 Interest rate risk

Construction's income and operating cash flows are substantially independent of changes in market interest rates. Construction's interest rate risk arises from movement in cash and cash equivalents and long-term borrowings. Borrowings issued at variable rates expose Construction to cash flow interest rate risk. Construction'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.

13.4 Credit risk

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, and joint venture partners. Construction has a credit risk exposure to the providers of its banking facilities. These are primarily provided by HSBC, 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.

The Directors believe that the concentration of credit risk with respect to trade receivables is limited due to Construction's customer base being large and unrelated.

13.5 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, Construction's treasury department maintains flexibility in funding by maintaining availability under committed credit lines.

Construction finances its operations through a mixture of retained profits and bank borrowings. The contracting operations of Construction generally generate cash. Management monitors rolling forecasts of Construction's liquidity reserve, which comprises undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flow, which is carried out in accordance with practices and limits set by the business. These limits vary by location to take into account the liquidity of the market in which it is operating.

14. CONSTRUCTION'S CAPITALISATION AND INDEBTEDNESS

The tables below show Construction's capitalisation as at 30 June 2019 and indebtedness as at 30 September 2019, which has been extracted without material adjustment from Construction's unaudited accounting records.

The following table sets out Construction's capitalisation as at 30 June 2019.

	At 30 June 2019 (in £m)
Shareholders' equity[1]	
Ordinary shares	55.5
Share premium	197.7
Total	253.2

1. Shareholders' equity does not include the profit and loss account reserve.

There has been no material change to the capitalisation of Construction since 30 June 2019.

The following table sets out Construction's indebtedness as at 30 September 2019.

	At 30 September 2019 (in £m)
Total current debt	
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	–
Total non-current debt (excluding current portion of the long term debt)	
Guaranteed	330.0
Secured	–
Unguaranteed/Unsecured	–
Total	330.0

The following table sets out the net financial indebtedness of Construction as at 30 September 2019.[1]

	At 30 September 2019 (in £m)
Cash and cash equivalents	1,283.8
Bank overdrafts	(446.5)
Liquidity	**837.3**
Current bank debt	–
Current borrowings – obligations under finance leases	–
Current financial debts	–
Total liquidity	**837.3**
Non-current bank loans	(330.0)
Non-current obligations under finance leases	–
Non-current financial indebtedness	**(330.0)**
Net financial indebtedness	**507.3**

1. The net financial indebtedness does not reflect the repayment of debt or proceeds of the Transaction, which includes the non-cash settlement of amounts owed to Construction from the Disposal Group.

15. CRITICAL ACCOUNTING POLICIES

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.

PART 12

TAXATION

UK TAXATION

The statements in this section are intended only as a general guide to and high-level summary of certain UK tax considerations relevant to the Ordinary Shares. They reflect current UK tax law and published HMRC practice at the date of this document which may change at any time possibly with retroactive effect. This section applies only to Shareholders who are resident (and in the case of individuals, also domiciled or deemed domiciled) in the UK for UK tax purposes (save where express reference is made to Overseas Shareholders), who hold their Ordinary Shares as an investment (other than under an Individual Savings Account ("**ISA**") or a Self-Invested Personal Pension) and who are the absolute beneficial owners of such Ordinary Shares and of any entitlement to distributions in respect thereof. It does not apply to certain specific classes of Shareholder, such as dealers in securities, insurance companies, collective investment schemes, Shareholders who have (or are deemed for tax purposes to have) acquired their Ordinary Shares by reason of an office or employment or Shareholders who hold their Ordinary Shares pursuant to a tax advantaged arrangement such as an Individual Savings Account. This section does not apply to Shareholders who control or hold, or have previously held or controlled, either alone or together with one or more associated or connected persons, directly or indirectly, ten per cent. or more of the Ordinary Shares and/or voting power and/or rights to profit or capital of the Company.

This section does not constitute tax advice or purport to be a comprehensive analysis of all the potential tax consequences. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK should seek independent professional advice on the potential tax consequences of subscribing for, purchasing, holding or selling Ordinary Shares under the laws of their country and/or state of citizenship, domicile or residence.

Taxation of chargeable gains

UK resident individual Shareholders

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax, subject to any available exemption or relief. An individual Shareholder is entitled to realise an annual exempt amount of gains without being liable to capital gains tax. For the tax year 6 April 2019 to 5 April 2020 the annual exempt amount is £12,000. No indexation allowance will be available to an individual Shareholder in respect of any disposal of Ordinary Shares.

For the tax year 6 April 2019 to 5 April 2020, capital gains tax will generally be charged at 10 per cent. to the extent that the total chargeable gains and, generally, total taxable income arising in a tax year, after all allowable deductions (including losses, the income tax personal allowance and the capital gains tax annual exempt amount), are less than the upper limit of the income tax basic rate band. To the extent that any chargeable gains (or part of any chargeable gains) arising in a tax year exceed the upper limit of the income tax basic rate band when aggregated with any such income (in the manner referred to above), capital gains tax will be charged at 20 per cent.

UK resident corporate Shareholders

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain at the rate of corporation tax applicable to that Shareholder (currently 19 per cent.) or an allowable loss for the purposes of UK corporation tax, subject to any available relief or exemption.

Overseas Shareholders

If a Shareholder (individual or corporate) who is not resident in the UK for tax purposes carries on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a non-UK resident corporate

Shareholder, a permanent establishment) to which the Ordinary Shares are attributable, the Shareholder will be subject to the same rules that apply to UK resident Shareholders.

Individual Shareholders who are not resident in the UK (and who do not carry on a trade, profession or vocation in the UK through a branch or agency to which the Ordinary Shares are attributable) will generally not be subject to UK capital gains tax in respect of gains arising on disposals of Ordinary Shares. However, a Shareholder who has previously been resident in the UK may in some cases be subject to UK tax on capital gains in respect of a disposal of Ordinary Shares in the event that they re-establish residence in the UK.

Otherwise, a Shareholder (individual or corporate) who is not resident in the UK for tax purposes is generally not subject to UK taxation on chargeable gains. They may, however, be subject to taxation under their local law.

Taxation of dividends

Overview

This subsection considers certain UK tax implications of receiving cash dividends on Ordinary Shares. The following paragraphs outline the main aspects of the tax treatment of dividends in the hands of various categories of Shareholder.

UK resident individual Shareholders

The tax treatment of dividends paid by the Company to UK resident individual Shareholders is as follows, except to the extent that such dividends are earned through an ISA, a Self-Invested Personal Pension or other regime which exempts the dividends from tax:

- dividends received by individual Shareholders from the Company (or from other sources) will form part of the Shareholder’s total income for income tax purposes and will represent the highest part of that income;
- a nil rate of income tax applies to the first £2,000 of dividend income received by an individual Shareholder in the tax year 6 April 2019 to 5 April 2020 (the “**Nil Rate Amount**”); and
- any dividend income received by an individual Shareholder in a tax year in excess of the Nil Rate Amount is taxed at a special rate, as set out below.

Where a Shareholder’s dividend income for a tax year exceeds the Nil Rate Amount, the excess amount (the “**Relevant Dividend Income**”) will be subject to income tax at the following rates for the tax year 6 April 2019 to 5 April 2020:

- at the rate of 7.5 per cent., to the extent that the Relevant Dividend Income falls below the threshold for the higher rate of income tax;
- at the rate of 32.5 per cent., to the extent that the Relevant Dividend Income falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax; and
- at the rate of 38.1 per cent., to the extent that the Relevant Dividend Income falls above the threshold for the additional rate of income tax.

In determining whether and, if so, to what extent the Relevant Dividend Income falls above or below the threshold for the higher rate of income tax or, as the case may be, the additional rate of income tax, the Shareholder’s total dividend income for the tax year in question (including the part within the Nil Rate Amount) will, as noted above, be treated as the highest part of the Shareholder’s total income for income tax purposes.

UK resident corporate Shareholders

Corporate Shareholders within the charge to UK corporation tax which are “small companies” for the purposes of UK taxation of dividends legislation in Part 9A of the Corporation Tax Act 2009 will not generally be subject to tax on dividends provided certain conditions are met (including an anti-avoidance condition). Other corporate Shareholders (which are not a "small company" for the purposes of UK taxation of dividends legislation in Part 9A of the Corporation Tax Act 2009), will not be subject to tax on dividends from the Company so long as the dividends fall within an exempt class in Part 9A of the Corporation Tax Act 2009 and certain conditions are met. Examples of exempt classes (as defined in Chapter 3 of Part 9A of the Corporation Tax Act 2009) include dividends paid on shares that are "ordinary shares" (that is shares that do not carry any present or future preferential rights to dividends or to the Company's assets on its winding up) and are not "redeemable" (as defined for the purpose of the UK Corporation Tax Act 2009) and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which such dividends are paid). However, the exemptions are not comprehensive and are subject to anti-avoidance rules. In the event that these dividends do not fall within an exempt class, a UK resident corporate Shareholder will be liable to UK corporation tax in respect of the dividend at the rate of corporation tax applicable to that Shareholder (currently at a rate of 19 per cent. for the tax year 6 April 2019 to 5 April 2020).

Overseas Shareholders

Where a non-UK resident Shareholder (individual or corporate) carries on a trade, profession or vocation in the UK and the dividends are a receipt of that trade, profession or vocation or, in the case of a non-UK resident corporate Shareholder, if the Ordinary Shares are held for a UK permanent establishment through which a trade is carried on, the Shareholder may be liable to UK tax on dividends received.

Otherwise, non-UK resident Shareholders (individual or corporate) who receive a dividend from the Company are generally not subject to UK tax on the dividend.

A non-UK resident Shareholder may also be subject to taxation on dividend income under local law. A Shareholder who is not solely resident in the UK for tax purposes should consult his own tax adviser concerning his tax liabilities (in the UK and any other country) on dividends received from the Company, and whether any double taxation relief is due in any country in which he is subject to tax and, if so, the procedure for obtaining such relief.

Withholding tax

The Company is not required to withhold amounts on account of UK tax when paying dividends.

Stamp duty and stamp duty reserve tax ("SDRT")

The following statements are intended as a general guide to the current UK stamp duty and SDRT position, and apply regardless of whether or not a Shareholder is resident in the UK. It should be noted that certain categories of person, including market makers, brokers, dealers, and other specified market intermediaries, are entitled to exemption from stamp duty and SDRT in respect of purchases of securities in specified circumstances. Special rules apply in the case of the transfers of Ordinary Shares to clearance services or depositary receipt systems.

A sale of Ordinary Shares will generally be subject to UK stamp duty (if the shares are in certificated form) or SDRT (if the sale is settled through the UK's CREST system of paperless transfers), in either case at the rate of 0.5 per cent. of the amount or value of the consideration. In cases where the Ordinary Shares, for so long as they are traded on the London Stock Exchange's Main Market, are sold to a connected company of a Shareholder (or its nominee), UK stamp duty or SDRT is chargeable on the higher of (i) the amount or value of the consideration or (ii) the market value of the Ordinary Shares.

Any stamp duty payable (as opposed to SDRT) is rounded up to the nearest £5. No stamp duty (as opposed to SDRT) will be payable if the amount or value of the consideration is (and is certified to be) £1,000 or less. Stamp duty or SDRT is usually paid or borne by the purchaser.

A charge to SDRT will arise on an unconditional agreement to transfer shares (at the rate of 0.5 per cent. of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest) provided that a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

Ordinary Shares held through Clearance Systems or Depositary Receipt Arrangements

Special rules apply where Ordinary Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent. As a result of EU case law (which has been accepted by HMRC), no such charge should arise on a transfer of Ordinary Shares which forms an integral part of an overall transaction involving the raising of capital. However, if the transfer does not form an integral part of such a transaction, HMRC may still seek to impose 1.5 per cent. stamp duty or SDRT on transfers into depositary receipts systems or clearance services. Specific professional advice should be sought before incurring a 1.5 per cent. stamp duty or stamp duty reserve tax charge in any circumstances.

UK inheritance tax

Ordinary Shares which are registered on the register of members in the UK will be assets situated in the UK for the purposes of UK inheritance tax.

A gift of Ordinary Shares by, or a transfer on the death of, an individual holder of such shares may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the Shareholder is neither domiciled in the UK nor deemed to be domiciled there (under certain rules relating to long residence or previous domicile).

Generally, UK inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to the death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift in respect of the undervalue element and particular rules apply to gifts where the donor reserves or retains some benefit in respect of the asset gifted. Special rules also apply to close companies and to trustees of settlements who acquire, dispose of or hold Ordinary Shares, potentially bringing them within the charge to inheritance tax.

Holders of Ordinary Shares should consult an appropriate professional adviser if they intend to make a gift, transfer at less than full market value, or hold Ordinary Shares through such a company or trust arrangement.

US TAXATION

The following is a discussion as of the date of this document of certain US federal income tax consequences of the acquisition, ownership and disposition of the Ordinary Shares by US Holders or Non US Holders, each as defined below. This discussion is not a complete analysis or listing of all of the possible tax consequences of such transactions and does not address all tax considerations that might be relevant to particular beneficial owners of the Ordinary Shares in light of their personal circumstances or to persons that are subject to special tax rules.

Except where noted, this discussion deals only with holders who have held their Galliford Try Shares and will hold the Ordinary Shares as capital assets for US federal income tax purposes (generally, property held for investment). This summary is not directed to a holder of Galliford Try Shares or Ordinary Shares that is subject to special treatment under the US federal income tax laws, including, without limitation:

(a) a dealer or trader in securities;

(b) a bank or other financial institution;

(c) a regulated investment company;

(d) a real estate investment trust;

(e) an insurance company;

(f) a tax-exempt entity (including an "individual retirement account");

(g) a person holding the Ordinary Shares as part of a hedging transaction, wash sale, conversion transaction, a constructive sale or a straddle;

(h) a person who owns 10 per cent. or more (directly, indirectly or through application of certain constructive ownership rules) of the voting stock or value of the Company;

(i) US expatriates and former long-term residents of the United States; or

(j) a US Holder (as defined below) whose "functional currency" is not the US dollar.

As used herein, "US Holder" means a holder of the Galliford Try Shares or Ordinary Shares that is for US federal income tax purposes a beneficial owner of Galliford Try Shares or Ordinary Shares and is (i) an individual citizen or resident of the United States, (ii) a corporation (or other entity classified as a corporation), created or organised in or under the laws of the United States, any state therein or the District of Columbia; (iii) an estate the income of which is subject to US federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust (or otherwise if the trust has a valid election in effect under current US Treasury regulations to be treated as a United States person). A "Non US Holder" is a beneficial owner of the Galliford Try Shares or Ordinary Shares that is an individual, corporation, estate or trust and is not a US Holder.

If an entity or arrangement that is classified as a partnership for US federal income tax purposes holds the Galliford Try Shares or Ordinary Shares, the US federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding the Galliford Try Shares or Ordinary Shares and partners in such partnerships should consult their tax advisers as to the particular US federal income tax consequences of holding and disposing of the Galliford Try Shares or Ordinary Shares.

The discussion below is based upon the provisions of the US Internal Revenue Code of 1986, as amended (the "**Code**"), and final, temporary and proposed regulations (the "**Regulations**"), rulings and judicial decisions thereunder as of the date of this document, and treaties as of the date of this document, including the Convention Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital Gains of 24 July 2001, as amended (the "**Treaty**"), and such authorities may be replaced, revoked or modified (possibly with retroactive effect) or subject to differing interpretations so as to result in US federal income tax consequences different from those discussed below. In addition, this discussion does not address the US federal estate, gift or alternative minimum tax consequences, or any state, local or non US tax consequences of the acquisition, ownership and disposition of the Galliford Try Shares or Ordinary Shares. US Holders should consult their tax advisers concerning the US federal, state, local and non US tax consequences of acquiring, owning and disposing of the Galliford Try Shares or Ordinary Shares based on their particular circumstances.

No advance rulings have been or will be sought from the US Internal Revenue Service ("**IRS**") regarding any matter discussed herein. Counsel to the Company has not rendered any legal opinion regarding any US federal income tax consequences relating to the Proposals, the Company or an investment in the Ordinary Shares. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects set forth below.

If you hold Galliford Try Shares, you should consult your own tax advisers concerning the US federal income tax consequences of the Proposals to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

Taxation on Ordinary Shares

Taxation of dividends

Subject to the discussion in "Passive foreign investment company" below, distributions on the Ordinary Shares, other than certain pro rata distributions of Ordinary Shares to all shareholders, received by a US Holder on Ordinary Shares, if any, will be taxable as dividends to the extent paid out of the Company's current or accumulated earnings and profits as determined under US federal income tax principles measured at the end of the tax year in which such distribution is actually or constructively received. Distributions in excess of such earnings and profits will be applied against and will reduce the US Holder's tax basis in its Ordinary Shares and, to the extent in excess of such basis, will be treated as long-term capital gain if the US Holder held its Ordinary Shares for more than one year, and as short-term capital gain if the US Holder held its Ordinary Shares for one year or less. Since the Company does not maintain calculations of its earnings and profits for US federal income tax purposes, the Company expects that any distribution on the Company's Ordinary Shares will be reported to US Holders as a dividend for US federal income tax purposes. For US foreign tax credit purposes, dividends paid on Ordinary Shares generally will be treated as foreign source income and will generally constitute passive category income. Such dividends are not expected to be eligible for the general dividends received deduction allowed to corporations. Moreover, although an additional dividends received deduction was recently enacted that generally allows a deduction for the foreign source portion of dividends received by a US corporation from a non US corporation, this deduction is available only to corporate shareholders who own at least 10 per cent. of the vote or value of such non US corporation.

Currency gain or loss on dividends

The US dollar value of any distribution on the Ordinary Shares made in Pounds Sterling should be calculated by reference to the exchange rate between the US dollar and the Pounds Sterling in effect on the date of receipt of such distribution by the US Holder, regardless of whether the Pounds Sterling amount so received is in fact converted into US dollars. If the Pounds Sterling amount so received is converted into US dollars on the date of receipt, such US Holder generally should not recognise foreign currency gain or loss on such conversion. If it is not converted into US dollars on the date of receipt, such US Holder will have a basis in such Pounds Sterling equal to the US dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of such Pounds Sterling generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for US foreign tax credit purposes.

Qualified dividends for individuals

Distributions treated as dividends that are received by certain non-corporate US Holders (including individuals) from "qualified foreign corporations" generally qualify for preferential rates so long as certain holding period and other requirements are met. A non US corporation (other than a corporation that was treated as a passive foreign investment company (as described in "Passive foreign investment company" below) with respect to a US Holder in the year in which the dividends are paid, or in the year prior to the year in which the dividends are paid) generally will be considered to be a qualified foreign corporation if it is eligible for the benefits of a comprehensive income tax treaty with the United States. If the Company is a PFIC with respect to any taxable year, it will not be considered a qualified foreign corporation with respect to dividends paid in such year or the following taxable year.

Sale or other disposition of Ordinary Shares

Subject to the discussion in "Passive foreign investment company" below, for US federal income tax purposes, a US Holder generally will recognise taxable gain or loss on any sale, exchange or other disposition of its Ordinary Shares in an amount equal to the difference between the amount realised and such US Holder's tax basis in the Ordinary Shares. Such gain or loss will generally be capital gain or loss. Capital gains of non-corporate shareholders derived with respect to capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations under the Code. Any gain or loss recognised on a disposition by a US Holder of its Ordinary Shares generally will be treated as US source gain or loss.

Currency gain or loss on disposition of Ordinary Shares

In the case of a US Holder that receives non US currency from a sale, exchange or other disposition of the Ordinary Shares, the amount realised will generally be equal to the US dollar value of such non US currency on the date of disposition of the Ordinary Shares. However, if the Ordinary Shares are treated as being "traded on an established securities market," a cash basis or electing accrual basis taxpayer will determine the US dollar value of the amount realised by translating such amount at the spot rate on the settlement date of the sale. If an accrual basis US Holder makes the election described above, it must be applied consistently from year to year and cannot be revoked without the consent of the IRS. A US Holder will have a tax basis in any non US currency received in respect of the sale, exchange or other disposition of its Ordinary Shares equal to its US dollar value calculated at the exchange rate in effect on the date of such sale, exchange or other disposition (or in the case of a cash basis or electing accrual basis taxpayer the exchange rate in effect on the date of settlement, if the Ordinary Shares are treated as being "traded on an established securities market"). Any gain or loss recognised upon a subsequent disposition of non US currency will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for US foreign tax credit purposes.

Passive foreign investment company

In general, a non US corporation will be classified as a Passive Foreign Investment Company ("**PFIC**") for any taxable year if at least (i) 75 per cent. of its gross income for that year is classified as "passive income" or (ii) 50 per cent. of the value of its assets (determined on the basis of a quarterly average for that year) produce or are held for the production of passive income. For these purposes, passive income generally includes, among other things, dividends, interest, rents, royalties and the excess of gains over losses from the disposition of assets that produce passive income. In making this determination, the non US corporation is treated as earning its proportionate share of any income and owning its proportionate share of any assets of any corporation in which it directly or indirectly holds 25 per cent. or more (by value) of the stock.

The determination of whether the Company is a PFIC is made annually after the close of the relevant taxable year, and such determination is highly fact specific and will depend in particular on the composition of the Company's income and assets and the market price of the Ordinary Shares. Because PFIC status is a fact-intensive determination, no assurance can be given that the Company is not or will not become, classified as a PFIC.

If the Company is a PFIC for any taxable year during which a US Holder holds the Ordinary Shares, any gain recognised by the US Holder on a sale or other disposition of the Ordinary Shares, as well as the amount of any "excess distribution" (defined below) received by such holder, would be allocated rateably over the US Holder's holding period for the Ordinary Shares. The amounts allocated to the taxable year of the sale or other disposition (or the taxable year of receipt, in the case of an excess distribution) and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year also is taxed as ordinary income and the tax imposed will be the "deferred tax amount" (an amount calculated by multiplying the amount allocated to each prior year by the highest rate of tax in effect for individuals or corporations, as appropriate, for that taxable year, together with an interest charge). For purposes of these rules, an "excess distribution" is the amount by which any distribution received by a US Holder on its Ordinary Shares in a taxable year exceeds 125 per cent. of the average of the annual distributions on the Ordinary Shares received during the preceding three years or the US Holder's holding period, whichever is shorter. Certain elections may be available that would result in alternative treatments (such as an election for mark-to-market treatment or to be treated as a qualified electing fund, each as discussed below) of the Ordinary Shares.

Under the PFIC rules, if the Company were considered a PFIC for any taxable year during which a US Holder holds the Ordinary Shares, the Company would continue to be treated as a PFIC with respect to such US Holder's investment for each subsequent taxable year unless (i) the Company ceases to be a PFIC and (ii) the US Holder has made a "deemed sale" election under the PFIC rules.

If the Company is treated as a PFIC with respect to a US Holder for any taxable year, a US Holder will also be deemed to own a proportionate interest in any of the Company's subsidiaries that are also PFICs, if any.

Special rules apply with respect to the application of the PFIC rules with respect to indirect distributions from, or indirect dispositions of, such a subsidiary that is a PFIC. An election for mark-to-market treatment would likely not be available with respect to any such subsidiaries.

If a US Holder owns the Ordinary Shares during any year in which the Company is a PFIC, the US Holder generally must file an IRS Form 8621 with respect to the Company, with the US Holder's US federal income tax return for that year. US Holders should consult their tax advisers regarding whether the Company is a PFIC and the potential application of the PFIC rules.

Mark-to-market election

To mitigate the application of the PFIC rules discussed above, a US Holder may make an election to include gain or loss on the Ordinary Shares as ordinary income or loss under a mark-to-market method, provided that the Ordinary Shares are regularly traded on a qualified exchange. Applications will be made to the FCA and London Stock Exchange for the Enlarged Share Capital to be admitted to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange's Main Market for listed securities, which the Company expects to be a qualified exchange. However, no assurance can be given that the Ordinary Shares will be "regularly traded" as defined by the Code for purposes of the mark-to-market election.

If a US Holder makes an effective mark-to-market election, the US Holder will include in each year as ordinary income the excess of the fair market value of its Ordinary Shares at the end of the year over its adjusted tax basis in the Ordinary Shares. The US Holder will be entitled to deduct as an ordinary loss each year the excess of its adjusted tax basis in the Ordinary Shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. On an annual basis, a US Holder's adjusted tax basis in the Ordinary Shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. In addition, gains from an actual sale or other disposition of Ordinary Shares will be treated as ordinary income, and any losses will be treated as ordinary losses to the extent of any mark-to-market gains for prior years.

If a US Holder makes a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the Ordinary Shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election.

Qualified electing fund election

To mitigate the application of the PFIC rules discussed above, a US Holder may make an election to treat the Company as a qualified electing fund ("**QEF**") for US federal income tax purposes. For each taxable year of a US Holder in which or with which the taxable year of the QEF ends, the US Holder is required to include in income a pro rata share of the ordinary earnings of the QEF as ordinary income and a pro rata share of the net capital gain of the QEF as long-term capital gain and pay US federal income tax thereon, regardless of whether the Company has distributed such earnings or gain, subject to a separate election to defer payment of taxes. Such deferral is subject to an interest charge. If the Company later were to distribute the income or gain on which the US Holder has already paid US federal income taxes, amounts so distributed to the US Holder would not be further taxable to the US Holder. A US Holder's tax basis in the Ordinary Shares would be increased by the amount so included and decreased by the amount of non-taxable distributions. To make a QEF election, the Company must provide US Holders with information compiled according to US federal income tax principles. The Company currently does not intend to compile such information for US Holders, and therefore the Company expects that this election will be unavailable.

Non US Holders

A Non US Holder generally should not be subject to US federal income or withholding tax on any distributions made on the Ordinary Shares or gain from the sale, exchange or other disposition of the Ordinary Shares unless: (i) that distribution and/or gain is effectively connected with the conduct of a trade or business in the United States by that Non US Holder; or (ii) in the case of any gain realised on the sale or exchange of Ordinary Shares by an individual Non US Holder, that Non US Holder is present in the United

States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met.

Medicare tax

A US Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, generally will be subject to a 3.8 per cent. tax, referred to as the Medicare tax, on the lesser of (1) the US Holder's "net investment income" (or, in the case of a US Holder that is an estate or trust, the US Holder's "undistributed net investment income") for the relevant taxable year and (2) the excess of the US Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between US$125,000 and US$250,000, depending on the individual's tax return filing status). The net investment income of a US Holder generally will include dividend income and any net gains from the disposition of Ordinary Shares, unless such dividend income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive trading activities). US Holders should consult their tax advisers regarding the applicability of the Medicare tax to their income and gains in respect of their investment in the Company.

Information reporting and backup withholding

Investment in Ordinary Shares

Under the Code and Regulations, certain categories of US persons must file information returns with respect to their investment in the equity interests of a non US corporation. A US Holder that purchases the Ordinary Shares for cash will be required to file IRS Form 926 if the transfer of cash to the Company, when aggregated with all transfers made by such person (or any related person) to the Company within the preceding 12-month period, exceeds US$100,000. In the event a US Holder fails to file any such required form, the US Holder could be required to pay a penalty equal to 10 per cent. of the gross amount paid for such Ordinary Shares up to a maximum penalty of US$100,000, unless the failure to comply was due to intentional disregard.

Dividends and dispositions

In general, information reporting will apply to dividends in respect of the Ordinary Shares and the proceeds from the sale, exchange or other disposition of the Ordinary Shares that are paid within the United States (and in certain cases, outside the United States), unless a holder establishes that it is an exempt recipient (such as a corporation). Backup withholding (currently at a rate of 24 per cent.) may apply to such payments if a holder fails to provide a taxpayer identification number and a duly executed IRS Form W-9 or otherwise establishes an exemption. Any amounts withheld under the backup withholding rules will be allowed as a credit or a refund against the holder's US federal income tax liability provided the required information is timely furnished to the IRS.

Reportable transactions

A US Holder participating in a "reportable transaction" within the meaning of the Regulations is required to file IRS Form 8886 with their US federal income tax return, and submit a copy of IRS Form 8886 with the Office of Tax Shelter Analysis of the IRS. Reportable transactions subject to this disclosure requirement could include, among other things, the recognition of losses exceeding certain thresholds upon a disposition of Ordinary Shares or the recognition of foreign currency exchange losses exceeding certain thresholds. A significant penalty is imposed on taxpayers who fail to make the required disclosure. US Holders are urged to consult their own tax advisers concerning the application of these reporting obligations to their specific situations and the penalty discussed above.

Foreign financial asset reporting

Certain US Holders may be subject to substantial penalties if they fail to comply with special information reporting requirements with respect to their ownership of the Ordinary Shares, unless the Ordinary Shares are held in accounts at certain financial institutions. In particular, US Holders may be required to file an

FBAR ("Report of Foreign Bank and Financial Account") with the US Department of the Treasury with respect to a foreign financial account holding their investment in the Company.

Certain US Holders also will be required to attach IRS Form 8938 to their US federal income tax returns for any year in which the aggregate value of all "specified foreign financial assets" held by such US Holder exceeds certain specified thresholds (generally, US$50,000 on the last day of the taxable year or US$75,000 at any time during the taxable year (higher thresholds apply for certain married individuals filing joint returns)). A "specified foreign financial asset" generally includes, among other things, stock issued by a non US corporation that is held for investment and not held in an account at a financial institution. Penalties may be imposed for the failure to disclose such information regarding specified foreign financial assts.

US Holders should consult their tax advisers regarding the potential application of these reporting requirements to their interest in the Company.

The above summary is not intended to constitute a complete analysis of all US federal income tax consequences relating to the acquisition, holding and disposition of the Ordinary Shares. Holders of Galliford Try Shares should consult their own tax advisers concerning the tax consequences of the Proposals on their particular situations.

PART 13

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors, whose names appear on page 31 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company, the information contained in this document is in accordance with the facts and makes no omission likely to affect its import.

2. INCORPORATION AND REGISTERED OFFICE

2.1 The Company was incorporated and registered in England and Wales on 19 September 2019 under the Act as a private company limited by shares with the name New Goldfinch Limited and registered number 12216008.

2.2 On 31 October 2019, the Company changed its name to Galliford Try Holdings Limited and, on 6 November 2019, re-registered as a public limited company. The Company has not traded since it was incorporated.

2.3 The Company is domiciled in the UK. Its registered office and corporate headquarters is at Cowley Business Park, Cowley, Uxbridge, Middlesex UB8 2AL (telephone number 01895 855000, or if dialling from outside the UK, +44 (0)1895 855000).

2.4 The principal laws and legislation under which the Company operates, and under which the Ordinary Shares have been created, are the Act and regulations made thereunder. The Ordinary Shares have been and will be duly authorised according to the requirements of the Company's constitution and have and will have all necessary statutory and other consents. The Company operates in conformity with its constitutional documents. The liability of the members is limited.

3. SHARE CAPITAL OF THE COMPANY

History of share capital

3.1 On incorporation, one Ordinary Share of £1 was taken by the subscriber to the memorandum of association, such Ordinary Share being paid up in cash in full. Subsequently, the one Ordinary Share of £1 was sub-divided into two Ordinary Shares of 50 pence each and 50,000 redeemable deferred shares of £1 each were allotted and issued against an undertaking to pay cash in respect of such amount.

Share capital

3.2 As at the Latest Practicable Date, the Company has two fully paid Ordinary Shares in issue of 50 pence each and 50,000 redeemable deferred shares of £1 each against an undertaking to pay cash in respect of such amount. The Company has no partly paid Ordinary Shares in issue.

3.3 As at the Latest Practicable Date, the Company does not hold any Ordinary Shares in treasury and there are no Ordinary Shares held by or on behalf of the Company itself or by subsidiaries of the Company.

3.4 There are no convertible securities, exchangeable securities or warrants in relation to the Company currently in issue, and there are no acquisition rights or obligations over the unissued share capital of the Company or an undertaking to increase the capital of the Company.

3.5 No share capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option.

3.6 The redeemable deferred shares are not entitled to receive a dividend nor have any other right of participation in the profits of the Company. The Company intends to redeem the redeemable deferred shares prior to Admission, such redemption to be at nominal value.

3.7 The Company has passed various resolutions on 5 November 2019 so that:

3.7.1 the Directors be generally and unconditionally authorised pursuant to section 551 of the Act to exercise all the powers of the Company to allot shares in the capital of the Company and to grant rights to subscribe for or to convert any security into shares in the capital of the Company comprising:

(a) for the purposes of issuing ordinary shares in the capital of the Company pursuant to the New Topco Capital Reduction, up to an aggregate nominal amount equal to the aggregate nominal amount of the B ordinary shares in the capital of New Topco immediately prior to the New Topco Capital Reduction becoming effective;

(b) otherwise and in addition to the authority provided in relation to the New Topco Capital Reduction, up to an aggregate nominal amount equal to one-third of the entire issued ordinary share capital of the Company as at Admission (whether in connection with the same offer or issue under (c) below or otherwise); and

(c) otherwise and in addition to the authorities provided above, up to a further aggregate nominal amount equal to one-third of the entire issued ordinary share capital of the Company as at Admission in the form of equity securities (within the meaning of section 560(1) of the Act) in connection with an offer or issue by way of rights, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares (other than the Company) on the register on any record date fixed by the Directors in proportion (as nearly as may be) to the respective number of Ordinary Shares deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever.

This authority shall expire, unless previously varied, revoked or renewed by the Company in general meeting, 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the first annual general meeting of the Company, except that the Company may at any time before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired;

3.7.2 the Directors are empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560(1) of the Act) for cash pursuant to the general authority conferred on them by the resolution set out in paragraph 3.7.1 above and/or to sell equity securities held as treasury shares for cash pursuant to section 727 of the Act, in each case as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be limited to:

(a) any such allotment in connection with the New Topco Capital Reduction;

(b) any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares (other than the Company) on the register on any record date fixed by the Directors in proportion (as nearly as may be) to the respective number of Ordinary Shares deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

(c) any such allotment and/or sale, otherwise than pursuant to sub-paragraph (a) and (b) above, of equity securities having, in the case of Ordinary Shares, an aggregate nominal amount or, in the case of other equity securities, giving the right to subscribe or convert into Ordinary Shares having an aggregate nominal amount not exceeding 5 per cent. of the entire issued ordinary share capital of the Company as at Admission.

This authority shall expire, unless previously revoked or renewed by the Company in general meeting, at such time as the general authority conferred on the Directors by the resolution set out in paragraph 3.7.1 above expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the Directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired;

3.7.3 in addition to any authority granted under the resolution set out in paragraph 3.7.2 above, the Directors are empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560(1) of the Act) for cash pursuant to the general authority conferred on them by the resolution set out in paragraph 3.7.1 above and/or to sell equity securities held as treasury shares for cash pursuant to section 727 of the Act, in each case as if section 561(1) of the Act did not apply to any such allotment or sale, provided that this power shall be:

(a) limited to any such allotment and/or sale of equity securities having, in the case of Ordinary Shares, an aggregate nominal amount or, in the case of other equity securities, giving the right to subscribe or convert into Ordinary Shares having an aggregate nominal amount not exceeding 5 per cent. of the entire issued ordinary share capital of the Company as at Admission; and

(b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this resolution.

This authority shall expire, unless previously revoked or renewed by the Company in general meeting, at such time as the general authority conferred on the Directors by the resolution set out in paragraph 3.7.1 above expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted or equity securities held as treasury shares to be sold after such expiry and the Directors may allot equity securities and/or sell equity securities held as treasury shares in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired; and

3.7.4 subject to Admission, the Company be and is generally and unconditionally authorised for the purpose of section 701 of the Act, to make market purchases (as defined in section 693(4) of the Act) of its Ordinary Shares of 50 pence each provided that in doing so it:

(a) purchases no more than an aggregate nominal amount equal to 10 per cent. of the entire issued ordinary share capital of the Company as at Admission;

(b) pays not less than 50 pence (excluding expenses) per Ordinary Share of 50 pence each; and

(c) pays a price per share that is not more (excluding expenses) per Ordinary Share than the higher of: (i) 5 per cent. above the average of the middle market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately before the day on which it purchases that share; (ii) the price of the last independent trade on the trading venue where the purchase is carried out; and (iii) the highest current independent purchase bid on that venue.

This authority shall expire, unless previously varied, revoked or renewed by the Company in general meeting, 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the first annual general meeting of the Company, except that the Company may, if it agrees to purchase Ordinary Shares under this authority before it expires, complete the purchase wholly or partly after this authority expires.

3.8 Save as disclosed above, there has been no change in the amount of the issued share or loan capital of the Company since incorporation and no share or loan capital of the Company is under any share option or is, or will, immediately following Admission, be agreed, conditionally or unconditionally, to be put under any share option.

4. ORGANISATIONAL STRUCTURE

4.1 As at the Latest Practicable Date, the Company does not have any significant subsidiaries nor does the Company hold capital in any other undertakings that have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.

4.2 After the Demerger, the Company will be the holding company of Galliford Try, which in turn will hold Construction. The significant subsidiary undertakings and associated undertakings of the Company, after the Demerger Effective Time, are anticipated to be as follows:

Name	Country of incorporation or registration	Proportion of ownership interest
Galliford Try plc	England and Wales	100
Galliford Try Building Limited	England and Wales	100
Galliford Try Infrastructure Limited	Scotland	100
Galliford Try Investments Limited	England and Wales	100
Galliford Try Services Limited	England and Wales	100
Galliford Try Construction & Investment Holdings Limited	England and Wales	100

5. MAJOR SHAREHOLDERS

5.1 As at the Latest Practicable Date, insofar as it is known to the Company by virtue of the notifications made to Galliford Try in accordance with rule 5.1 of the Disclosure Guidance and Transparency Rules, the name of each person who holds voting rights representing three per cent. or more of the total voting rights in respect of the Galliford Try Shares, and the amount of such person's holding of the total voting rights in respect of the Ordinary Shares on Admission is expected to be:

Shareholder	Number of Galliford Try Shares	Percentage of Galliford Try Shares	Number of Ordinary Shares on Admission	Percentage of Ordinary Shares on Admission
Blackrock, Inc.	10,942,578	9.86	10,942,578	9.86
Standard Life Aberdeen plc	6,259,040	5.64	6,259,040	5.64
J O Hambro Capital Management Limited	5,738,929	5.17	5,738,929	5.17
Brewin Dolphin Ltd	5,169,266	4.66	5,169,266	4.66
Norges Bank Investment Management	3,415,248	3.08	3,415,248	3.08

5.2 As at the close of business on the Latest Practicable Date, the Company was not aware of any persons who, directly or indirectly, jointly or severally, will exercise or could exercise immediately following the Demerger and on Admission control over the Company, nor is it aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

5.3 Save as disclosed above, the Company was not aware of any person who, directly or indirectly will be interested in three per cent. or more of the issued share capital of the Company immediately following the Demerger and on Admission.

5.4 None of the Company's major shareholders will have different voting rights from any other holder of Ordinary Shares in respect of Ordinary Shares held by them following the Demerger and on Admission.

6. SHARE INCENTIVE PLANS

Galliford Try operates the LTIP summarised below. Following the Scheme becoming effective, the Company proposes to continue to use employee share plans to incentivise employees of the Company and its subsidiaries. Accordingly, the Directors will adopt the Galliford Try Holdings plc long term incentive plan subject to the approval of Galliford Try Shareholders at the General Meeting and conditional on the Scheme becoming effective. The Galliford Try Holdings plc long term incentive plan will broadly mirror the LTIP summarised below. In respect of any awards proposed to be granted to the Directors in the period following Admission and before the annual general meeting of the Company to be held in 2020, the Company intends to grant such awards in line with the directors' remuneration policy of Galliford Try (as approved by Galliford Try Shareholders on 10 November 2017).

Galliford Try operates a number of other share incentive plans but these are not expected to be operated by the Company with effect from Admission. The Company intends to undertake a review of its share incentive arrangements after Admission and may subsequently adopt further arrangements. The Company will consult with shareholders with regards to the remuneration policy which will be submitted for approval by shareholders at its annual general meeting to be held in 2020.

Long Term Incentive Plan (the "LTIP")

General

The LTIP is administered by the Galliford Try Remuneration Committee. Employees (including executive directors) of the Existing Group are eligible to participate in the LTIP at the discretion of the Galliford Try Remuneration Committee. Participation in the LTIP is currently limited to the executive directors and selected senior management.

Grant of awards

The Galliford Try Remuneration Committee may grant awards to acquire Galliford Try Shares within six weeks following Galliford Try's announcement of its results for any period. The Galliford Try Remuneration Committee may also grant awards at any other time when the Galliford Try Remuneration Committee considers there are sufficiently exceptional circumstances which justify the granting of awards.

The Galliford Try Remuneration Committee may grant awards as conditional share awards, nil (or nominal) cost options or forfeitable shares. The Galliford Try Remuneration Committee may also decide to grant cash-based awards of an equivalent value to share-based awards, satisfy share-based awards in cash, and, other than in the case of executive directors, grant cash awards with or without a deferral period.

The LTIP will expire on 10 November 2026, being the expiry of the period of 10 years beginning with the date on which the LTIP was approved by Galliford Try Shareholders. Further awards may not be granted after this date.

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

Participation in the LTIP by the executive directors is limited to participation consistent with the relevant approved directors' remuneration policy (currently, the policy approved by Galliford Try Shareholders on 10 November 2017).

Individual limit for share-based awards

An employee may not receive awards in any financial year over or in relation to Galliford Try Shares which have a market value in excess of 200 per cent. of their annual base salary in that financial year. Market value for the purposes of this limit shall be based on the market value of Galliford Try Shares at the time of grant (ordinarily, being determined by reference to the value of Galliford Try Shares on the dealing day immediately preceding the grant of an award or by reference to a short averaging period). Capped value awards over Galliford Try Shares (if relevant) shall also operate within the above limit.

Performance conditions

The extent of vesting of awards granted to executive directors will be determined by the achievement of performance conditions (set by the Galliford Try Remuneration Committee when awards are granted) which are attached to the award. This may be the same in the case of awards granted to others. Performance conditions may also be set for other participants in the LTIP, as determined by the Galliford Try Remuneration Committee.

Details of the performance conditions applied to executive directors' awards will be set out in the respective Annual Report on Remuneration in the year in which the award was granted and will be in line with the directors' remuneration policy.

The Galliford Try Remuneration Committee may vary the performance conditions applying to any outstanding award if an event occurs which causes the Galliford Try Remuneration Committee to consider that it would be appropriate to do so. In the case of any awards held by the executive directors, the Galliford Try Remuneration Committee must be satisfied that the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Vesting of awards

Awards granted to executive directors shall normally vest on the third anniversary of grant or following the determination of the performance conditions, usually measured over at a period of at least three years. The Galliford Try Remuneration Committee may specify different vesting or performance periods in relation to awards granted to participants who are not executive directors.

Where awards are granted in the form of options, once vested, such options will then be exercisable up until the tenth anniversary of grant (or such shorter period specified by the Galliford Try Remuneration Committee at the time of grant). Shorter exercise periods shall apply in the case of "good leavers" and/or vesting of awards in connection with corporate events.

Dividend equivalents

The Galliford Try Remuneration Committee may decide that participants will receive a payment (in cash and/or Galliford Try Shares) on or shortly following the vesting of their awards, of an amount equivalent to the dividends payable on vested Galliford Try Shares between the date of grant and the vesting of an award (or if later, and only whilst the award remains unexercised in respect of vested Galliford Try Shares, the expiry of any holding period or such shorter relevant period set for the award). This amount may assume the reinvestment of dividends.

Leaving employment

As a general rule, an award will lapse upon a participant ceasing to hold employment or ceasing to be a director within the Existing Group. However, if a participant ceases to be an employee or a director because of death or his employing company or the business for which he works being sold out of the Existing Group or in other circumstances at the discretion of the Galliford Try Remuneration Committee, then the Galliford Try Remuneration Committee may determine that his award shall not lapse and shall instead vest on the date when it would have vested if he had not ceased such employment or office. The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the performance conditions (if any) have, in the opinion of the Galliford Try Remuneration Committee, been satisfied over the original performance measurement period, and (ii) the portion of the performance period during which they were in employment with the Company.

Alternatively, if a participant ceases to be an employee or director in the Existing Group in such "good leaver" circumstances, the Galliford Try Remuneration Committee can decide that his award will vest when the participant leaves, subject to: (i) the performance conditions measured at that time; and (ii) the portion of the performance period during which they were in employment with Galliford Try. The Galliford Try Remuneration Committee has the discretion not to pro-rate an award or pro-rate to a lesser extent where it feels it is appropriate to do so and (for executive directors) where it is permitted by the directors' remuneration policy. If a participant ceases to be an employee or director in the Existing Group and is deemed by the Galliford Try Remuneration Committee to be a "good leaver" (based on the determination set out above) the Galliford Try Remuneration Committee may make "good leaver" status contingent on the satisfaction of such (ordinarily, post-cessation of service) terms as the Galliford Try Remuneration Committee considers appropriate and in such circumstances shall retain discretion to resolve "good leaver" status to such extent it considers appropriate upon the discovery of a breach of the relevant terms.

Corporate events

In the event of a takeover or winding up of Galliford Try (not being an internal corporate reorganisation) all awards will vest early subject to: (i) the extent that the performance conditions (if any) are determined as satisfied, as calculated on such basis as the Galliford Try Remuneration Committee considers appropriate; and (ii) the portion of the performance period which has elapsed at the time of event, although the Galliford Try Remuneration Committee can decide not to pro-rate an award (or pro-rate to a lesser extent) if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, share-based awards may be replaced by equivalent new awards over shares in a new holding company unless the Galliford Try Remuneration Committee decides that awards should vest on the basis which would apply in the case of a takeover.

If a demerger, special dividend or other similar event is proposed which, in the opinion of the Galliford Try Remuneration Committee, would affect the market price of Galliford Try Shares to a material extent, then the Galliford Try Remuneration Committee may decide that awards will vest on such basis as it decides.

Participants' rights

Awards settled in Galliford Try Shares will not confer any shareholder rights until the awards have vested or the options have been exercised as relevant and the participants have received their Galliford Try Shares.

Rights attaching to Galliford Try Shares

Any Galliford Try Shares allotted when an award vests or is exercised will rank equally with Galliford Try Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital

In the event of any variation of Galliford Try's ordinary share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Galliford Try Shares, the Galliford Try Remuneration Committee may make such adjustment as it considers appropriate to the number of Galliford Try Shares subject to an award and/or the exercise price payable (if any).

Overall plan limits

The LTIP may operate over new issue Galliford Try Shares, treasury shares or Galliford Try Shares purchased in the market.

In any ten calendar year period, Galliford Try may not issue (or grant rights to issue) more than 10 per cent. of the issued ordinary share capital of Galliford Try under the LTIP and any other employee share plan adopted by Galliford Try. Furthermore, in the same period as noted above, Galliford Try may not issue (or grant rights to issue) more than 5 per cent. of the issued ordinary share capital of Galliford Try under the LTIP and any other executive share plan adopted by Galliford Try.

Treasury shares will count as new issue Galliford Try Shares for the purposes of this limit unless institutional investors decide that they need not count.

Alterations

The Galliford Try Remuneration Committee may, at any time, amend the LTIP in any respect, provided that the prior approval of Galliford Try Shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Galliford Try Shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, the Galliford Try Shares to be acquired and the adjustment of such awards.

The requirement to obtain the prior approval of Galliford Try Shareholders will not, however, apply to any minor alteration made to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Existing Group. Galliford Try Shareholder approval will also not be required for any amendments to any performance condition applying to an award varied on its terms.

Recovery and withholding

The Galliford Try Remuneration Committee may apply the LTIP's recovery and withholding provisions if, within a specified time of the vesting (or grant, if relevant) of an award, it is discovered that there has been a material misstatement in Galliford Try's audited accounts, an error in assessing any applicable performance condition or if an event of gross misconduct is discovered.

The recovery and withholding may be satisfied by way of a reduction in the amount of any future bonus, subsisting award or future share awards and/or a requirement to make a cash payment. If a participant is declared bankrupt, all unvested or unexercised awards would lapse.

Overseas plans

The Galliford Try board may establish further plans for overseas territories, any such plan to be similar to the LTIP, but modified to take account of local tax, exchange control or securities laws, provided that any Galliford Try Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the LTIP.

7. MATERIAL CONTRACTS

7.1 Set out below is a summary of each contract (not being contracts entered into in the ordinary course of business) entered into by any member of the NewCo Group:

7.1.1 within the two years immediately preceding the date of this document and which are or may be material to the NewCo Group; or

7.1.2 which contain any provision under which any member of the NewCo Group has any obligation or entitlement which is material to the NewCo Group as at the date of this document.

It is expected that the private placement debt summarised at paragraph 7.6 below will be novated by Galliford Try to Bovis Homes in accordance with the terms of the Deed of Novation prior to Admission.

It is expected that following receipt of the Cash Consideration at Completion the revolving credit facility agreement summarised at paragraph 7.9 below will be prepaid and cancelled by Galliford Try.

7.2 ***Sale and Purchase Agreement***

On 7 November 2019, Galliford Try, New Topco and Bovis Homes entered into a sale and purchase agreement in respect of, *inter alia*, the Disposal Group. The principal terms of the SPA are as follows:

7.2.1 *Consideration*

(a) New Topco and Galliford Try shall procure the transfer of the New Topco Shares to Bovis Homes in consideration for the allotment and issue of 63,739,385 Consideration Shares to Galliford Try Shareholders in respect of their shareholding in New Topco *pro rata*, as far as reasonably practicable, to their respective holdings of Galliford Try Shares; and

(b) Galliford Try shall sell the Partnerships & Regeneration Shares and the Linden Homes Special Share to Bovis Homes in consideration for the amount of £300 million which will be subject to adjustment as set out in paragraph 7.2.2 below (being the Cash Consideration) and the novation of the PP Bond from Galliford Try to Bovis Homes in accordance with the terms of the Deed of Novation.

7.2.2 *Adjustments to Consideration*

(a) **Partnerships & Regeneration adjustment:** The amount payable by Bovis Homes for the Partnerships & Regeneration Shares will be reduced if the TGAV of Partnerships & Regeneration at Completion is less than a target amount of £85 million. The amount payable will be reduced by an amount equal to the shortfall below that target amount.

(b) **Linden Homes adjustment:** The amount payable for the Linden Homes Special Share shall be the amount by which the TGAV of Linden Homes at Completion exceeds a base amount of £728 million (the "**Linden Homes TGAV Adjustment Amount**"). If the TGAV of Linden Homes at Completion is below that base amount, the amount payable for the Linden Homes Special Share shall be zero and Galliford Try shall pay an amount equal to the shortfall to Bovis Homes.

(c) Prior to Completion, Galliford Try shall notify Bovis Homes of the estimated TGAV of Linden Homes and of Partnerships & Regeneration in order to determine the initial amount to be paid in consideration for the Linden Homes Special Share at Completion and any reduction to the cash consideration payable for Partnerships & Regeneration. If the amount payable at Completion exceeds £400 million, then £400 million will be payable at Completion, with the balance to be paid in accordance with paragraphs (e) and (f) below.

(d) As soon as possible following Completion, Galliford Try shall prepare the closing statement and the TGAV of Linden Homes and of Partnerships & Regeneration will be determined. The amount to be paid in consideration for the Linden Homes Special Share shall be derived from the value of the TGAV of Linden Homes in that closing statement. Any reduction to the cash consideration will be derived from the TGAV of Partnerships & Regeneration in that closing statement.

(e) Save as set out below, by 30 April 2020 or five Business Days following the date on which the closing statement is agreed, Bovis Homes or Galliford Try shall pay any amounts to the other party required to ensure the actual Linden Homes TGAV Adjustment Amount has been paid to Galliford Try and the correct amount has been paid in respect of Partnerships & Regeneration.

(f) If the actual Linden Homes TGAV Adjustment Amount is more than 10 per cent. greater than the estimate provided at Completion, the amount in excess of that 10 per cent. limit will not be payable until 31 July 2020.

7.2.3 *Conditions*

The sale and purchase of the New Topco Shares, the allotment and issue of the Consideration Shares and the novation of the PP Bond from Galliford Try to Bovis Homes are conditional upon satisfaction of the following conditions, or their satisfaction subject only to Completion:

(a) the Restructuring having been effected, the Scheme becoming effective in accordance with its terms, the New Topco Capital Reduction being confirmed by the Jersey Financial Services Commission and the Demerger having been completed;

(b) the passing of the requisite resolutions at the Court Meeting and the General Meeting by the requisite majorities;

(c) the passing of the requisite resolutions at the Bovis Homes General Meeting by the requisite majorities;

(d) Bovis Homes having received net proceeds of not less than £140 million pursuant to the Placing (this condition has been satisfied);

(e) subject only to Completion having occurred, the admission of the Consideration Shares becoming effective; and

(f) the Deed of Novation having become wholly unconditional in accordance with its terms.

The Transaction is not conditional on clearance from the Competition and Markets Authority (the "**CMA**") and the parties have jointly submitted a briefing paper to the CMA explaining why the Transaction does not raise any competition concerns.

7.2.4 *Pre-Completion obligations*

In the period to Completion, Galliford Try has undertaken to procure that the Disposal Group carries on its business as a going concern in the ordinary and usual course as carried on prior to the date of the SPA and otherwise in accordance with applicable law. Galliford Try has also undertaken to procure that the Disposal Group takes and/or refrains from taking certain specific actions including in respect of any joint venture arrangement.

In the period to Completion, Galliford Try and New Topco have agreed that no action or step shall be taken by New Topco or by any board or board committee of New Topco without the prior written consent of Bovis Homes.

Immediately prior to Completion, Galliford Try has agreed to procure that each member of the Disposal Group and each relevant member of the NewCo Group pays to the relevant party all intra-group balances between such members of the Disposal Group and members of the NewCo Group.

7.2.5 *Restructuring*

In the period to Completion, Galliford Try and New Topco have agreed to take, and procure that any relevant members of the NewCo Group and/or the Disposal Group take, all such actions necessary to give effect to the Restructuring. The steps comprising the Restructuring are as follows:

(a) Linden Homes sells the Partnerships & Regeneration Shares to Galliford Try;

(b) Linden Homes issues the Linden Homes Special Share to Galliford Try;

(c) Galliford Try implements the Scheme to insert New Topco as a new holding company of the NewCo Group and issues New Topco Shares to the Galliford Try Shareholders;

(d) Galliford Try declares a distribution in specie of the Linden Homes Shares to New Topco;

(e) New Topco undertakes a bonus issue of New Topco B Shares to the New Topco Shareholders; and

(f) New Topco transfers Galliford Try to the Company, pursuant to a reduction of capital of the New Topco B Shares supported by a solvency statement in return for the issue of Ordinary Shares to the New Topco Shareholders.

7.2.6 *Completion deliverables*

On Completion, Galliford Try, New Topco and Bovis Homes are obliged to execute and deliver certain documents required to give effect to the Transaction, including, for Galliford Try and New Topco, certain documents and evidence required in connection with the implementation of the Restructuring.

7.2.7 *Warranties and indemnities*

The SPA contains warranties given by Galliford Try and New Topco in favour of Bovis Homes with respect to Galliford Try, New Topco, the Disposal Group and joint ventures that are customary for a transaction of this nature and size, including, inter alia, with respect to: corporate matters, the title of Galliford Try and New Topco to the relevant shares, consents, capacity and authority, books and records, financial statements, absence of certain changes, properties, sufficiency of assets, intellectual property and data protection, employee matters, pensions, compliance with laws, environmental matters, litigation, insurance and tax matters.

Galliford Try has indemnified Bovis Homes:

(a) in respect of the steps it takes in connection with the transfer of employees from Galliford Try to Bovis Homes pursuant to TUPE;

(b) in respect of the implementation of the restructuring steps set out above;

(c) in respect of certain historic matters in relation to the Transferring Pension Schemes. This indemnity is capped at £9.9 million; and

(d) in respect of certain ongoing disputes involving the Disposal Group. This indemnity is capped at £3 million, plus 15 per cent. of any losses to the Disposal Group in excess of £5 million,

and in addition the SPA contains wrong pockets arrangements, including an indemnity from Galliford Try to Bovis Homes for costs associated with transferring an asset to Bovis Homes where Galliford Try has incorrectly transferred that asset in or out of the Disposal Group ahead of Completion.

Galliford Try's liability for claims under the warranties is subject to a number of contractual limitations, in particular:

(a) any claims must be notified to Galliford Try within six years of Completion for tax claims and 18 months of Completion for all other claims; and

(b) the maximum aggregate liability of Galliford Try for all claims relating to a breach of warranties shall not exceed £1.

Bovis Homes has the benefit of the W&I Insurance Policy which provides, conditional on Completion, insurance cover in respect of certain claims under the warranties and tax claims.

7.2.8 *Termination*

The SPA may be terminated:

(a) by Bovis Homes or Galliford Try, if any of the conditions is not satisfied or waived by 7.00 p.m. on 3 January 2020;

(b) by Bovis Homes or Galliford Try, if the Galliford Try Board adjourns the General Meeting otherwise than in accordance with the SPA or withdraws, suspends, qualifies or adversely modifies or amends the Galliford Try Recommendation;

(c) by Bovis Homes or Galliford Try, if the Galliford Try Board adjourns the General Meeting otherwise than in accordance with the SPA or withdraws, suspends, qualifies or adversely modifies or amends the Bovis Homes Recommendation; and

(d) by Bovis Homes or, if Bovis Homes does not agree to increase the amount payable on Completion by an equivalent amount, by Galliford Try, if the estimated TGAV adjustment payment for Linden Homes at Completion is greater than £125 million or the estimated TGAV of Partnerships & Regeneration at Completion is greater than £140 million.

7.2.9 *Governing Law and Jurisdiction*

The SPA is governed by the laws of England and Wales. The courts of England and Wales will have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the SPA.

7.3 ***Tax Indemnity***

On Completion Bovis Homes and Galliford Try will enter into a tax deed of covenant (the "**Tax Indemnity**") pursuant to which Galliford Try agrees to indemnify Bovis Homes in respect of the tax liabilities incurred by the Existing Group and its joint ventures prior to Completion (including as a result of the Restructuring). Galliford Try's liability under the Tax Indemnity is limited to £1 and covered by the W&I Insurance Policy.

7.4 ***Transitional Services Agreement***

On Completion a member of the NewCo Group (the "**Supplier**") will enter into a Transitional Services Agreement with Bovis Homes (or a member of the Bovis Homes group) (the "**Recipient**") under which the Supplier will continue to provide certain services to Linden Homes and Partnerships & Regeneration for a limited period following Completion (the "**Transitional Services**"). The Transitional Services will include: (i) payroll services, (ii) various finance functions provided by the NewCo Group's shared service centre, e.g. "Accounts Payable – Purchase Ledger"; (iii) various IT and telephony services; (iv) a statutory accounts production service; and (v) car fleet management services. The Recipient will pay the Supplier for those Transitional Services under the Transitional Services Agreement.

The Transitional Services will be divided into a number of service categories (the "**Service Categories**"), and each Service Category will have its own term and its own charges. The longest Service Category term is likely to be 30 months.

The Supplier will commit to provide the Transitional Services to the same standard as they were provided prior to Completion.

The Transitional Services Agreement will also specify certain dependencies (the "**Dependencies**"). These Dependencies are typically acts that the Recipient must carry out in order to allow the Supplier to provide the Transitional Services. For example, one Dependency is physical access to any IT hardware that the Supplier is obliged to repair as part of the Transitional Services. If a Dependency is not met, then there is contractual relief for the Supplier as against the Supplier's obligation to provide the relevant Transitional Services.

The Transitional Services Agreement will contain:

(a) provisions relating to migration planning and migration (in relation to the Supplier's migrating away from the Transitional Services);

(b) provisions relating to project management and regular meetings;

(c) provisions relating to ownership and licensing of intellectual property rights;

(d) provisions relating to the security of IT systems;

(e) provisions relating to charging and invoicing;

(f) warranties (largely from the Supplier to the Recipient in relation to the quality of the Transitional Services);

(g) limits and exclusions of liability;

(h) a reciprocal confidentiality clause; and

(i) provisions relating to data protection law compliance.

The Transitional Services Agreement is an agreed form document under the Sale and Purchase Agreement.

7.5 ***Sponsors' Agreement***

On 8 November 2019, Galliford Try and the Company entered into a sponsors' agreement with the Joint Sponsors, pursuant to which Galliford Try and the Company appointed HSBC and Peel Hunt as Joint Sponsors in connection with the applications for Admission and the publication of this document and the Galliford Try Circular (the "**Sponsors' Agreement**"). Galliford Try and the Company have given certain customary representations and warranties, agreed to comply with certain customary undertakings and given certain customary indemnities to the Joint Sponsors. The liabilities under those warranties, undertakings and indemnities are unlimited as to time and amount. The Joint Sponsors may by notice to Galliford Try and the Company terminate the Sponsors' Agreement in certain customary limited circumstances prior to Admission.

7.6 ***Private Placement Debt***

Galliford Try entered into a note purchase agreement dated 16 February 2017 in relation to the PP Bond with The Prudential Insurance Company of America, Pruco Life Insurance Company, Pensionskasse des Bundes Publica, Zurich Insurance Public Limited Company (UK Branch) and Hermit Private Placement Investors L.P. as original purchasers. As at the Latest Practicable Date, the private placement remains in place, but it is expected that the private placement debt will be novated by Galliford Try to Bovis Homes in accordance with the terms of the Deed of Novation prior to Admission.

The key terms of the note purchase agreement are set out below:

(a) *Notes*

The notes consists of £100 million Sterling senior notes. The full £100 million of the notes was drawn down on 16 February 2017.

(b) *Purpose*

The notes may be used towards the general corporate purposes of the Existing Group.

(c) *Repayment*

The notes are due for repayment in full on 16 February 2027.

The notes are subject to a change of control prepayment requirement whereby if any person or persons acting in concert gains control of Galliford Try, Galliford Try must make an offer to the noteholders to acquire 100 per cent. of the outstanding notes at par.

(d) *Interest and fees*

The notes bear interest at 4.03 per cent. per annum. Any optional prepayment of the notes shall incur a make-whole penalty determined on the basis of reinvestment yield to original maturity of the prepaid notes.

(e) *Guarantee and Security*

The notes are unsecured and rank pari passu with all other unsecured obligations. Each guarantor guarantees the performance by Galliford Try and each other guarantor under the note purchase agreement and the related guarantee agreement.

(f) *Covenants*

The note purchase agreement requires Galliford Try to comply with the following financial covenants:

(i) the ratio of consolidated EBIT to net consolidated finance charges shall not be less than 3:1 at any time;

(ii) the ratio of consolidated total net debt and land creditor debt (without double counting) to consolidated tangible net assets shall not exceed (A) 1.25:1 at any time on or prior to 31 December 2018 and (B) 1.10:1 at any time thereafter; and

(iii) consolidated tangible net assets must not be less than £383.5 million at any time after 30 June 2016, but on 30 June of each subsequent year this figure is increased by an amount equal to 80 per cent. of the Existing Group profit for the financial year just ended less minority interests of and dividends paid by the Existing Group in that financial year.

The note purchase agreement also contains certain other covenants which, amongst other things, limits to certain thresholds further borrowings, creation of security and disposal of assets, and imposes restrictions on, amongst other things, mergers and change of business.

The note purchase agreement also contains a most favoured lender clause, whereby if a new financial covenant is granted, or a financial covenant for which an analogous provision exists in the note purchase agreement is tightened, in a material credit facility (each facility of the Existing Group exceeding £50 million or, if there is no such facility, the largest facility of the Existing Group at such time), the purchasers will also receive the benefit of this new covenant or, as the case may be, covenant tightening under the note purchase agreement. Similarly, if a financial covenant that has been added in to the note purchase agreement or tightened by virtue of the most favoured lender provision and such covenant is later deleted or relaxed in the relevant material credit facility, such deletion or relaxation will also apply to the note purchase agreement provided that no default is continuing at such time.

(g) *Events of Default*

The note purchase agreement contains customary events of default including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults, certain events of insolvency, audit qualification and material adverse change.

7.7 ***Underwriting Agreement***

On 27 March 2018, Galliford Try and HSBC, Peel Hunt and Barclays Bank PLC entered into an underwriting agreement (the "**Underwriting Agreement**") pursuant to which Galliford Try appointed: (i) each of HSBC, Peel Hunt and Barclays Bank PLC, on a several basis, as underwriters and joint bookrunners in relation to the issue of Galliford Try Shares to certain Galliford Try Shareholders by way of a rights issue (the "**Rights Issue**"), and (ii) each of HSBC and Peel Hunt, on a several basis, as joint global co-ordinators and sponsors in relation to the Rights Issue.

Galliford Try gave certain customary representations and warranties, agreed to comply with certain undertakings and gave certain customary indemnities to HSBC, Peel Hunt and Barclays Bank PLC. The liabilities under those warranties, undertakings and indemnities were unlimited as to time and amount.

7.8 ***Subscription and Transfer Agreements***

In connection with the Rights Issue, Galliford Try, Stratford Funding (Jersey) Limited and HSBC entered into (i) a subscription and transfer agreement deed, and (ii) an initial subscription and put and call option deed (together, the "**Subscription and Transfer Agreements**"), each dated 27 March 2018, in respect of the subscription and transfer of ordinary shares and redeemable preference shares in Stratford Funding (Jersey) Limited.

Galliford Try Shareholders are not party to these arrangements and so did not acquire any direct right against HSBC and Peel Hunt pursuant to these arrangements. Galliford Try is responsible for enforcing the obligations of HSBC and Stratford Funding (Jersey) Limited thereunder.

7.9 ***Revolving Credit Facility ("RCF")***

Galliford Try entered into a £450 million Sterling revolving credit facility agreement dated 18 February 2014 (as amended on 13 February 2015 and 30 March 2016 and as amended and restated on 20 December 2016) as an original Borrower and an original Guarantor with HSBC as Facility Agent and Barclays Bank PLC, HSBC, Abbey National Treasury Services plc and The Royal Bank of Scotland plc as mandated lead arrangers, original lenders and original hedge counterparties. As at the Latest Practicable Date, the RCF remains in place, but it is expected that following receipt of the Cash Consideration on Completion the RCF will be prepaid and cancelled by Galliford Try.

The key terms of the facility agreement are set out below:

(a) *Facility*

The facility consists of a £450 million Sterling revolving loan facility. A lender may make all or part of its commitment available to the borrowers as either loans or ancillary facilities.

(b) *Purpose*

The facility shall be used firstly towards the refinancing and cancellation of a then existing RCF agreement originally dated 25 May 2011 and thereafter towards the general corporate purposes of the Existing Group.

(c) *Repayment*

The full facility of £450 million is available for utilisation until 18 January 2022 and all outstanding amounts must be repaid on 18 February 2021. The facility provides that Galliford Try may request that the lenders extend the facility for up to one year and each lender may in its sole discretion agree to such request. The facility may only be extended if all the lenders agree to the extension or if all the extending lenders agree to take on the commitments of the non-extending lenders.

The facility is subject to a change of control prepayment event whereby if any person or persons acting in concert gains control of Galliford Try, the lenders have the right to cancel their commitments and require prepayment.

If certain further unsecured debt is incurred above a set level, the facility must be partially cancelled in an amount equal to the unsecured debt incurred above that level.

(d) *Interest and fees*

Advances under the facility bear interest at a rate equal to the relevant rate of LIBOR plus the applicable margin. The margin varies between 2.00 per cent. and 2.30 per cent. per annum according to the percentage of the total RCF commitments that are drawn (including as deemed increased by certain other unsecured debt) on the first day of the relevant interest period.

Certain fees and expenses apply, including arrangement fees, facility agency fees, commitment fees, ancillary facility fees and, where applicable, extension fees.

(e) *Guarantee and Security*

The facility is unsecured and is to rank pari passu with all other unsecured obligations. Each guarantor (including Galliford Try) guarantees the performance by each other obligor under the facility agreement.

(f) *Covenants*

The facility agreement requires Galliford Try to comply with the following financial covenants:

i. the ratio of consolidated EBIT to net consolidated finance charges shall not be less than 3:1 at any time;

ii. the ratio of consolidated total net debt and land creditor debt (without double counting) to consolidated tangible net assets shall not exceed (A) 1.25:1 at any time on or prior to 31 December 2018 and (B) 1.10:1 at any time thereafter; and

iii. consolidated tangible net assets must not be less than £383.5 million at any time after 30 June 2016, but on 30 June of each subsequent year this figure is increased by an amount equal to 80 per cent. of the Existing Group profit for the financial year just ended less minority interests of and dividends paid by the Existing Group in that financial year.

The facility agreement also contains certain other covenants which, amongst other things, limits to certain thresholds further borrowings, creation of security and disposal of assets, and imposes restrictions on, amongst other things, mergers, acquisitions and change of business.

(g) *Events of Default*

The facility agreement contains customary events of default including payment defaults, breaches of representations and warranties, covenant defaults, cross-defaults, certain events of insolvency, audit qualification and material adverse change.

8. WORKING CAPITAL

The Company is of the opinion that the NewCo Group, taking into account the net proceeds of the Transaction, has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

9. SIGNIFICANT CHANGE

There has been no significant change in the financial performance or financial position of the Existing Group (excluding the Disposal Group) since 30 June 2019, the date to which the Historical Financial Information contained in Part 9 (*Historical Financial Information*) of this document has been prepared.

10. LEGAL AND ARBITRATION PROCEEDINGS

10.1 The NewCo Group, through its joint arrangement with Balfour Beatty, is continuing to negotiate a significant claim against the client on the AWPR contract (which relates to the construction of the Aberdeen Western Peripheral Route), construction of which was substantially concluded in early 2019, whilst preparing to pursue this through initiating formal dispute resolution by December 2019 should these negotiations not reach a satisfactory conclusion.

Over the last three financial years, £152 million of exceptional losses have been recorded. Consultants to the Existing Group have advised an expected recovery of around £100 million to the NewCo Group, although the total assessed value in respect of the claims under the contract is over twice that level. In assessing the final losses on this contract, the NewCo Group has assumed recoveries from its share of the claims against the client, although the latest proposal put to the NewCo Group is less than the amount assumed and if settled at this amount would result in a cash inflow but an asset write off. The client has notified (but not deducted) a claim for contractual lane occupation charges. In arriving at its expected recovery, the NewCo Group has assumed it will not pay such charges. If the NewCo Group is not successful in its negotiation or alternatively any formal recovery action commenced, the assumed recoveries may not be realised and the NewCo Group may be subject to such counterclaims and/or financial charges which could have a significant adverse cash impact on the NewCo Group. The contract recovery recorded in the balance sheet of the NewCo Group is determined from the consultant's estimate referred to above. Negotiations remain in progress with the client but the final outcome is unknown and when concluded could result in a material difference to the position assumed.

There are also claims against other parties involved in the AWPR contract, including designers and insurers against which no value is recognised in the balance sheet due to the Company's accounting policy on downstream claims. Whilst these claims are individually immaterial, they are subject to a similar risk of full or partial non-collection.

As noted in paragraph 11 of this Part 13 (*Additional Information*), the FRC is currently reviewing certain aspects of the Existing Group's accounting treatment, including in relation to the AWPR contract and other third-party claims.

Separately, the NewCo Group has submitted claims of approximately £54 million, and recognised significant value, in respect of three contracts with entities owned by a major infrastructure fund of a blue-chip listed company (in respect of which corresponding counterclaims have been received since the publication of the Galliford Try Circular, which the NewCo Group will vigorously defend).

10.2 Other than as set out in paragraph 10.1 of this Part 13 (*Additional Information*), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the Company and/or the NewCo Group's financial position or profitability.

11. FRC REVIEW OF 2018 FINANCIAL STATEMENTS

As reported in the Existing Group's 2019 Annual Report, the Existing Group's 2018 financial statements are subject to an ongoing review by the FRC's Corporate Reporting Review team. This review relates principally to: (i) revenue recognition in respect of construction contracts; (ii) accounting treatment of third-party claims; and (iii) estimation uncertainty in relation to construction contracts. The review includes the Existing Group's accounting treatment in respect of the significant outstanding claim relating to the AWPR contract. The Existing Group continues to be in discussions with the FRC and has responded to queries relating to the 2018 financial statements. No final determination or recommendations have been reached by the FRC in relation to their ongoing review, however it is possible that the FRC may make recommendations to the Existing Group (or the NewCo Group) at the conclusion of its review.

12. RELATED PARTY TRANSACTIONS

Other than as disclosed in note 30 of the Notes to the Combined Financial Statements set out in Part A of Part 9 (*Historical Financial Information*) of this document, there were no related party transactions entered into by members of the NewCo Group during the period between 1 July 2019 and the Latest Practicable Date.

13. CONSENTS AND RELATED MATTERS

13.1 PwC has given and not withdrawn its written consent to the inclusion in this document of:

13.1.1 the Accountants' Report on the Historical Financial Information set out in Part B of Part 9 (*Historical Financial Information*) of this document; and

13.1.2 the Accountants' Report on the Unaudited Pro Forma Financial Information set out in Part B of Part 10 (*Unaudited Pro Forma Financial Information*) of this document,

and has authorised the contents of its reports for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Regulation Rules.

13.2 A written consent under the Prospectus Regulation Rules is different from a consent filed with the SEC under section 7 of the Securities Act. As Ordinary Shares have not been and will not be registered under the Securities Act, PwC has not filed a consent under section 7 of the Securities Act.

14. MATERIAL INVESTMENTS

As at the Latest Practicable Date, for the period covered by the Historical Financial Information, the NewCo Group had £42 million of investments/debt in PFI companies in the UK, funded through a combination of debt and equity. There are no other material investments that are in progress or for which firm commitments have already been made.

15. EXPENSES OF ADMISSION AND THE DEMERGER

The total costs and expenses of and incidental to the Demerger and Admission, including the fees of the FCA and London Stock Exchange, fees payable to the Company's advisers and the costs of printing and distribution of documents are estimated to amount to approximately £20.5 million (exclusive of value added tax and inclusive of stamp duty) and are payable by Galliford Try.

16. GENERAL

16.1 Kevin Corbett is the secretary of the Company. He is a solicitor of the Supreme Court of England and Wales.

16.2 The registrar of the Company is Equiniti Limited and will, in relation to Ordinary Shares in certificated form, be responsible for keeping the Company's share records.

16.3 Each of Rothschild & Co, HSBC, Peel Hunt and their respective affiliates have engaged in transactions with and performed various investment banking, financial advisory and other services for the Existing Group and its affiliates, for which, in certain cases, they received customary fees and commissions. In particular, HSBC is currently a lender to the Existing Group pursuant to certain debt facilities. Additionally, as lender under those debt facilities, HSBC receives customary fees related to such services. Each of Rothschild & Co, HSBC, Peel Hunt and their respective affiliates may provide such services for the NewCo Group and its affiliates in the future.

16.4 Where information has been sourced from a third party, the Company confirms that the information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used, the source of such information has been identified wherever it appears in this document.

17. DOCUMENTS ON DISPLAY

17.1 Copies of the following documents are available for inspection at http://www.gallifordtry.co.uk from the date of this document for a period of 12 months following Admission:

17.1.1 the Articles;

17.1.2 the written consent of PwC referred to in paragraph 13 of this Part 13 (*Additional Information*); and

17.1.3 this document.

17.2 For the purposes of Rule 3.2 of the Prospectus Regulation Rules, this document will be published in printed form and available free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 28 days from the date of publication of this document at CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF. In addition, this document will be published in electronic form and be available on the Existing Group's website at http://www.gallifordtry.co.uk.

PART 14

DOCUMENT INCORPORATED BY REFERENCE

The following document, which is available as described below, contains information which is relevant to the Proposals.

The Articles of Association of the Company adopted by the Company on 5 November 2019, which are available for inspection in accordance with paragraph 17 of Part 13 (*Additional Information*) of this document and also otherwise available on the Existing Group's website at http://www.gallifordtry.co.uk, is incorporated by reference into this document so as to provide the information required under the Prospectus Regulation Rules, and to ensure that investors are aware of all information, which according to the particular nature of the Company and the Ordinary Shares, is necessary to enable investors to make an informed assessment of the rights attaching to the Ordinary Shares.

PART 15

DEFINITIONS AND INTERPRETATION

The definitions set out below apply throughout this document, unless the context requires otherwise:

"**Act**"	means the Companies Act 2006, as amended;
"**Admission**"	means admission of the issued Ordinary Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities becoming effective;
"**Annual Bonus Plan**"	means the Galliford Try plc Annual Bonus Plan 2007;
"**Articles of Association**" or "**Articles**"	means the articles of association of the Company;
"**AWPR**"	means the Aberdeen Western Peripheral Route, the 58 kilometre long road around Aberdeen, Scotland;
"**Board**" or "**Directors**"	means the directors of the Company;
"**Bovis Homes**"	means Bovis Homes Group PLC, a public limited company incorporated in England and Wales with registered number 00306718, whose registered office is at 11 Tower View, Kings Hill, West Malling, United Kingdom, ME19 4UY;
"**Bovis Homes Board**"	means the board of directors of Bovis Homes;
"**Bovis Homes General Meeting**"	means the general meeting (including any adjournment thereof) of the holders of Bovis Homes Shares convened in connection with the Transaction;
"**Bovis Homes Recommendation**"	means the unanimous and unqualified recommendation by the Bovis Homes Board to the holders of Bovis Homes Shares to vote in favour of the Bovis Homes Resolutions;
"**Bovis Homes Resolutions**"	means the resolutions to approve and provide all necessary authorities in order to implement the Transaction and the Transaction Documents to be proposed at the Bovis Homes General Meeting;
"**Bovis Homes Shares**"	means ordinary shares of 50 pence each in the capital of Bovis Homes;
"**Business Day**"	means a day, other than a Saturday or a Sunday or public holiday or bank holiday, on which banks are generally open for business in the City of London;
"**certificated**" or "**in certificated form**"	means an Ordinary Share which is not in uncertificated form;
"**Cash Consideration**"	means the payment by Bovis Homes of £300 million in cash to Galliford Try (adjusted according to the TGAV of the Disposal Group), pursuant to the terms of the Sale and Purchase Agreement;

"**Company**"	means Galliford Try Holdings plc, a public limited company incorporated in England and Wales with registered number 12216008, whose registered office is at Cowley Business Park, Cowley, Uxbridge, Middlesex UB8 2AL;
"**Completion**"	means completion of the Transaction in accordance with the terms of the Sale and Purchase Agreement;
"**Consideration Shares**"	means 63,739,385 Bovis Homes Shares;
"**Construction**"	means the Construction division of Galliford Try, or where the context requires Galliford Try Construction & Investments Holdings Limited, a private limited company incorporated in England and Wales with registered number 04530735, whose registered office is at Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL (being the intermediate holding company of the Construction division) and its subsidiaries and subsidiary undertakings save that where "**Construction**" is used in paragraph 2.1 of Part 1 (*Summary*), Part 4 (*Important Information*), Part 9 (*Historical Financial Information*), Part 10 (*Unaudited Pro Forma Financial Information*), Part 11 (*Operating and Financial Review*) and the definition of Historical Financial Information, such references shall be in respect of the Existing Group (excluding the Disposal Group);
"**Corporate Governance Code**"	means the UK Corporate Governance Code in the latest form issued by the Financial Reporting Council from time to time;
"**Court**"	means the High Court of Justice in England and Wales;
"**Court Hearing**"	means the hearing by the Court of the claim form to sanction the Scheme under section 899 of the Act including any adjournments thereof;
"**Court Meeting**"	means the meeting of the Galliford Try Shareholders convened pursuant to an order of the Court and to be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF at 10.00 a.m. on 29 November 2019 for the purposes of considering and, if thought fit, approving the Scheme (including any adjournment of such meeting);
"**CREST**"	means the paperless settlement system operated by Euroclear UK & Ireland under the CREST Regulations to facilitate the transfer of title to, and the holding of, shares in uncertificated form;
"**CREST Regulations**"	means the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended;
"**Deed of Novation**"	means the instrument implementing the novation of the PP Bond from Galliford Try to Bovis Homes;
"**Demerger**"	means the proposed acquisition (a) by Bovis Homes of New Topco (which will hold Linden Homes) and (b) by Bovis Homes of Partnerships & Regeneration from Galliford Try on the terms and subject to the conditions set out in the Sale and Purchase Agreement;

"**Demerger Effective Time**"	means the time at which the Demerger becomes effective, expected to be before 8.00 a.m. (London time) on 3 January 2020;
"**Disposal Group**"	means Linden Homes and Partnerships & Regeneration, together with their respective subsidiaries and subsidiary undertakings;
"**Disclosure Guidance and Transparency Rules**"	means the disclosure guidance and transparency rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
"**Enlarged Share Capital**"	means the Company's issued share capital as at Admission, which is expected to be up to 113,056,099 Ordinary Shares (based on the number of Galliford Try Shares in issue as at the Latest Practicable Date and the maximum number of Galliford Try Shares that may be issued if all the share awards and share options granted under Galliford Try's share incentive plans are exercised in full);
"**EU**" or "**European Union**"	means the 28 member states of the European Union, and which includes the UK;
"**Euroclear UK & Ireland**"	means Euroclear UK & Ireland Limited, a company incorporated in England and Wales under number 2878738 whose registered office is at 33 Cannon Street, London EC4M 5SB;
"**Exchange Act**"	means the US Securities Exchange Act of 1934, as amended;
"**Executive Directors**"	means the executive directors of the Company whose names are set out in Part 5 of this document and "**Executive Director**" shall mean any one of them;
"**Existing Group**"	means a reference to Galliford Try and its subsidiaries and subsidiary undertakings, prior to the Proposals becoming effective in accordance with their respective terms, and which shall include Construction, Linden Homes and Partnerships & Regeneration;
"**FCA**"	means the Financial Conduct Authority of the United Kingdom;
"**FCA Handbook**"	means the handbook of rules and guidance made by the FCA under FSMA;
"**FRC**"	means the Financial Reporting Council;
"**FSMA**"	means the Financial Services and Markets Act 2000, as amended;
"**Galliford Try**"	means Galliford Try plc, a public limited company incorporated in England and Wales with registered number 00836539, whose registered office is at Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL;
"**Galliford Try Board**"	means the board of directors of Galliford Try;
"**Galliford Try Capital Reduction**"	means the reduction of Galliford Try's share capital pursuant to Chapter 10 of Part 17 of the Companies Act, in accordance with the Scheme;
"**Galliford Try Circular**"	means the circular sent to holders of Galliford Try Shares dated 8 November 2019 containing, among other things, details of the Scheme, the New Topco Capital Reduction and the Demerger and notice of the Court Meeting and the General Meeting;

"**Galliford Try Overseas Shareholders**"	means Galliford Try Shareholders who have registered addresses outside the United Kingdom or who are citizens, residents or nationals of, or located in, jurisdictions outside the United Kingdom;
"**Galliford Try Recommendation**"	means the unanimous and unqualified recommendation by the Galliford Try Board to the holders of Galliford Try Shares to vote in favour of the General Meeting Resolutions;
"**Galliford Try Shareholders**"	means holders of Galliford Try Shares and "**Galliford Try Shareholder**" means any one of them;
"**Galliford Try Shares**"	means the ordinary shares of 50 pence each in the capital of Galliford Try;
"**General Meeting**"	means the general meeting of the Galliford Try Shareholders convened in connection with the approval of, *inter alia*, the Transaction and the Galliford Try Capital Reduction and to be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London EC4N 6AF at 10.15 a.m. on 29 November 2019 (including any adjournment of such meeting);
"**General Meeting Resolutions**"	means the resolutions to be proposed at the General Meeting;
"**Historical Financial Information**"	means the historical financial information for Construction as at and for each of the three years ended 30 June 2017, 30 June 2018 and 30 June 2019, as appearing in Part 9 (*Historical Financial Information*) of this document;
"**HMRC**"	means Her Majesty's Revenue and Customs;
"**Housing Market Intelligence Report 2019**"	means the Housing Market Intelligence Report 2019 prepared by Housebuilder in partnership with NHBC and Home Builders Federation;
"**HSBC**"	means HSBC Bank plc, the Company's joint sponsor, financial adviser and corporate broker;
"**IFRS**"	means the International Financial Reporting Standards;
"**Latest Practicable Date**"	means close of business on 22 November 2019 (being the latest practicable date prior to the date of this document);
"**Linden Homes**"	means the Linden Homes division of Galliford Try, or where the context requires Galliford Try Homes Limited, a private limited company incorporated in England and Wales with registered number 03158857, whose registered office is at Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL (being the intermediate holding company of the Linden Homes division) and its subsidiaries and subsidiary undertakings;
"**Linden Homes Distribution**"	means the proposed distribution in specie by Galliford Try of Linden Homes to New Topco, with the result that Galliford Try will directly hold Partnerships & Regeneration and Construction and New Topco will directly hold Linden Homes and Galliford Try;

"**Linden Homes Shares**"	means the 72,675 A ordinary shares of £1.00 each, 21,472 MHL Management shares of £0.01 each and 171,000 ordinary shares of £1.00 each, being the entire issued share capital of Linden Homes (other than the Linden Homes Special Share), and "**Linden Homes Share**" means any one of them;
"**Linden Homes Special Share**"	means the special share of £0.50 in the share capital of Linden Homes, having the rights set out in the Linden Homes articles of association;
"**Listing Rules**"	means the listing rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
"**London Stock Exchange**"	means London Stock Exchange plc;
"**LTIP**"	means the Galliford Try plc Long Term Incentive Plan 2016;
"**Market Abuse Regulation**"	means the Market Abuse Regulation (EU) (596/2014);
"**NewCo Group**"	means a reference to the Company and its subsidiaries and subsidiary undertakings, following the Proposals becoming effective in accordance with their respective terms, and which shall include Construction, but shall not include Linden Homes and Partnerships & Regeneration;
"**New Topco**"	means Goldfinch (Jersey) Limited, a private limited company incorporated in Jersey with registration number 130175 whose registered office is at 47 Esplanade, St Helier, Jersey JE1 0BD;
"**New Topco A Shares**"	means A ordinary shares in the capital of New Topco;
"**New Topco B Shares**"	means B ordinary shares in the capital of New Topco;
"**New Topco Capital Reduction**"	means the proposed cancellation of the New Topco B Shares to be undertaken following the Linden Homes Distribution;
"**New Topco Shareholders**"	means the holders of New Topco Shares at any relevant date or time and a "New Topco Shareholder" means any one of those New Topco Shareholders;
"**New Topco Shares**"	means the entire issued and to be issued share capital of New Topco immediately prior to Completion (and excluding for the avoidance of doubt, any shares cancelled pursuant to the New Topco Capital Reduction);
"**Non-executive Directors**"	means the non-executive directors of the Company whose names are set out in Part 5 of this document and "**Non-executive Director**" shall mean any one of them;
"**Official List**"	means the Official List of the FCA;
"**Ordinary Shares**"	means ordinary shares of 50 pence each in the capital of the Company;
"**Overseas Shareholder**"	means a Galliford Try Overseas Shareholder who becomes a holder of Ordinary Shares;
"**Panel**"	means the Panel on Takeovers and Mergers;

"**Partnerships & Regeneration**"	means the Partnerships & Regeneration division of Galliford Try, or where the context requires Galliford Try Partnerships Limited, a private limited company incorporated in England and Wales with registered number 00800384, whose registered office is at Cowley Business Park, Cowley, Uxbridge, Middlesex, UB8 2AL (being the intermediate holding company of the Partnerships & Regeneration division) and its subsidiaries and subsidiary undertakings;
"**Partnerships & Regeneration Sale**"	means the sale by Linden Homes of the Partnerships & Regeneration Shares to Galliford Try;
"**Partnerships & Regeneration Shares**"	means 100,000 ordinary shares of £1.00 each, being the entire issued share capital of Partnerships & Regeneration, and "**Partnerships & Regeneration Share**" means any one of them;
"**Peel Hunt**"	means Peel Hunt LLP, the Company's joint sponsor, financial adviser and corporate broker;
"**PFI**"	means private finance initiative;
"**PFIC**"	means a passive foreign investment company;
"**Placing**"	means the placing of 13,472,591 new Bovis Homes Shares pursuant to a placing with institutional investors;
"**PP Bond**"	means the £100 million ten year 4.03 per cent. unsecured notes issued by Galliford Try and due in February 2027;
"**PPP**"	means public private partnership;
"**Prompt Payment Code**"	means the Prompt Payment Code, administered by the Chartered Institute of Credit Management on behalf of the Department for Business, Energy & Industrial Strategy;
"**Proposals**"	means the Partnerships & Regeneration Sale, the Scheme, the Linden Homes Distribution, the New Topco Capital Reduction and the Demerger;
"**Prospectus Regulation**"	means Regulation (EU) 2017/1129 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, repealing Directive 2003/71/EC;
"**Prospectus Regulation Rules**"	means the prospectus regulation rules made by the FCA under Part VI of FSMA (as set out in the FCA Handbook), as amended from time to time;
"**PR Regulation**"	means the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004;
"**PwC**"	means PricewaterhouseCoopers LLP, the Company's auditors for the period until 30 June 2019;
"**Registered Providers**"	means registered providers of social housing (as defined in section 80 of the Housing and Regeneration Act 2008);

"**Restructuring**"	means the steps set out in Part I of the Galliford Try Circular, together with such other further ancillary steps as are required to implement the Transaction;
"**RIDDOR**"	means the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013;
"**Rothschild & Co**"	means N. M. Rothschild & Sons Limited, Galliford Try's lead financial adviser;
"**Sale and Purchase Agreement**" or "**SPA**"	means the sale and purchase agreement entered into between Galliford Try, New Topco and Bovis Homes on 7 November 2019 in respect of, inter alia, the Disposal Group, a summary of which is set out in paragraph 7.2 of Part 13 (*Additional Information*) of this document;
"**Scheme**"	means the scheme of arrangement proposed to be made under Part 26 of the Act between Galliford Try and Galliford Try Shareholders as set out in Part VIII of the Galliford Try Circular, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Galliford Try and Bovis Homes;
"**Scheme Effective Time**"	means the date and time at which the Scheme becomes effective in accordance with its terms, expected to be on 2 January 2020;
"**SEC**"	means the US Securities and Exchange Commission;
"**Securities Act**"	means the United States Securities Act of 1933 as amended;
"**Shareholders**"	means holders of Ordinary Shares and "**Shareholder**" means any one of them;
"**Sharesave**"	means the Galliford Try plc 2005 Savings Related Share Option Plan;
"**Takeover Code**"	means the City Code on Takeovers and Mergers;
"**Tax Indemnity**"	means the tax indemnity to be entered into between Bovis Homes and Galliford Try on Completion, a summary of which is set out in paragraph 7.3 of Part 13 (*Additional Information*) of this document;
"**TGAV**"	means total net assets of the relevant entity or entities, excluding cash, debt, goodwill and intangible assets;
"**Transaction**"	means the proposed sale of the Disposal Group on the terms and subject to the conditions set out in the Sale and Purchase Agreement, including, where the context so requires, the Restructuring;
"**Transaction Documents**"	means the Sale and Purchase Agreement, the Tax Indemnity and the Transitional Services Agreement;
"**Transferring Pension Schemes**"	means the Galliford Try Final Salary Pension Scheme and the Kendall Cross (Holdings) Ltd Assurance & Pension Scheme;

"**Transitional Services Agreement**"	means the transitional services agreement to be entered into between a member of the NewCo Group and Bovis Homes (or a member of the Bovis Homes Group) on Completion in respect of, *inter alia*, the Disposal Group, a summary of which is set out in paragraph 7.4 of Part 13 (*Additional Information*) of this document;
"**uncertificated**" or "**in uncertificated form**"	means recorded on the relevant register of Ordinary Shares as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
"**United Kingdom**" or "**UK**"	means the United Kingdom of Great Britain and Northern Ireland;
"**United States**" or "**US**"	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
"**US Holders**"	means a beneficial owner of Galliford Try Shares or Ordinary Shares that is: (i) a citizen of or an individual resident of the US, as determined for US federal income tax purposes; (ii) a corporation (or other entity treated as a corporation for US federal income tax purposes) created or organised under the laws of the US or any state thereof or the District of Columbia; (iii) an estate the income of which is subject to US federal income taxation regardless of its source; or (iv) a trust (A) if a court within the US is able to exercise primary jurisdiction over its administration and one or more US persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable US Treasury regulations to be treated as a US person;
"**US Treasury**"	means the US Department of the Treasury; and
"**W&I Insurance Policy**"	means the warranty and indemnity insurance policy between the relevant insurer and Bovis Homes dated on or around the date of the Sale and Purchase Agreement to cover losses arising in relation to breaches of Galliford Try's warranties under that agreement and the Tax Indemnity.

All reference to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

For the purpose of this document, "**subsidiary**", "**subsidiary undertaking**", "**undertaking**" and "**associated undertaking**" have the meanings given by the Act.